Notice of meeting and agenda

Governance, Risk and Best Value Committee

2.00pm, Wednesday, 23 September 2015

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

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

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1. Order of business

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

2. Declarations of Interest

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 None.

4. Minutes

4.1 Minute of the Governance, Risk and Best Value Committee of 13 August 2015 – submitted for approval as a correct record.

5. Outstanding Actions

5.1 Outstanding Actions – September 2015 (circulated)

6. Work Programme

6.1 Governance, Risk and Best Value Work Programme – September 2015 (circulated)

7. Reports

7.1 City of Edinburgh Council – Report to those Charged with Governance on the 2014/15 Audit – report by the Deputy Chief Executive (to follow)

7.2 CEC Transformation: Progress Update – referral report from the Finance and Resources Committee (circulated)

7.3 Internal Audit Quarterly Update Report: 1 April 2015 – 30 June 2015 – report by the Chief Internal Audit and Risk Officer (circulated)

7.4 Internal Audit follow-up arrangements: status report from 1 April 2015 to 30 September 2015 – report by the Chief Internal Audit and Risk Officer (circulated)

7.5 Internal Audit Report: Integrated Health and Social Care – report by the Chief Internal Audit and Risk Officer (circulated)

7.6 Corporate Leadership Group (CLG) Risk Report – report by the Deputy Chief Executive (circulated)

7.7 Looked After Children: Transformation Programme Progress Report – report by the Executive Director of Communities and Families (circulated)

7.8 Capital Monitoring 2014/15 – Outturn and Receipts – referral report from the Finance and Resources Committee (circulated)

7.9 Capital Monitoring 2015/16 – Month Three Position – referral report from the Finance and Resources Committee (circulated)

8. Motions

8.1 If any.

Carol Campbell

Head of Legal, Risk and Compliance

Committee Members

Councillors Balfour (Convener), Child, Dixon, Gardner, Howat, Keil, Main, Mowat, Munro, Orr, Redpath, Shields, and Tymkewycz.

Information about the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee consists of 13 Councillors appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meet every four weeks in the City Chambers, 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 Gavin King or Alison Clyne, Committee Services, City of Edinburgh Council, Waverley Court, Business Centre 2.1, Edinburgh EH8 8BG, Tel 0131 529 4239/469 3857, e-mail gavin.king@edinburgh.gov.uk / alison.clyne@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.

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Item 4.1 Minutes

Governance, Risk and Best Value Committee

10am, Thursday 13 August 2015

Present

Councillors Balfour (Convener), Child, Bill Cook, Dixon, Keil, Main, Munro, Orr, Rose (substituting for Councillor Mowat), Shields and Tymkewycz.

1. Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 18 June 2015 as a correct record.

2. Outstanding Actions

Details were provided of the outstanding actions arising from decisions taken by the Committee.

Decision

To agree to close actions 1 and 25.

(Reference – Outstanding Actions - August 2015, submitted.)

3. Work Programme

Decision

1) To approve the Work Programme, with the inclusion of the update report on Cameron House.

2) To request that the Chief Social Work Officer reports on the management of care staff, particularly client contact time versus total hours worked and the number of visits for each carer. This should include the full visit data for a week - visit start and finish times and shift start and finish times to compare contact time with 'downtime'.

(Reference – Governance, Risk and Best Value Work Programme – August 2015, submitted.)

4. Common Good Assets Register

The Corporate Policy and Strategy Committee on 4 August 2015 considered a report detailing the costs and timescales involved in fully updating the register of Common Good Assets, including a definition of Common Good and the Council's responsibilities concerning such assets.

Decision

1) To note the report.

2) To note that a report was being provided to the Finances and Resources Committee on Common Good in September 2015.

3) To request an update report in November 2015 to the Governance, Risk and Best Value Committee, including details of how community knowledge and historical documents could be utilised in defining common good.

4) To invite Andy Wightman to speak at a future meeting of the Committee.

(Reference – referral report from the Corporate Policy and Strategy Committee, submitted.)

5. Accounts Commission Annual Report 2014/15 and Audit Scotland Annual Report and Accounts 2014/15

An overview was provided of the Accounts Commission and Audit Scotland annual reports for 2014/15.

Decision

1) To note the Accounts Commission 2014/15 annual report.

2) To note Audit Scotland's 2014/15 annual report and accounts.

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

6. Audit Scotland: Review of key internal controls, 2014/15

An update was provided on Audit Scotland's review of the effectiveness of the Council's internal control framework, which was undertaken as part of its annual programme of scrutiny. The 2014/15 review was undertaken between January and May

2015 and Audit Scotland's overall assessment was that the key controls examined continued to operate satisfactorily. A number of opportunities to enhance the effectiveness of the existing framework had been identified and these formed the basis of a corresponding action plan.

Representatives from Audit Scotland were present for this item.

Decision

To note the findings of Audit Scotland's 2014/15 review and that regular updates on the effectiveness of the Council's internal control framework would continue to be provided to the Committee.

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

7. Corporate Governance Framework 2014/15

The Council's self assessment of its governance framework for the period 1 April 2014 to 31 March 2015 was provided. The governance framework consisted of an underlying set of legislative requirements, governance principles and management processes. Improvement actions had been identified for those areas requiring further development.

Decision

1) To note the corporate governance framework self-assessment which was outlined in appendix one to the Chief Operating Officer and Deputy Chief Executive's report.

2) To agree that the improvement actions which have been identified would be addressed by the Corporate Improvement and Transformation Plan.

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

8. Committee Decisions – November 2014 – June 2015

A report was provided which outlined the assurance work undertaken on the monitoring of committee decisions and detailed the implementation of Governance, Risk and Best Value Committee decisions covering the initial period from November 2014 to June 2015.

Decision

1) To note the position on the implementation of Governance, Risk and Best Value Committee decisions as detailed in the appendix to the report.

2) To note that reports on the implementation of committee decisions would be submitted to the next meetings of the Corporate Policy and Strategy Committee and each executive committee.

3) To note that an annual summary report would be presented to Committee in 12 months time.

(References – Governance, Risk and Best Value Committee 19 June 2014 (Item 9); report by the Chief Operating Officer and Deputy Chief Executive, submitted.)

Item 5.1 Outstanding Actions

Governance, Risk and Best Value Committee

September 2015

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	14.11.2013	Tram Project Update	To ask that the Director of Corporate Governance writes to the Scottish Government requesting an update on likely timescales for the tram project inquiry.	Director of Corporate Governance	November 2014		Inquiry now called by Scottish Government. Verbal Update on Tram project to be provided in 2015.
2	14.11.2013	Corporate and Operational Governance	To request that the Director of Corporate Governance provides an update report in September 2014, in particular providing progress on procurement, risk and the development of a related training programme.	Director of Corporate Governance	September 2014		

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
3	19.12.2013	Corporate Governance: High Performing Workforce – Induction and Training	To request that a follow-up report by the Chief Internal Auditor be submitted to the Committee in June 2014.	Director of Corporate Governance	June 2014		Organisational Development now expected to lead this report.
4	03/04/2014	Governance of Major Projects: Water of Leith and Braid Burn Flood Prevention Schemes	That a briefing should be given to all political groups on the lessons learnt on major projects, with particular reference to the Water of Leith Flood Prevention Scheme.	Director of Services for Communities	September 2015		
5	19/06/2014	Committee Decisions: Dissemination and Implementation and Update to Member/Officer Protocol	To agree that a report outlining all decisions taken in the previous year by that committee, update on implementation of decisions and recommendations to discharge actions be presented to the Corporate Policy and Strategy Committee, Executive Committees and the Governance, Risk and Best Value Committee on an annual basis.	Director of Corporate Governance	August 2015		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
6	19/06/2014	Committee Decisions: Dissemination and Implementation and Update to Member/Officer Protocol	That a spot-checking system on the dissemination of committee decisions to staff be introduced with an update being provided to the Committee every six months.	Director of Corporate Governance	October 2015		
7	09/10/14	Pride in Our People and Key Engagement Activity - Update	To ask that reports on 'Pride in Our People' be submitted to Governance, Risk and Best Value Committee on an annual basis, including details of engagement methods with hard to reach staff and whether a wider staff group had been involved in the process.	Chief Executive			Added to work programme
8	09/10/14	Disposal of Council Property Assets – Outstanding Conditions of Sale	To ask Internal Audit to explore the new system for monitoring conditions of sale in spring 2015, and report to Committee in June.	Director of Corporate Governance	June 2015		Expected September 2015 in Quarterly Report. Recommended for closure.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
9	09/10/14	Review of Political Management Arrangements	To ask that information on the number of, and reasons given for, the late submission of reports is submitted bi-annually to committee.	Director of Corporate Governance	October 2015		
10	09/10/14	Greendykes and Wauchope Communal Heating Update	To request a report in 12 months to both the Finance and Resources Committee and Health, Social Care and Housing Committee on whether the savings were achieved.	Acting Director of Services for Communities	October 2015		
11	13/11/14	Staff who have accepted Voluntary Redundancy or Voluntary Early Release Arrangements and returned to employment with the City of Edinburgh Council	To request a report by the Director of Corporate Governance, in March 2015, providing a high level overview of workforce management and including further detail on the policies around the employment of teachers and use of supply teachers.	Director of Corporate Governance	March 2015		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
12	05/03/2015	Cameron House Community Centre: Review of Project Delivery	To request a report to the Education, Children and Families Committee in 3 cycles providing an update on how ongoing issues with the building were being resolved.	Director of Services for Communities	December 2015		
13	05/03/2015	Cameron House Community Centre: Review of Project Delivery	To request a report within two cycles to the Education, Children and Families Committee prior to coming to Governance, Risk and Best Value Committee on governance arrangements (including the escalation of issues, service management and the interaction with Neighbourhood Partnerships) and Council support to community centre management committees.	Director of Children and Families	November 2015		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
14	05/03/2015	Best Value (2) Audit Report 2014	To request an update report on the transformational change programme to the October meeting of Governance, Risk and Best Value Committee.	Director of Corporate Governance	October 2015		
15	05/03/2015	Motion by Councillor Burns – Parliament Hall – Common Good	To request a report to Corporate Policy and Strategy Committee, prior to consideration by the Governance, Risk and Best Value Committee, on the costs and timescales involved in fully updating the register of Common Good Assets, including a definition of Common Good and the Council's responsibilities concerning such assets. In preparing the report, officers should consider the resources and skill sets required to carry out the review of the register.	Director of Services for Communities	August 2015		Recommended for closure. Report provided to Corporate Policy and Strategy Committee on 4 August 2015 and referred to Governance, Risk and Best Value Committee on 13 August 2015.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
16	05/03/2015	Internal Audit Follow-Up Arrangements: Status Report from 1 October to 31 December 2014	To note that mandatory information security training for all staff would be rolled out as part of the ongoing Performance Review and Development process and that once this had been completed for staff in Children and Families it would be reported as part of the Internal Audit Quarterly Review report.	Director of Children and Families			
17	23/04/2015	Third Party Grant: Challenge Fund Awards	To request that the Director of Corporate Governance reports to GRBV Committee of 13 August 2015 regarding the Committee reports process and whether there are opportunities for speeding this process up.	Director of Corporate Governance	October 2015		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
18	21/05/2015	Governance of Major Projects: Progress Report	To include details on the overall capital funding in regard to the Early Years Projects.	Director of Corporate Governance			
19	21/05/2015	Governance of Major Projects: Progress Report	To provide a briefing note to Committee on the impact of the Fleet Review project on service delivery	Acting Director of Services for Communities	September 2015		
20	21/05/2015	Report by the Accounts Commission - An overview of local government in Scotland 2015	To note that clarity would be provided regarding the audit arrangements for the new Health and Social Care Integrated Joint Board.	Director of Corporate			
21	18/06/2015	Property Conservation: Programme Momentum Review, July 2014 – April 2015	To ask the Director of Corporate Governance to provide a briefing note regarding the issues with the allocation of shares for billing.	Director of Corporate Governance			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
22	18/06/2015	Property Conservation: Programme Momentum Review, July 2014 – April 2015	To request an update report to Governance, Risk and Best Value Committee in six months.	Director of Corporate Governance	November 2015		
23	18/06/2015	Corporate Leadership Group (CLG) Risk Update	To request a report to the December Committee on how best to ensure a consistent approach to measuring demographics and how this was applied across the Council.	Director of Corporate Governance			
24	18/06/2015	Review of events in relation to ownership of Parliament House in 2005/6	To note that there would be a forthcoming report on the Common Good Fund to the Corporate Policy and Strategy Committee which would address: i) The potential for Common Good being removed from the Scheme of Delegation to Officers ii) Future reporting arrangements on the Common Good register.	Director of Corporate Governance			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
25	13/08/2015	Work Programme	To request that the Chief Social Work Officer reports on the management of care staff, particularly client contact time versus total hours worked and the number of visits for each carer. This should include the full visit data for a week - visit start and finish times and shift start and finish times to compare contact time with 'downtime'.	Chief Social Work Officer	November 2015		
26	13/08/2015	Common Good Assets Register	To request an update report in November 2015 to the Governance, Risk and Best Value Committee, including details of how community knowledge and historical documents could be utilised in defining common good.	Acting Director of Services for Communities	November 2015		
27	13/08/2015	Common Good Assets Register	To invite Andy Wightman to speak at a future meeting of the Committee.	Deputy Chief Executive			

Item 6.1 Work programme

Governance, Risk and Best Value

September 2015

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
Section A – Regular Audit Items								
1	Internal Audit Overview of internal audit follow up arrangements		Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Every 3 cycles	December 2015
2	Internal Audit Quarterly Activity Report		Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Every 3 cycles	December 2015

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No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
3	IA Annual Report for the Year		Review of annual IA activity with overall IA opinion on governance framework of the Council for consideration and challenge by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	June 2016
4	IA Audit Plan for the year		Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2016
5	Audit Scotland	Review of Internal Audit	Annual report on internal audit support provided to External Audit	External Audit	Chief Internal Auditor	Council Wide	Annually	TBC
6	Audit Scotland	Annual Audit Plan	Annual audit plan	External Audit	Hugh Dunn	Council Wide	Annually	April 2016
7	Audit Scotland	Annual Audit Report	Annual audit report	External Audit	Hugh Dunn	Council Wide	Annually	December 2015
8	Audit Scotland	Internal Controls Report	Annual report on Council wide control framework	External Audit	Hugh Dunn	Council Wide	Annually	August 2016

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
9	Audit Scotland	ISA 260	Annual ISA 260 Report	External Audit	Hugh Dunn	Council Wide	Annually	September 2016
10	Audit Scotland	Annual overview report	Based on the local government audit work in 2013, the report provides a high-level, independent view on the progress councils are making in managing their finances and in achieving Best Value, and is designed to help councillors identify priorities in 2014.	External Audit	Hugh Dunn	All local authorities in Scotland	n/a	June 2016
11	Accounts Commission	Annual report	Local Government Overview	External Audit	Hugh Dunn	Council Wide	Annually	June 2016
Section B – Standing Project Items								
12	Governance of Major Projects	6 monthly updates	To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Karen Kelly	All	Every 6 months	November 2015
Section C – Scrutiny Items								
13	Welfare Reform	Review	Regular update reports	Scrutiny	Danny Gallacher, Head of Corporate and Transactional Services	Council Wide	January 2015	January 2016

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
14	Legacy Property Conservation Service		Update on the resolution of complaints and the billing and conclusion of outstanding debts	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	quarterly	December 2015
15	Review of CLG Risk Scrutiny	Risk	Quarterly review of CLG's scrutiny of risk	Risk Management	Chief Executive	Council Wide	quarterly	October 2015
16	Whistle blowing Quarterly Report		Quarterly Report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Internal	Quarterly	October 2015
17	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	October 2015
18	Workforce Control	Staff	Annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	Annual	November 2015
19	Committee Decisions		Annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Governance, Risk and Best Value Committee	Annual	August 2016
20	Dissemination of Committee Decisions		Bi-annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	Six-monthly	November 2015
21	Late Submission of reports		Bi-annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	Six-monthly	November 2015

GRBV Upcoming Reports

Appendix 1

Number	Report Title	Type	Flexible/Not Flexible
19 October 2015 Committee			
1	Pride in Our People	Scrutiny	Flexible
2	Transformational Change Programme	Scrutiny	Flexible
3	Whistleblowing Monitoring Report	Scrutiny	Flexible
4	Committee Report Process	Scrutiny	Flexible
5	Cameron House Inquiry	Internal Audit	Flexible
6	Service Area Risk Register	Scrutiny	Flexible
12 November 2015 Committee			
1	Governance of Major Projects	Scrutiny	Flexible
2	Workforce Controls	Scrutiny	Flexible
3	Dissemination of Committee Decisions	Scrutiny	Flexible
4	Revenue and Capital Monitoring	Referral from Finance and Resources	Flexible
5	Edinburgh Jazz and Blues Festival	Referral from Culture and Sport	Flexible
6	Cameron House	Scrutiny	Flexible
7	Management of Care Staff	Scrutiny	Flexible
8	Common Good Assets Register	Scrutiny	Flexible
17 December 2015 Committee			
1	Annual Audit Report	External Audit	Flexible
2	Property Conservation: Programme Momentum	Scrutiny	Flexible
3	CLG Risk Register	Scrutiny	Flexible
4	Measuring Demographics	Internal Audit	Flexible
5	IA Follow Up Arrangements	Internal Audit	Flexible
6	IA Quarterly Update	Internal Audit	Flexible
28 January 2016 Committee			
1	Welfare Reform	Scrutiny	Flexible

Governance, Risk and Best Value Committee

10am, Wednesday, 23 September 2015

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

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

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

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

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

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

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

Recommendations

1.1 Members of the Governance, Risk and Best Value Committee are asked to:

1.1.1 note that, following the audit process, an unqualified audit opinion has been issued on the Council's Annual Accounts for 2014/15;

1.1.2 refer the Annual Accounts for 2014/15 to the Finance and Resources Committee for approval and thereon to Council to set aside the £0.162m increase in the in-year underspend within the Council Priorities Fund;

1.1.3 note that, following approval, the Annual Accounts for 2014/15 will be submitted to the External Auditor;

1.1.4 note the extent of progress made in addressing the improvement actions contained within the previous Best Value report issued in December 2014 and that delivery of the remaining actions set out in the action plan in Appendix IV will be reported to the Committee during the year.

Background

2.1 The Council submitted its unaudited Annual Accounts to the external auditor on 26 June.

2.2 The review of all matters relating to external audit forms part of the remit of the Governance, Risk and Best Value Committee and is an important aspect of the overall governance arrangements of the Council. The External Auditor will attend the Governance, Risk and Best Value Committee meeting to provide an overview of the accompanying report and respond to specific queries members may have on its content. Given the Committee's scrutiny function, however, approval of the annual accounts will be secured by onward referral to the Finance and Resources Committee meeting taking place on 24 September. The external auditor will also attend the Finance and Resources Committee meeting.

Main report

3.1 As in previous years, the External Auditor's report on the annual audit contains four sections:

- Financial statements;
- Financial management and sustainability;
- Governance and transparency; and
- Best Value

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

Financial Statements (pages 7 to 13)

3.3 Audit Scotland has provided, by means of a letter issued in accordance with the requirements of ISA260 (Appendix 2), an unqualified opinion on the financial statements, albeit it has been noted that one Significant Trading Operation, Edinburgh Catering Services – Other Catering, failed to meet the statutory requirement to break even over a rolling three-year period. The in-year deficit for 2014/15 was £66,000, with a cumulative three-year deficit of £94,000, reflecting the impact of a downturn across both in-house catering and external hospitality.

3.4 In addition to having implemented a reduction in opening hours and menu rationalisation, the catering service forms part of the Property and Asset Management Strategy (PAMS) workstream, proposals for which will be reported to the Finance and Resources Committee on 24 September 2015.

3.5 The auditor's report notes that no issues pertaining to the legality of the Council's financial transactions require to be brought to members' attention. The Council's interest in a number of subsidiaries and associates has also been appropriately reflected in the wider group accounts. An unqualified audit opinion has furthermore been issued on the Council's Charitable Trusts.

3.6 The report notes that a small number of presentational and other adjustments have been incorporated in the audited statements, increasing the reported surplus for the year from £0.519m to £0.681m. A reconciliation of this movement is included as Appendix 3. Upon approval of the statements by the Finance and Resources Committee, the report will then be referred to Council for approval to set aside this additional sum within the Council Priorities Fund.

3.7 The report notes a number of significant issues which, in the view of the auditor, require to be communicated to members of the Committee (included on pages 10 to 12). In each case, the matter in question has been discussed with Council officers and corresponding actions agreed. None of the matters resulted in any amendment to the accounts.

Financial management and sustainability (pages 14 to 23)

3.8 The report notes that current financial management arrangements are broadly satisfactory, with most service areas containing expenditure within budgeted levels in 2014/15. While a significant overspend was incurred in the Health and Social Care service, the report acknowledges that the Council has taken action, by means of commissioning an external review, to identify both the underlying causes of the financial pressures and potential mitigating actions to address them.

3.9 The report further concludes that financial governance arrangements are in accordance with the principles of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, with comprehensive and recently-updated financial rules and regulations, effective scrutiny of budget management by Committee and sound financial planning and monitoring arrangements all in place. While acknowledging progress in the development of plans to address the Council's overall savings requirement, the report notes that, in common with other councils, these will require the taking of further difficult decisions to maintain financial sustainability going forward.

Governance and transparency (pages 24 to 31)

3.10 The report concludes that the Council has effective governance arrangements, providing an appropriate framework for organisational decision-making. Effective systems of internal control and satisfactory arrangements for the prevention and detection of fraud and irregularities are also in place. The report furthermore notes that procedures for maintaining standards of conduct and the prevention and detection of corruption are effective.

3.11 The report comments favourably on the effectiveness of current decision-making and scrutiny political arrangements. Progress in respect of the statutory repairs service and tram project is also noted.

Best Value (pages 32 to 37)

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

3.13 The report furthermore notes that the Council's performance management arrangements work well, with significant progress made in the past year in the range and quality of its public performance reporting. The Council's active scrutiny of Audit Scotland's national performance reports is also highlighted.

Measures of success

4.1 The Council receives an unqualified audit certificate from the external auditor by 30 September 2015.

4.2 Actions are undertaken to address the actions within the action plan in accordance with the timescales indicated.

Financial impact

5.1 There is no direct additional impact arising from the report's contents, although the effectiveness of the Council's current financial management and planning arrangements is noted.

5.2 As a result of the audit process, the Council's reported surplus for the year increased by £0.162m. Council approval will be sought to set aside this sum within the Council Priorities Fund, which forms part of the overall General Fund.

5.3 The General Fund stood at £117.476m at 31 March 2015, comprising £104.452m earmarked for specific purposes and £13.024m as an unallocated General Fund balance against the likelihood of unfunded risks crystallising.

Risk, policy, compliance and governance impact

6.1 The Committee's remit includes the review of all matters relating to external audit, including reports and action plans to monitor implementation of external audit recommendations.

Equalities impact

7.1 No full ERIA is required.

Sustainability impact

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

Consultation and engagement

9.1 The financial statements were made available for public inspection in July for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received no requests for further information under these Regulations.

Background reading/external references

Unaudited Financial Statements 2014/15, City of Edinburgh Council, 25 June 2015

Alastair D Maclean

Deputy Chief Executive

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Links

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

AUDIT SCOTLAND

City of Edinburgh Council

Annual audit report to Members and the Controller of Audit

September 2015

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

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

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

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

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

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Contents

Key messages

Audit of financial statements	• Unqualified auditor's report on the 2014/15 financial statements. • Explanatory paragraph in the auditor's report on the failure of Edinburgh Catering Services (Other) to achieve its prescribed financial objective. • Unqualified auditor's report on the seven charitable trusts administered by the council.
Financial management and sustainability	• The council's financial management arrangements are broadly satisfactory, with actions identified to strengthen control arrangements in particular areas of financial pressure. • The council has developed longer term financial plans to ensure it is sustainable currently and in the foreseeable future. • Risks remain around key assumptions and delivery of savings associated with the financial plans (£107 million required by 2019/20), and identification of the savings required to bridge the estimated funding gap.
Governance and transparency	• The council has effective governance arrangements in place. • Systems of internal control operated effectively. • The council has an effective internal audit function and sound anti-fraud arrangements.

Best Value	• The council has made good progress in addressing the issues raised in the Best Value report of December 2014. • Difficult choices will need to be made around matching future resources to priorities, in order to achieve the level of required savings. • A well established performance framework is in place, and public performance reporting arrangements are clear and structured.
Outlook	• Councils face rising demands for services and continued funding pressures alongside managing major reforms in welfare and health and social care. • Effective arrangements for Best Value will be essential for efficient use of available resources, and strong governance and leadership will be needed for the successful delivery of the council's transformation programme.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of City of Edinburgh Council (the council). The report is divided into sections which reflect our public sector audit model.

2. The management of City of Edinburgh Council is responsible for:
   - preparing financial statements which give a true and fair view
   - implementing appropriate internal control systems
   - putting in place proper arrangements for the conduct of its affairs
   - ensuring that the financial position is soundly based.

3. Our responsibility, as the external auditor of City of Edinburgh Council, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.

4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.

5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at **appendices II** and **III**, include recommendations for improvements.

6. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that City of Edinburgh Council understands its risks and has arrangements in place to manage these risks. The council and the corporate leadership group should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.

7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2014/15 financial statements

Audit opinion	• We have completed our audit and issued an unqualified independent auditor's report. • We have included an explanatory paragraph in the auditor's report on the failure of Edinburgh Catering Services (Other) to achieve its prescribed financial objective.
Going concern	• The financial statements of City of Edinburgh Council, its group and the associated charitable trusts have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the council, its group and associated charitable trusts ability to continue as a going concern.
Other information	• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.
Charitable trusts	• We have completed our audit of the 2014/15 financial statements of the charitable trusts administered by the council and issued an unqualified independent auditor's report.
Group accounts	• The council has accounted for the financial results of two subsidiaries, four associates and two trusts in its group accounts for 2014/15. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £109 million.
Whole of government accounts	• The council submitted a consolidation pack for audit by the deadline. This has been audited and the certified return submitted to the Scottish Government.

Submission of financial statements for audit

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

Overview of the scope of the audit of the financial statements

10. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, was outlined in our Annual Audit Plan presented to the Governance, Risk and Best Value Committee on 23 April 2015.

11. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

12. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

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

The audit of charities financial statements

14. The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) set out the accounting and auditing rules for Scottish charities. These require a full audit of all registered charities accounts where a local authority or some members are the sole trustees.

15. The council has seven funds which were subject to the full charities financial statements audit for 2014/15.

16. We have given an unqualified opinion on the 2014/15 financial statements of the relevant charities registered by the council.

Group accounts

17. Local authorities are required to prepare group accounts in addition to their own council's accounts where they have a material interest in other organisations.

18. City of Edinburgh Council has accounted for the financial results of two subsidiaries, four associates and two trusts in its group accounts for 2014/15. The overall effect of consolidating these

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

Materiality

19. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

20. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

21. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of City of Edinburgh Council we set our planning materiality for 2014/15 at £17.2 million for the council and £18.7 million for the group (1% of gross expenditure). We report all misstatements greater than £100,000. Performance materiality was calculated at £9.5 million for the council and £10.3 million for the group, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality levels.

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

Evaluation of misstatements

23. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.

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

Significant findings from the audit

25. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered during the audit
- Significant matters arising from the audit that were discussed, or subject to correspondence with management

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

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

Significant findings from the audit

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

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

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

Future accounting and auditing developments

Revisions to the Code of Practice

27. The financial statements of the council are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS) to the local authority context. The following paragraphs set out the most significant changes to accounting requirements introduced by the 2015/16 Code.

28. **(IFRS) 13 Fair value measurement:** Although the measurement requirements for operational property, plant and equipment will not change, enhanced valuation disclosures will be required. However, the 2015/16 Code requires surplus assets to be measured at fair value in accordance with IFRS 13. The council will need to make the necessary preparations to ensure that the new requirements are addressed for the 2015/16 financial statements.

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

Health and Social Care Integration

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

Financial management and sustainability

Net service budgeted expenditure £850.1m	Original planned capital expenditure £184.9m	Usable reserves	Savings target £38.6m
Service Outturn £855.6m	Outturn Capital spend £188.1m	Outturn usable reserves £192.4m	Original budgeted savings achieved £27.8m Use of Council Priorities Fund £4.75m Additional savings from other areas £7.85m
Service Budget Overspend £5.5m	Additional capital spend £3.2m	Increase in usable reserves £19.3m	

Financial management

31. In this section we comment on the council's financial outcomes and assess the council's financial management arrangements.

32. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. The setting of the annual budget impacts directly on residents as it determines council tax and other fees and charges. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

33. Overall the council reported a net underspend of £0.681 million against budget. The outturn of most general fund services is broadly satisfactory, with four service areas delivered within approved budgets. However the Health and Social Care service was overspent by £5.878 million against budget.

34. The Health and Social Care overspend was a result of demand led pressures within the service. A drawdown of £4.75 million was made against the Council Priorities Fund to address this, with the balance of savings coming from other corporate savings and underspends in the year.

35. The council commissioned an external review to identify the main reasons for this service overspend, and assist in developing enhanced controls and additional savings plans for the current financial year. As of August 2014 unfunded pressures of £16.5 million had been identified for 2015/16, with a range of service and corporate savings plans put in place to address these. The council reported in August 2015 that some of the Health and Social Care service savings plans were not on target to be achieved. Consequently further corporate savings proposals of £4.8 million have been developed which, subject to approval by council, leave a residual overspend of £1.4 million to be dealt with by the service over the remainder of the financial year.

Recommendation 1

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

Financial management arrangements

37. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the proper officer has sufficient status within the council to be able to deliver good financial management
- financial regulations are comprehensive, current and promoted within the council

- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- members provide a good level of challenge and question budget holders on significant variances.

38. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.

39. A review of the council's Financial Services function was completed in July 2014. In addition to contributing to the service's overall budget savings requirement, the resulting staffing and other changes are intended to support wider transformation within the council with increased emphasis on the provision of management information.

40. We reviewed the council's financial regulations, which were updated in April 2015, and concluded that they are comprehensive and current. The council's financial regulations are available on the council's website.

41. Financial monitoring reports, both revenue and capital, are submitted to the Finance and Resources Committee and other executive committees on a quarterly basis. The Governance, Risk and Best Value Committee also consider financial monitoring reports as part of their scrutiny arrangements. Reports to committee focus on high level monitoring of variances and mitigating actions, and are underpinned by more detailed reporting at Corporate Leadership Group and Senior Management Team level.

42. Previous Best Value reports highlighted scope for improving the summary reporting of the council's financial position and progress against savings plans. As part of its revised governance arrangements around the transformation programme, the council has consolidated the service prioritisation and transformation programme saving plans into one single plan. Progress against this plan is now reported to the Finance and Resources Committee bi-monthly.

43. We attend a number of council and committee meetings each year. Members provide a good level of challenge and question budget holders on significant variances and service performance issues.

Conclusion on financial management

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

Financial sustainability

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

46. In assessing financial sustainability we are concerned with whether:

- there is an adequate level of reserves
- spending is being balanced with income in the short term
- long term financial pressures are understood and planned for
- investment in services and assets is effective.

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

Reserves

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

Exhibit 1: Usable reserves

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

Source: City of Edinburgh Council 2014/15 financial statements

48. The general fund reserve has no restrictions on its use. The principal purpose of holding a general fund reserve is to provide a contingency fund to meet unexpected events and as a working balance to help cushion the impact of uneven cash flows.

49. The general fund balance includes £13 million of unallocated reserves, which equates to 1.36% of the council's annual budgeted net expenditure. The balance of £104 million has been earmarked for specific purposes, including:

- Specific investment - £13.9 million
- Contingency and workforce management - £17.9 million
- Dilapidations - £8.8 million
- Insurance fund - £12.6 million
- Council tax discount fund - £18.6 million
- IT transformation - £3.5 million
- Spend to save initiatives - £4.0 million.

Financial planning

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

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

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

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

51. The financial projections included in the long term plan are based on a number of key assumptions, including:

- a 3% annual increase in council tax levels from 2017/18
- Scottish Government revenue grant funding reduction of 0.5% per annum over the period from 2016/17 to 2018/19
- annual inflationary assumptions of 2% for long-term contracts and 1.5% for wage awards from 2017/18
- demography continues to be provided based upon existing baseline data.

52. The council has identified a number of potential savings as part of their transformation programme, but a funding gap still exists, with a £20 million gap in 2016/17. Service prioritisation options are currently being developed for an additional £34 million of savings that could be implemented from April 2016. This will provide some flexibility and choice as part of the 2016/17 budget consultation process.

53. The progress made by the council in addressing the financial gap is encouraging, however a number of challenges remain. In addition to risk around the financial assumptions built into the long term budget, and the deliverability of the savings plans, the council is facing further financial pressures in 2015/16 around Health and Social Care spending and estates maintenance and rationalisation which are likely to increase the existing funding gap.

Recommendation 2

Council transformation programme

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

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

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

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

Capital programme 2014/15

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

57. The general services expenditure was concentrated on school build, refurbishment and repair, roads and infrastructure work including trams, and developing social housing through the housing development fund. The housing programme focused mainly on investing in new council homes and enhancing existing assets.

58. There was some slippage within certain projects in the general services programme, most notably £2.6 million on the Boroughmuir High School replacement, however this was offset by accelerated spend on asset management works across the council estate. The housing programme has slipped for two main reasons. The workload of individual contractors was controlled during the year to maintain contract performance in relation to customer complaints. In addition, the council introduced a Housing Asset Management framework contract in the summer of 2015, and some major works scheduled in the programme were held back to 2015/16 so they could be packaged into the framework contract.

Asset Management

59. The council's transformation programme will have significant implications for the council's estate as it moves to a locality based delivery model. An asset management strategy workstream is underway, looking to provide a fit for purpose estate and sustainable delivery organisation.

60. The council approved a revised corporate asset strategy in May 2015. The strategy sets out the council's vision for its property estate and provides a framework for identifying the investment needs in relation to the condition of the estate and service priorities.

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

Recommendation 3

Workforce Management

62. Effective workforce management is essential to ensure that the council maximises the effectiveness of its employees, particularly through a period of change. A workforce strategy is key to setting out how the council will ensure it has appropriately skilled people in place to deliver its services. Previous Best Value reports have commented on the lack of workforce strategy in the council.

63. Following the establishment of the council's transformation programme, a workforce strategy was developed to support the future organisational structure and service delivery arrangements. The strategy focuses on three core areas:

- a skilled and flexible workforce
- talent and succession planning
- inclusive leadership.

64. The council has developed a high level workforce implementation plan which, along with a range of employee engagement approaches, it will follow and monitor with the aim of embedding the workforce strategy and achieving workforce related savings.

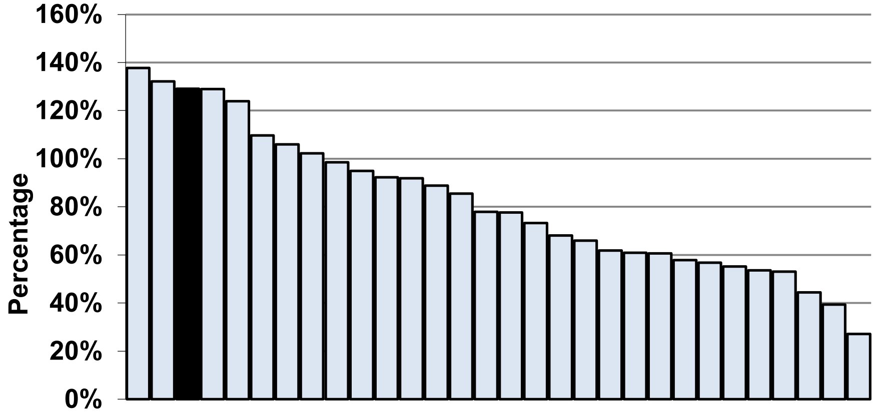
Treasury Management

65. At 31 March 2015 long term borrowing stood at £1,361 million, a decrease of £43 million on the 2014 borrowing level of £1,404 million. During the same period, short term borrowing increased from £58 million to £79 million.

66. This external borrowing position is in line with the council's Treasury Management Strategy for 2014/15, which was to make use of internally generated funds before using long term borrowing facilities. The only external long-term borrowing in the year was an interest free loan of £2 million specifically for energy efficiency street lighting projects.

67. Analysing long term borrowing as a proportion of net revenue stream gives an indication of the relative indebtedness of the council. Exhibit 3 shows long term borrowing as at 31 March 2015 as a percentage of net revenue stream (including HRA income) for the year for all mainland councils in Scotland.

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



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

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

Pension liability

69. The net assets on the council's balance sheet have decreased from £1,786 million in 2013/14 to £1,646 million in 2014/15, a reduction of £140 million. The principal reason for this decrease is the £192 million increase in the pension liability from £535 million to £727 million. This is also reflected in the balance sheet for the group.

70. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost. At the last triennial valuation at March 2015 the Lothian Pension Fund was 91.3% funded and had assets of £4.4 billion.

71. Lothian Pension Fund operates a contribution stability mechanism, to provide some certainty of future contribution rates by employers while ensuring appropriate assurance of funding levels to the Fund. The mechanism is in place for 6 years, and is subject to on-going review. Existing contribution rates for the council have been frozen at the rates determined for the 2011 actuarial valuation. Over the longer term it is expected that these contribution rates will increase convergence between the pension liability and the underlying assets.

Conclusion on financial sustainability

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

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

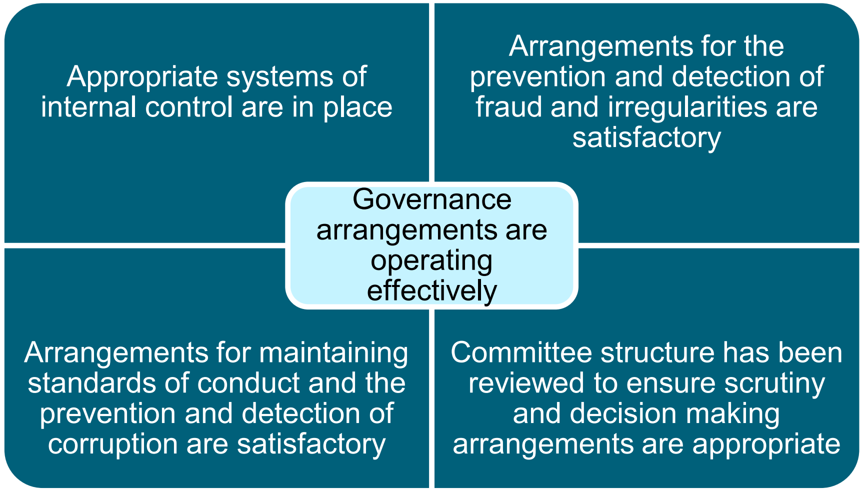
73. Overall we conclude that the financial position is sustainable currently and in the foreseeable future, although risks remain around key assumptions and delivery of savings, including the identification of further savings to bridge the funding gap.

Outlook

74. Councils face increasingly difficult financial challenges. In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms to £10.3 billion. At the same time, demand for council services has increased, largely due to population changes. Increased pension contributions and national insurance changes will create further cost pressures on the council.

75. In common with many other councils, City of Edinburgh Council is reporting gaps between income and the cost of providing services over the next few years. With further funding reductions expected, councils face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances.

Governance and transparency



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

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

Corporate governance

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

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

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

Local code of corporate governance

81. The council has developed and adopted a corporate governance framework which reflects the key components as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. The council's self-assessment against the framework is considered annually by the Governance, Risk and Best Value Committee.

82. The council assessed itself as compliant with most areas of the framework for 2014/15. Improvement plans are in place to develop areas such as community engagement and consultation, where the council consider they are only partly compliant with the framework.

Internal control

83. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements.

84. We reported our findings to the Governance, Risk and Best Value Committee in August 2015. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. However we did amend our planned financial statements procedures to take account of some system limitations identified during our controls review. Our findings also included a number of recommendations to enhance the control systems in operation.

Internal audit

85. Internal audit provides members and management of the council with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

86. Our review of internal audit concluded that the internal audit service operates satisfactorily in accordance with the Public Sector Internal Audit Standards. We placed reliance on their work around ICT application security for key financial systems, as well as work on the accounts payable system and procurement card expenditure.

ICT audit

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

88. The council has opted for a gradual transfer of services from late 2015 through to the 1 April 2016 start date, although provision has been made for access to the BT data centre until 1July 2016 to transition any outstanding services.

89. New services that will be provided include the provision of business intelligence. Council staff will work with CGI to define their respective business intelligence requirements. This approach will allow staff from CGI to work with council representatives, share information, build relations and develop a mutual understanding of the legislative requirements and organisational demands that will need to be met by the contract.

90. During the coming months the council will be preparing for an Enterprise Resource Planning (ERP) system that is scheduled for autumn 2016. The ERP system will be a key organisational initiative that will be delivered as part of the contract. The introduction of ERP systems often requires significant organisational change, and impact on the procedures and processes used across service areas. The council will need to ensure there is sufficient staff capacity and capability during this period to meet the challenge presented when introducing ERP.

91. The overall effectiveness of the CGI contract can only be measured and monitored as systems are transitioned and new solutions are introduced to meet the demands of the council's services. The council needs to ensure robust monitoring and control arrangements are in place for the duration of the contract around areas such as

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

Recommendation 4

Statutory repairs service

92. In June 2014, the council established a single corporate project to address legacy issues around the former statutory repairs service, and lead on the development of a new shared repairs service. A dedicated programme board was established with the Director of Corporate Governance appointed as the Senior Responsible Officer.

93. Monthly progress reports are submitted to Finance and Resources Committee, outlining the council's progress on billing of outstanding invoices, debt recovery, and resolution of complaints and settlements.

94. By August 2015, case reviews had been completed on the 414 unbilled projects and 102 complex complaints cases within the scope of project. Invoices have now been issued for these projects, with the exception of a small number of cases where defect work has still to be completed. It is anticipated that these cases will be invoiced in autumn 2015.

95. Alongside this, the council has been progressing the resolution of complaints. A settlement provision of £3.9 million was established at 31 March 2014, to provide for costs that may arise from resolving

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

96. In December 2014, the council considered a blueprint for a new shared repairs service. The key objectives of the proposed service are:

- to maintain the fabric of the city, the conservation of the built heritage and protection of health and safety
- to support, encourage and enable owners to proactively take responsibility for planning and organising repairs and maintenance
- to intervene when owners have exhausted all other reasonable means of agreeing and undertaking a repair
- to effectively manage the council's financial and reputational risk as it carries out its statutory duties and powers.

97. The proposed service will cover four key areas: emergency service, guidance and advice, intervention and enforcement. The council approved the running of a pilot of the new service from September 2015 to March 2016. This pilot will test the practices and procedures set out within the blueprint, in advance of a potential roll-out of the full service from 1 April 2016.

Edinburgh trams

98. In June 2014, the Scottish Government announced a public inquiry into the delivery of the trams project. A ten stage process has been set out by the inquiry, from announcement of the inquiry through to production of a final report and recommendations. The council is committed to fully participating in the inquiry. However it has decided not to re-establish tie Ltd, the arms length organisation which was responsible for project managing the delivery of the trams project, in order that tie can participate as a separate entity in the inquiry. The council state that they consider this to be an unjustifiable expense to the public purse. The council has advised the inquiry that it will assist the inquiry and provide information to it in relation to the role of tie. Stage 5 of the process, the preliminary hearing, is due to be held shortly.

99. The trams network became operational on May 2014. Almost five million passenger journeys were made in the first full year of operation, around 370,000 ahead of target. Revenue from fares was 3% ahead of the business model target.

100. In June 2015, the council considered an interim report detailing the preliminary findings of an outline business case for extending the trams network to Leith. The report set out four different options, and concluded there was a positive economic case for three of these. However, more detailed analysis of the cashflows was required to verify the financial models, along with consideration of alternative funding options and opportunities. A further report on the business case will be reported back to council in the autumn of 2015.

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

Arrangements for the prevention and detection of fraud

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

National Fraud Initiative in Scotland

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

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

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

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

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

Correspondence referred to the auditor by Audit Scotland

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

Transparency

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

108. Through our audit approach we gave consideration to:

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

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

Freedom of Information/Environmental Impact Regulations requests

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

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

Integration of health and social care

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

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

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

Recommendation 5

Welfare Reform

115. The council continues to demonstrate commitment to monitoring and minimising the impact that changes to the UK welfare system could have on the City of Edinburgh and its residents, and is managing the challenges within allocated resources.

116. The council intends to review its strategic plan, *Delivering Social Security in Edinburgh – a strategic response to Welfare Reform*, to ensure it provides effective management of welfare reform in the city. Alongside this, new governance arrangements are being introduced to strengthen the management of welfare reform through existing council and partner arrangements, with group projects now reporting though the Welfare Reform Working Group.

117. The phased implementation of Universal Credit (UC) for new single claimants in Edinburgh commenced on 9 March 2015, with 1,190 claims for UC made in the period to 28 May 2015. The council has established a Delivery Partnership Agreement (DPA) with the Department for Work and Pensions (DWP), to support citizens in the transition to the new UC system. The DPA operational group, which includes council, DWP and registered social landlord representatives, meets regularly to agree processes and address emerging issues from the implementation of UC.

118. The DWP has confirmed that funding arrangements for the Council Tax Reduction Scheme (CTRS) will continue into 2015/16. The settlement and distribution group continue to consider the distribution of CTRS funding and will advise local authorities accordingly of any adjustment to funding levels. The council's spend on CTRS is monitored monthly, with an annual spend of £25.6 million in 2014/15, representing 96% of the agreed funding level.

119. Scottish Welfare Fund (SWF) and Discretionary Housing Payment (DHP) awards in 2014/15 were contained within funding levels of £2.2 million and £4.8 million respectively for the year. The SWF underspend of £0.1 million has been carried over to supplement 2015/16 grants. For 2015/16, the council is currently projecting DHP spend at 98% of the £3.9 million allocated budget.

120. The council reported housing rent arrears of £4.3 million in 2014/15, an increase of £0.3 million from 2013/14. In line with the Housing Revenue Account (HRA) business plan, full provision has been made for these arrears in the 2014/15 accounts (76% in 2013/14), to help manage the potential impact of welfare reform on HRA.

Housing and council tax benefits performance audit

121. Our 2012 risk assessment of the council's benefits services identified a number of risks in relation to performance monitoring and the speed of processing new benefits claims and changes of circumstances.

122. In 2013/14, the council reported improved processing performance, and our 2014/15 benefits risk assessment confirmed that the council has put in place appropriate processes to improve the other outstanding issue around its risk based approach to data checking.

Following the Public Pound

123. In March 2015, the chair of the Accounts Commission for Scotland sent letters to council leaders and chief executives encouraging them to apply the Code of Guidance on Funding External Bodies and Following the Public Pound (published in 1996) more consistently across Arms-Length External Organisations (ALEOs).

124. In 2012, the council instigated an operational governance review, which included consideration of existing ALEOs. In our July 2014 review of the council's ALEOs we concluded that the revised governance arrangements being put into place were in line with good practice outlined in Audit Scotland's 2011 national study on ALEOs.

125. At the time of the review the time we were unable to test whether member scrutiny of performance had been fully implemented, as some ALEOs had still to complete their annual reporting cycle. We have since confirmed that the annual reports for both Marketing Edinburgh and Festival City Theatres Trust have been scrutinised at the appropriate committee of the council.

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

Local scrutiny plan

127. The 2015/16 Local Scrutiny Plan (LSP) prepared by the Local Area Network of scrutiny partners for the council was submitted to City of Edinburgh Council in April 2015.

128. In the LSP we highlighted a number of on-going scrutiny risks that we reported in our December 2014 follow-up to the 2013 Best Value report on City of Edinburgh Council. These areas included:

- the delivery of required financial savings
- management capacity within the council
- the development of a comprehensive workforce strategy.

129. Our assessment of the council's progress in addressing these identified risks is included in the Best Value section of this report. A more detailed progress report will be issued by the Controller of

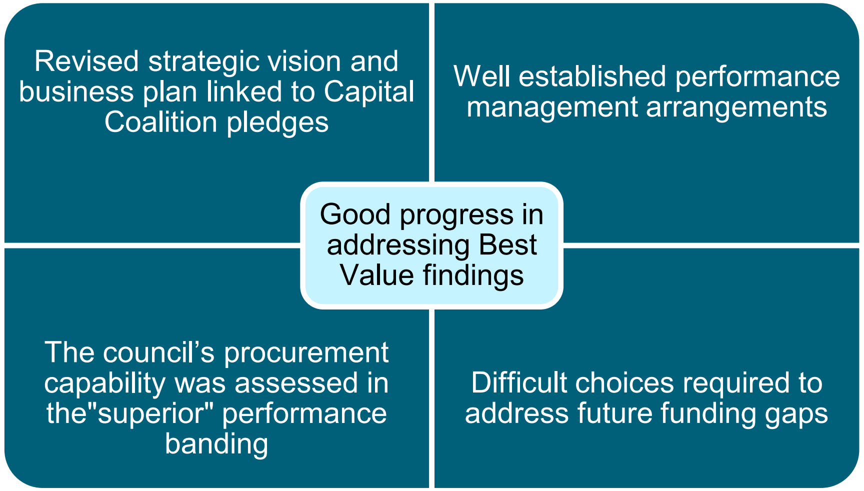
Audit and considered by the Accounts Commission by the end of this year.

Outlook

130. Councils will continue to operate in a changing environment within continuing financial constraints. Under these circumstances councils will be obliged to consider the delivery of services by different means. Good governance will be particularly important where council resources and service delivery are devolved to third party organisations.

131. Partnership, joint working and arms length organisations have become increasingly popular vehicles for planning and delivering council services and there is a sustained national focus on their use. Where council services are being delivered by third party organisations it will be crucial that the council implements robust assurance and governance arrangements to deliver best value while at the same time ensuring an appropriate level of accountability for public money. Community planning and health and social care integration will require an on-going focus on governance and assurance to ensure that the council's priorities are being achieved.

Best Value



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

Best Value audit

133. In December 2014, the Accounts Commission made findings on the extent to which the City of Edinburgh Council was meeting its statutory duties on Best Value. This considered the progress made in addressing the issues raised in the initial report in May 2013. The Accounts Commission acknowledged the good progress made by the council in scrutiny and risk management. Improvements in service performance and in communications with staff were also noted.

134. Major concerns, however, remained about the council's financial position and the growing scale of the savings needed to resolve this. The savings that had still to be identified in order to provide a balanced budget by 2017/18 had increased from £17 million to £67 million. The council was addressing this issue, particularly through the development of an ambitious transformation programme. But it was too early to assess the effectiveness of this initiative. Significant concerns were also expressed about the lack of a workforce strategy and the need to improve ICT arrangements.

135. Audit work was carried out during July and August 2015 to assess the progress made by the council since the publication of last year's follow-up report.

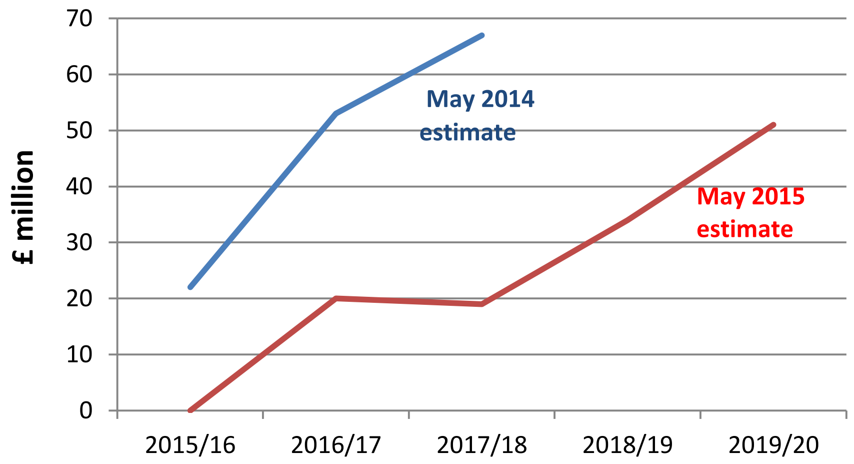
136. There is clear evidence to show that the council has had some success in addressing its financial position. It continues to face increasing demands on its services and continuing uncertainty about future funding levels. Despite these pressures, however, the council was able to:

- achieve its overall planned savings of £39 million for 2014/15,
- underspend its revenue budget by £0.7 million, and
- maintain its level of unallocated reserves.

137. Perhaps even more importantly, there is also evidence to show that the council has improved its longer-term position. The previous audit

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

Exhibit 4: Additional savings requirements



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

138. This progress is largely due to the growing impact of the council's various improvement projects, such as Better Outcomes through Leaner Delivery (BOLD), Organise to Deliver and Channel Shift. These have now been consolidated into a single Transformation Programme, to help avoid the double-counting of planned savings and to present clearer choices for elected members.

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

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

- **Organise to Deliver -** The council has created four Localities to help delegate operational decision-making and integrate the delivery of local services. This initiative forms part of the drive to reduce staffing levels and costs. There is clearly merit in these proposals but, in our view, they need to be developed more to provide compelling evidence that they will deliver predicted savings of £20 million.

140. The council has made encouraging progress, but it still faces some significant challenges. With an increasing population, particularly amongst children and the elderly, it continues to face increasing demands on its services. The social care budget for 2014/15, for example, was overspent by £6 million and the underlying pressures have still to be fully resolved. Moreover, the council still has to decide where it can make further savings across all of its areas of activity. It has made good progress, with the level of unidentified savings needed to achieve a balanced budget for 2017/18 reduced from £67 million to £19 million. But, with continuing pressures on services, the council estimates that it will need to identify recurring savings of £51 million in order to balance its budget by 2019/20.

141. The council is trying to take a more strategic approach to these issues, with elected members taking increasing ownership of the transformation programme. For the first time, for example, it is aiming to agree a balanced budget for the next four years. But, in order to achieve the level of savings that are needed, the council knows that it needs to go beyond efficiencies in support services and make some difficult choices to match resources to priorities. Proposals are currently being developed on rationalising the council's estate and working more closely with partners for some of the related support functions. The council is also starting to consider services which might be reduced or even stopped. Elected members are expected to decide on these proposals by the end of 2015.

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

Procurement

143. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. The council reported a 2014 PCA assessment score of 76% (59% in 2013) against the average score across Scottish councils of 62%.

144. The annual PCA is being replaced by the Procurement & Commercial Improvement Programme (PCIP) which focuses on the policies and procedures driving procurement performance and the results they deliver. PCIP will introduce a revised assessment methodology and new scoring and performance bands with councils being assessed every two years. The revised assessment results will not be comparable with the previous PCA scores. The timings of the first assessments for local government have not been finalised

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

Collaborative working

145. The council is a member of the Scottish Cities Alliance, a collaborative group of local authorities and Scottish Government which aims to create conditions for economic growth and attract inward investment.

146. Following a review by the Alliance in 2014 of possible funding models to support growth, the council has been developing proposals with other Lothian and South East Scotland authorities to secure £1 billion of infrastructure funding across the region. It is hoped that this funding will generate up to £3.2 billion of private investment. A bid was submitted to the Scottish and UK governments in September 2015.

Performance management

147. The council has a well established performance framework that links its business plan to the political outcomes set out in the Capital Coalition Pledges, as well as to the partnership and operational outcomes set out in the Edinburgh Partnership Single Outcome Agreement and the council's operational plans.

148. To ensure it remains fit for purpose, the 2015 business plan has been updated to reflect the strategic vision set out in the council transformation programme. Existing corporate dashboard indicators have been re-aligned to the themes and priorities described in the revised business plan.

149. An annual planning and performance report on the council's strategic planning framework is reported to the Corporate Policy and Strategy Committee, along with six-monthly performance against dashboard indicators. Six monthly performance reports on the relevant dashboard indicators are also presented to the appropriate executive committees.

150. The council also participates in the Local Government Benchmarking Framework (LGBF) which brings together performance indicators for a range of services as well as service costs and customer satisfaction.

Overview of performance targets in 2014/15

151. The council assesses achievement of its high level commitments through a set of 53 Capital Coalition pledges. Achievement of these pledges is linked to a range of detailed dashboard and operational performance indicators.

152. The most recent progress report highlighted that as at April 2015, 43 pledges were either achieved or on track for delivery (39 at April 2014). Within this, two pledges around partnership working in drug and alcohol treatment, and festival and event development were reassessed as "on track" rather than achieved. This change of status was made to recognise that further work is required to meet these commitments over the longer term.

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

Statutory performance indicators (SPIs)

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

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

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

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

157. An evaluation of all Scottish councils' approaches to public performance reporting was carried out by Audit Scotland's Performance Audit and Best Value group during 2014/15 and reported to the Accounts Commission in June 2015. An individual assessment for City of Edinburgh Council was issued to the Leader and Chief Executive in July 2015.

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

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

National performance audit reports

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

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

Equalities

160. The Equality Act 2010 introduced a new public sector ‘general duty’ which encourages equality to be mainstreamed into public bodies’ core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

161. The council’s progress report on its frameworks for advancing equality and rights, and tackling poverty and inequality, was published on its website in April 2015, and considered by the Communities and Neighbourhoods Committee in May 2015. The report noted that 15 of the 23 defined equality and rights outcomes were assessed as being met in full, with 6 partially met. The remaining 2 outcomes will be reviewed in the coming months to establish whether there is sufficient data to measure the outcomes and they remain fit for purpose.

Outlook

162. In common with other councils, City of Edinburgh Council faces the key challenges of reducing budgets, an aging population with higher levels of need and the public expectation of high quality services. Longer term savings plans have been developed, but there is continuing uncertainty around future funding levels. The transformation programme to deliver a community focused operating model will result in service delivery with a redesigned and reduced workforce. A strong and effective performance management framework will be critical to the success of the council achieving its key priorities and achieving best value.

Appendix I – Significant audit risks

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

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
Income The council receives a significant amount of income in addition to SG funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.	• Assessment of systems of internal control • Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk.	We reviewed control arrangements and undertook detailed testing of income streams. No frauds were identified.
Management override of controls ISA240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	• Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business.	We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness. We did not identify any incidents of management override of controls.

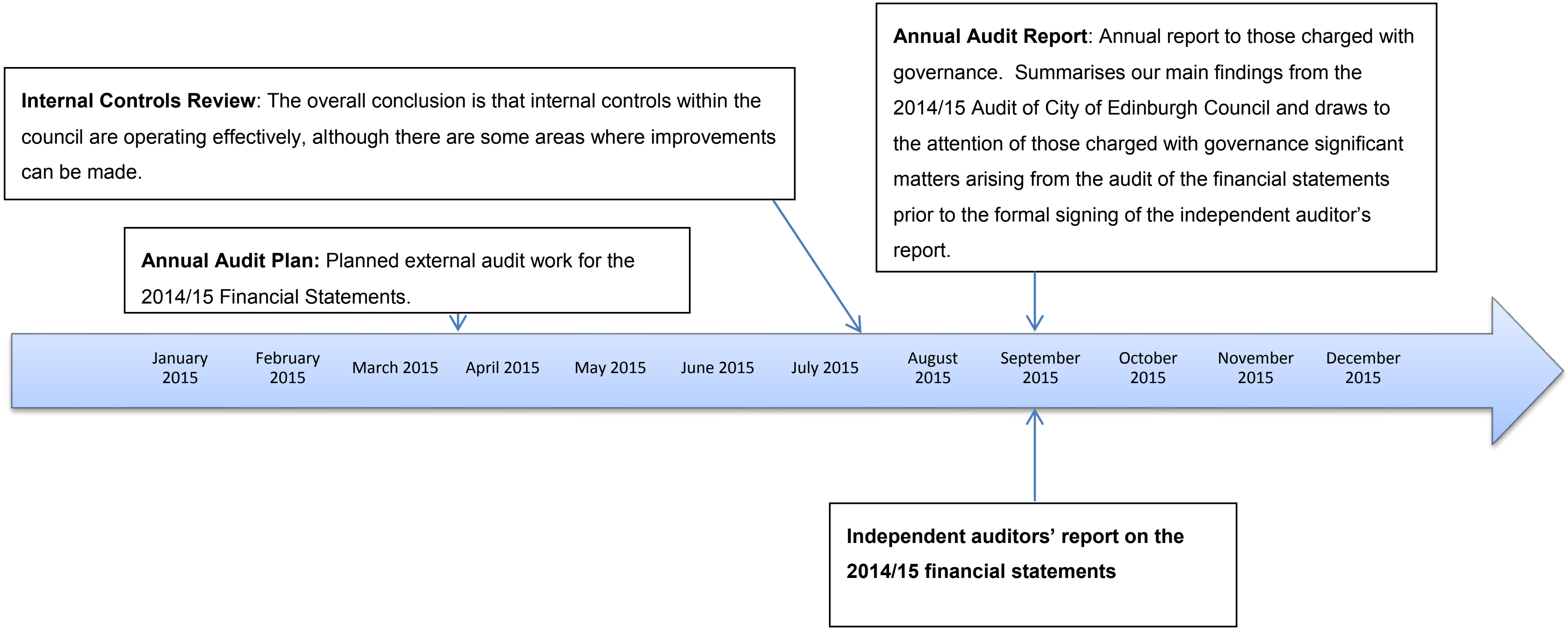
Audit Risk	Assurance procedure	Results and conclusions
Tram project expenditure The council incurred revenue costs during 2014/15 in relation to preparing for tram operations, giving rise to a risk of misclassification of expenditure between capital and revenue.	• Review of reports and papers on project expenditure • Discussion with council officers • Substantive testing of a sample of revenue costs	We reviewed council reports on tram expenditure and undertook substantive testing on tram expenditure. No mis-classification was identified.
Trams valuation Tram vehicles will transfer from assets under construction to operational assets in the 2014/15 financial statements. There is a risk that they may not be reflected at an appropriate fair value within the financial statements.	• Discussion with council officers • Review of committee papers and reports on potential extension of the tram network • Review of papers and other appropriate evidence on valuation	We reviewed council reports on decisions on future development of the network. We considered the valuation of the trams in the financial statements and concluded that it was appropriate.
Statutory repairs Although progress has been made in dealing with unbilled work, the delays to date mean that the debt has aged further, increasing the risk of non-recovery.	• Review of reports and papers on progress of billing and collections (including bad debts) and complaints resolution • Discussion with council officers • Review of statutory repairs balances and provision within the financial statements along with supporting evidence	We reviewed reports to members and related papers on statutory repairs billing progress, and discussed the position with officers. We reviewed the bad debt provision included in the financial statements and concluded that it was appropriate based on the information available.

Audit Risk	Assurance procedure	Results and conclusions
Group structure The council did not formally document its group boundary assessment after changes to the group structure in 2013/14 and there may be further changes to the group structure in 2014/15 as a result of new group accounting standards within the Code. There is a risk that the council's group accounts do not comply with new accounting standards.	• Review of reports and papers on progress of review of group structure • Discussion with officers • Liaison with external auditors of group companies	We reviewed the council's assessment of the group boundary for 2014/15. We met with component auditors to discuss matters arising from the audit of group companies. We concluded that the group boundary was appropriate.
Significant Trading Organisations (STOs) In our 2013/14 independent auditor's report we drew attention to the fact that the council's significant trading operation, Edinburgh Catering Services – Other Catering, failed to break even, on a cumulative basis, over the three year period ending 31 March 2014. There is a risk that the action plan implemented by the council may not result in the STO consistently achieving the requirements of section 10 of the Local Government in Scotland Act 2003.	• Monitor the on-going financial position reported to committee • Review the outturn position and cumulative break even as part of financial statements audit • Substantive testing of income and expenditure streams as part of financial statements audit	We reviewed reports to committee on the financial position of the STO and the planned action to address the deficit. We tested income and expenditure streams as part of our wider testing strategy. No material misstatements were identified.
Valuations The financial statements of City of Edinburgh Council include valuations which rely on significant assumptions and estimates. The extent of subjectivity in the measurement and valuation of these balances represents a risk of material misstatement.	• Completion of 'review of the work of an expert' for the professional valuer • Focused substantive testing of key areas	We reviewed the professional valuer in accordance with ISA 500 and undertook detailed testing of key valuations within the accounts. No material misstatements were identified.

Audit Risk	Assurance procedure	Results and conclusions
Finance restructuring An organisational review of finance services was completed during the financial year, resulting in a number of staff changes in key posts. There is a risk that these changes could impact on the delivery of the 2014/15 accounts timetable.	• Monitoring developments • Scheduling of audit work to take account of timetable and availability of staff • Progress meetings with Principal Accountant and Senior Accountant	We agreed a financial statements timetable with officers, and scheduled progress meetings on a regular basis to ensure the planned delivery timescales were met.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
Managing financial pressures The council continues to face a challenge in balancing the gap between its planned expenditure and the estimated level of income it will receive through government grants, non-domestic rates and council tax. There is a risk that savings targets are not met and the on-going need to deliver savings may have an impact on services and the delivery of strategic priorities.	• Local audit work supplemented by Best Value follow up audit work, including review of monitoring reports and delivery of savings programme	We followed up on the local Best Value work of 2014 and considered the longer term financial planning arrangements of the council, and progress towards delivering savings plans. We concluded that the council is making good progress in bridging the identified funding gap.

Appendix II – Summary of local reports 2014/15

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



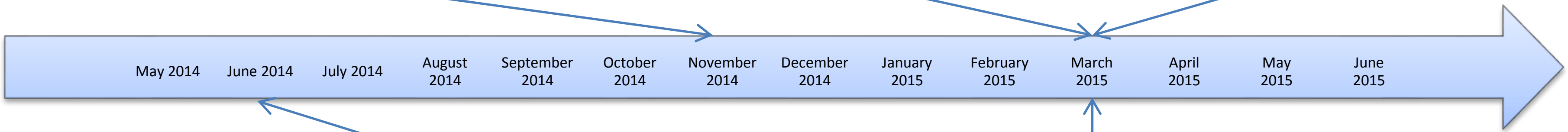
Appendix III – Summary of National Reports 2014/15

Summary of Audit Scotland national reports 2014/15

Community planning: Turning ambition into action – Many Community Planning Partnerships are still not clear about what they are expected to achieved. Local data should be used to help set relevant, targeted priorities for improvement that will address inequalities within specific communities.

Borrowing and treasury management in councils - Councils are meeting professional requirements but need to do more to set out the longer term implications of borrowing and other debt on their finances.

Update on developing financial reporting - Following the Smith Commission the framework for Scotland's public finances is undergoing fundamental change. The Scottish Parliament will have enhanced financial powers from April 2015. The report emphasises the importance of comprehensive, transparent and reliable financial reporting for accountability and decision-making. The report also notes that while the audited accounts of public bodies across Scotland provide a sound base for financial reporting and scrutiny, there is no single complete picture of the devolved public sector's finances.



Scotland's public finances - a follow up: Progress in meeting the challenges – Leaders and managers must produce balanced budgets and hold people in their organisations to account for how the money is used and what is achieved. Councillors have an important role in ensuring that approved budgets are used to best effect. To do this they need good-quality and timely financial information. They need to take a longer-term view on: options available for services; services standards and affordability; and, the sustainability of financial plans.

An overview of local government in Scotland – A high level, independent view on the progress councils are making in managing their finances and achieving Best Value.

Appendix IV – Action Plan

Action plan

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

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

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

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

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

Appendix 2

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AUDIT SCOTLAND

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

23 September 2015

City of Edinburgh Council Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2014/15 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified

2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 24 September 2015 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.

3. In presenting this report to the Governance, Risk and Best Value Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. A number of presentational and monetary adjustments were identified and discussed with senior finance officers who agreed to amend the unaudited financial statements. The effect of these adjustments is to decrease the council and group total expenditure by £0.163 million. Net assets as recorded in the balance sheet have increased by £0.163 million.

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

APPENDIX A: Proposed Independent Auditor's Report

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

I certify that I have audited the financial statements of City of Edinburgh Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statement, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash Flow Statements, the authority-only Housing Revenue Account, Council Tax Income Account, Non-Domestic Rates Income Account, the Common Good Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

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

Failure to achieve a prescribed financial objective

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

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2015 in respect of their Edinburgh Catering Services - Other Catering significant trading operation.

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

September 2015

Appendix B: ISA 580 - Letter of Representation

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

Dear David

City of Edinburgh Council

Annual Accounts 2014/15

1. This representation letter is provided in connection with your audit of the financial statements of City of Edinburgh Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of City Edinburgh Council and its group, as at 31 March 2015 and its income and expenditure for the year then ended.

2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Corporate Leadership Group, the following representations given to you in connection with your audit of City of Edinburgh Council and its group for the year ended 31 March 2015.

General

3. I acknowledge my responsibility and that of City of Edinburgh Council for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by City of Edinburgh Council have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.

4. The information given in the Annual Accounts, including the Management Commentary and Remuneration Report, presents a balanced picture of City of Edinburgh Council and is consistent with the financial statements.

5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014 including all relevant presentation and disclosure requirements.

7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of City of Edinburgh Council and its group for the year ended 31 March 2015.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

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

Related Party Transactions

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

Events Subsequent to the Balance Sheet Date

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

13. Other than as noted in the financial statements, there have be no events or transactions since the Balance Sheet date which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

14. I acknowledge as Section 95 Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.

15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2015, which require disclosure.

Fraud

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

Assets

17. The assets shown in the Balance Sheet at 31 March 2015 were owned by City of Edinburgh Council, other than assets which have been purchased under operating leases and except for certain heritage assets which are held on long term loan to the council. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

18. As noted in the accounting policies to the financial statements, it has not been possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore the balance sheet may hold elements of heritage assets that belong to other entities.

Liabilities

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

Carrying Value of Assets and Liabilities

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

Provisions

21. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2015 and of which City of Edinburgh Council could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2015.

22. The council has progressed the review and billing of outstanding statutory repairs work and during 2014/15 has written off £5.2 million in relation to irrecoverable debts. A bad debt provision

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

Yours sincerely

Hugh Dunn, Head of Finance
Section 95 Officer

Appendix 3

EDINBURGH
THE CITY OF EDINBURGH COUNCIL

2014/2015

AUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2015

CONTENTS

MANAGEMENT COMMENTARY

Basis of Accounts

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

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

Statutory Background

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

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

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

Political representation as of September 2015 was as follows:

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

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

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

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

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

MANAGEMENT COMMENTARY

Corporate Strategy

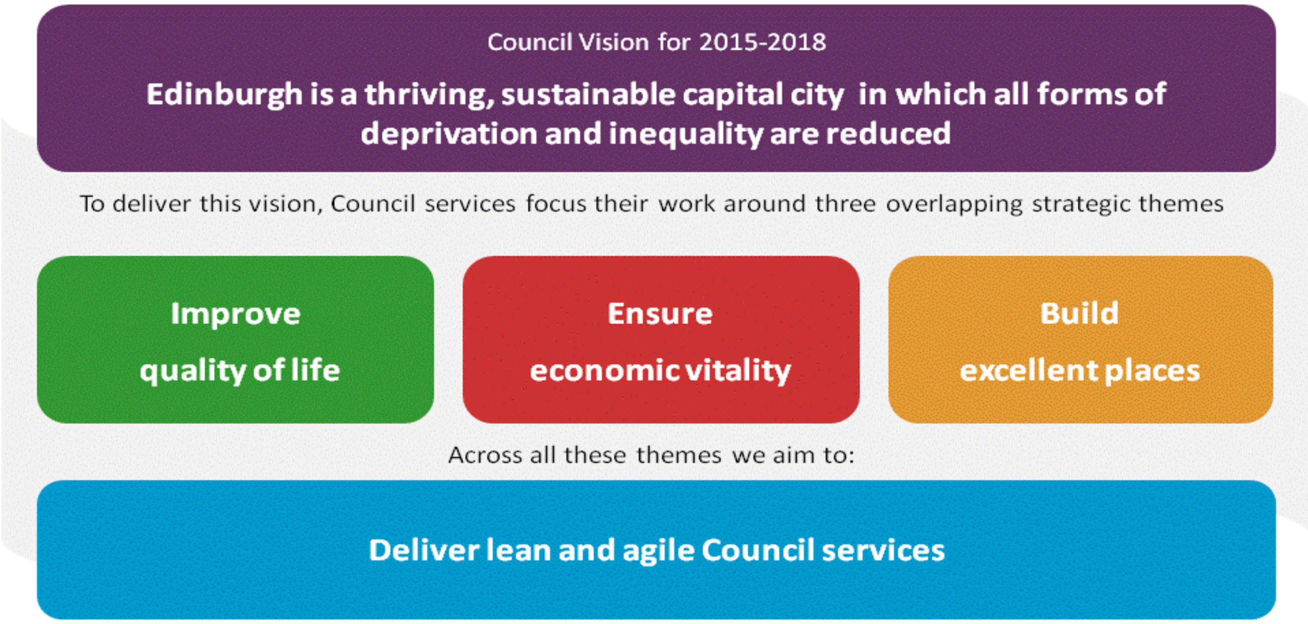
The current Council Strategic Plan was first developed in 2012 and outlines priorities for the period 2012-17. The plan forms the central part of the Council's planning and performance management framework and is reviewed and updated each year to take consideration of new developments, emerging priorities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

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

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

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

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



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

MANAGEMENT COMMENTARY

Risks and Uncertainty

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

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

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

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

- the Council has insufficient resources to structure and maintain a capital portfolio that is fit-for-purpose and meets health and safety standards now and in the future;

- the affordability and delivery of the Adult Social Care service, particularly in light of expected demographic changes, could impact on the outcomes and care for the people of Edinburgh;

- the IT infrastructure is not fit for purpose and does not meet the present or future needs of the Council, impacting on the Council's ability to deliver services as expected;

- the Council's transformational change agenda is not implemented effectively with support from elected members and trade unions, resulting in a failure to meet service delivery outcomes and impacting on cost reductions and staff morale;

- the Council does not generate sufficient savings to meet budget targets in the short and longer term, resulting in under-delivery of key services.

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

MANAGEMENT COMMENTARY

Results for the year

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

Financial Ratios

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

Council Tax	2014/15	2013/14	
In-year collection rate	95.40%	94.70%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Council Tax income as a percentage of overall funding	24.78%	24.88%	This shows the proportion of total funding that is derived from Council Tax.
Debt and Borrowing - Prudence			
Capital Financing Requirement	£1,726.0m	£1,728.5m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 39 to the Financial Statements.
External debt levels	£1,677.2m	£1,670.6m	External debt levels include long-term, commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability			
Financing costs to net revenue stream - General Fund	11.94%	11.94%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream - HRA	34.43%	36.44%	
Impact of capital investment on Council Tax	0.96%	0.18%	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	-0.10%	1.03%	

MANAGEMENT COMMENTARY

Financial Performance

Revenue - General Fund

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

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

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

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

Budget performance - General Fund

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

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

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

Financial Performance - continued

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

Principal Sources of Funding - General Fund

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

	£000
Council Tax / Community Charge income (net of Council Tax Reduction Scheme)	212,976
General revenue funding	386,311
Distribution from non-domestic rates pool	364,108
Total	963,395

Reconciliation to Amounts Reported for Resource Allocation Decisions

Note 32 to the Annual Accounts shows the amounts reported for resource allocation decisions. The service income and expenditure shown in note 32 can be reconciled back to the total shown for General Fund services as follows:

	Expenditure £000	Income £000	Net Expenditure £000	Budget £000
Children and Families	415,268	(23,875)	391,393	391,393
Corporate Governance	120,903	(39,825)	81,078	81,529
Economic Development	17,589	(5,136)	12,453	12,479
Health and Social Care	285,275	(75,038)	210,237	204,359
Lothian and Borders Valuation Joint Board	3,745	0	3,745	3,745
Services for Communities	385,668	(248,352)	137,316	137,316
Net cost of housing benefits	229,642	(202,248)	27,394	29,580
Other non-departmental specific income and expenditure	15,292	2,486	17,778	16,271
	1,473,382	(591,988)	881,394	876,672
General Fund services (as shown on page 6)			855,609	
Council Tax Reduction Scheme (as shown on page 6)			25,785	
			881,394	

Classification of Community Safety Expenditure

In accordance with guidance issued by LASAAC in December 2014, the Council has not reclassified Community Safety expenditure as Housing Services. The following figures which relate to Community Safety are included in Environmental Services within the Comprehensive Income and Expenditure Statement. Relevant expenditure relates to crime reduction (payments to Police Scotland) and CCTV costs.

	2013/14 £000	2014/15 £000
Relevant Community Safety expenditure included in Environmental Services	3,437	3,461

MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves - General Fund

The Council's General Fund reserves comprise two elements:

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

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

The latest review was in February 2015, as part of the 2015-2016 budget setting process. The unallocated General Fund balance remains at £13.025m, which equates to 1.36% of the annual budgeted net expenditure. There were no planned contributions to the unallocated General Fund for 2014/15.

In addition, the Council has a further £104.452m of balances earmarked for specific purposes. Details can be seen in note 10 to the Financial Statements. These are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium term future. Examples include monies earmarked for equal pay and the insurance fund. The Council holds £56.424m against these future risks.
- Balances set aside, primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof. The Council holds £38.705m of income which has been received in advance of planned expenditure.
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances. The Council holds £8.269m of balances for such projects.
- Balances held under the School Board Delegation Scheme (DSM), which permits balances on individual school budgets to be carried forward to the following financial year. The current balance is £1.054m.

In summary, the level of reserves at 31 March 2015, together with the forward strategy, are considered appropriate in view of the financial liabilities and risks likely to face the Council in the short to medium term.

Housing Revenue Account

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

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

- providing high quality housing services to tenants;
- improving the quality of existing homes to meet the Scottish Housing Quality Standard by 2015; and
- building new, energy efficient affordable homes to address the shortage of affordable housing in the city.

Since 2006/07, the HRA has been supported by a rent strategy of annual rent increases to ensure that there was a robust financial framework for delivering the capital investment required to meet the Scottish Housing Quality Standard by 2015. Throughout 2014/15 the Council consulted tenants on their priorities for future investment and rent levels to inform the rent strategy from 2015 onwards.

At the end of 2014/15, the HRA was balanced after making a contribution of £2.503m to the Renewal and Repairs Fund, via the General Fund. These funds are earmarked for future capital investment in new homes through 21st Century Homes and as a contingency to manage the impact of welfare reform. In line with the HRA business plan, an additional £6.1m of debt was paid off in-year.

HRA income pays for housing management services and repairs and maintenance. It also meets the cost of servicing borrowing required for capital investment. Feedback from Council tenants shows a high level of satisfaction with the housing and repairs services, the quality of their homes and the neighbourhoods they live in. Benchmarking shows these results put Edinburgh in the top three Scottish local authority landlords and are as good as, if not better than, the results of other similar sized social landlords across the UK.

Financial Performance - continued

Housing Revenue Account - continued

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

Significant progress was made during 2014/15. The Council now complies with the requirements of the Scottish Housing Quality Standard (SHQS). Around 3,000 homes are currently classed as in abeyance, where tenants or neighbours have not agreed to participate in improvements works, these are being prioritised. Significant progress has also been made in delivering new homes through the 21st Century Homes programme. Over 800 new affordable homes are either under construction or in development and a further 400 affordable homes are planned.

The HRA Business Plan is managing emerging risks for future years by reducing revenue costs where possible and ensuring adequate contingency to manage these risks. Actions to manage risk include:

- Robust performance management and benchmarking to allow for comparisons of costs and performance with similar landlords;
- Build uncommitted contingency over coming years to ensure the HRA can react to and absorb short-term impacts on income reduction from welfare reform and support other unforeseen expenditure;
- Reducing the repairs budget, whilst maintaining performance to generate revenue savings;
- Repaying debt to generate revenue savings; and
- Increasing the provision for rent arrears and bad debt to manage the impact of welfare reform.

Capital Expenditure

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

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

The outturn position for capital expenditure is summarised below:

Capital expenditure	Revised Budget 2014/15 £000	Actual 2014/15 £000	(Slippage) / Acceleration £000
General Fund services	141,735	150,827	9,092
Housing Revenue Account	45,726	37,309	(8,417)
Total capital expenditure	187,461	188,136	675
Capital receipts and other contributions			
- General Fund services	(29,066)	(32,863)	(3,797)
- Housing Revenue Account	(9,872)	(13,228)	(3,356)
Government and other grants			
- General Fund services	(86,949)	(86,989)	(40)
- Housing Revenue Account	(4,219)	(4,260)	(41)
Total capital income	(130,106)	(137,340)	(7,234)
Balance to be funded through borrowing			
- General Fund services	25,720	30,975	5,255
- Housing Revenue Account	31,635	19,821	(11,814)
Total advances from loans fund	57,355	50,796	(6,559)

Expenditure on General Fund services accelerated in total by £9.092m. Accelerated spend related mainly to asset management works projects across the Council estate. Expenditure on the Housing Revenue Account slipped by £8.417m.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure - continued

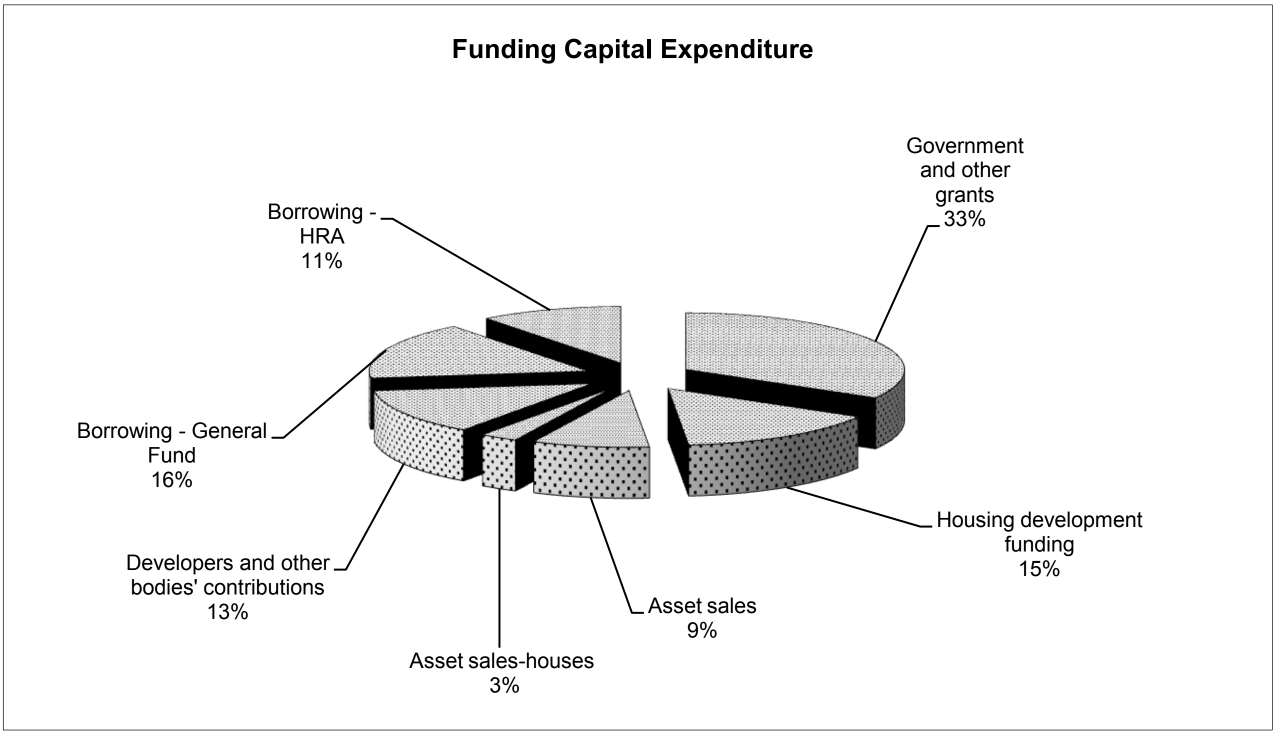
The Council received £57.675m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £188.136m. Major capital projects undertaken during the year included:

- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £37.309m;
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £9.696m;
- Social housing through the housing development fund - £28.512m;
- Tram works, roads and other infrastructure - £34.867m;
- Health and Social Care establishments - £5.199m;
- Educational properties - £28.279m; and
- Recreational venues (including libraries, parks and open spaces) - £5.419m.

The economic climate has seen some improvement in the property market and this in turn has positively impacted on the Council's ability to raise income to fund capital projects through the sale of assets.

The chart below shows how the General Fund and HRA capital programmes were funded. As can be seen, 27% of the programme was funded through additional borrowing.



Group Accounts

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

Financial Performance - continued

Group Accounts - continued

Net assets for 2014/15 include a combined group pension liability of £748.313m, as shown in note 43.9. This reflects the inclusion of pension liabilities relating to Council, other employees, including subsidiary companies and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2015. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

Performance Overview

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

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

These findings noted improvements in a number of frontline services that had been highlighted in the May 2013 report, as well as to the Council's wider governance arrangements, risk management and internal audit functions. Despite progress in these areas, the report noted with concern that a means of fully addressing the Council's savings gap remained to be found, as well as the continued lack of a comprehensive workforce strategy and shortcomings in information and communications technology arrangements. Since publication of the follow-up report, the Council has developed its transformation plan which, alongside a greater focus on prioritisation of key services, will address its overall savings requirements going forward. A workforce strategy was approved by the Finance and Resources Committee in March 2015, with work to secure, from April 2016, improvements to the Council's information and communications technology through service reprocurement also well-advanced.

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

Due to the time required for calculation, verification and publication of Scotland-wide figures, provisional 2014/15 data will not be available in sufficient time for inclusion in the unaudited or audited annual accounts. An overview of the Council's 2013/14 performance against the sixty efficiency- and outcome-related indicators comprising the framework and other relevant indicators as they related to the Council’s then five strategic themes has, however, been produced, as well as more detailed briefings on the framework’s seven elements. These briefings analyse not only existing performance but, more importantly, consider areas for improvement and planned or proposed actions to address these.

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

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

MANAGEMENT COMMENTARY

Future Developments

The one notable exception to the overall balanced position in 2014/15 was Health and Social Care, where underlying demand-led pressures contributed to a significant overspend. Urgent action, including commissioning an external review of financial performance, has therefore been instructed with a view to returning the service to a sustainable position in advance of full integration with health services from April 2016. Reconciling increasing service demand with reducing resources more generally remains the Council's main short- to medium-term challenge in delivering its priority outcomes; while expenditure demands are expected to increase by around 15% by 2018/19, overall resources available through Government Grant funding, Non-Domestic Rates and Council Tax are forecast to remain broadly static over this period. As a result, it is estimated that the Council needs to save at least £107m over the five-year period to 2019/20. At the same time, councils are at the centre of a wider public service reform programme, not only in the area of welfare-related changes but also more fundamental structural transformation resulting, for example, from health and social care integration. There is therefore a need to go beyond incremental, efficiency-driven measures (although these are clearly still important) and consider more transformational options for service delivery whilst aligning available resources more closely to the Council's priority outcomes.

To this end, the Council has established a transformation programme, an overview of which was reported to the Corporate Policy and Strategy Committee on 12 May 2015. This programme is geared towards building a lean and agile organisation, centred on customers, services and communities, and underpinned by significant investment to deliver both service benefits and financial savings.

Health and Social Work Integration

The Public Bodies (Joint Working) (Scotland) Bill

The Public Bodies (Joint Working) (Scotland) Bill was given Royal Assent by the Public Bodies Act.

The Edinburgh Integration Scheme has been signed off by the Minister and the Order will be laid before the Scottish Parliament before the summer recess.

Governance

Currently joint National Health Service (NHS) and CEC governance arrangements are the Edinburgh Partnership Board, Edinburgh Partnership Executive and the Health and Social Care Partnership.

Joint Boards chaired by senior officers have also been established below this level and there are a number of steering and project boards supporting Integration.

A pan-Lothian National Health Service Lothian Finance and Resources Group has been established, comprising S95 officers from Lothian councils and senior finance officers in NHS which will consider the financial framework of the new Integrated Joint Board.

Programme

It is estimated that the new Health and Social Care Partnership will encompass a combined budget of around £400-500 million of which approximately £200 million is currently Council budget. This brings together existing budgets from the Health and Social Care Service in the Council as well as those from NHS Lothian's Community Health Partnership. These budgets will be delegated to the Integrated Joint Board for governance, planning and resourcing purposes. The Strategic (Commissioning) Plan will identify how the resources are to be spent to deliver on the national outcomes and how the balance of care will be shifted from institutional to community-based settings.

Work is progressing on the key steps required to establish the Integrated Joint Board to allow it to get ready for the delegation of functions and resources. This includes a variety of tasks agreed in the Scheme and development of the Strategic Plan.

A detailed risk log is maintained for the Integration Programme and reported through the status reporting process to the Shadow Health and Social Care Partnership and through the Corporate Programmes Office reporting procedure.

ANDREW KERR Chief Executive	HUGH DUNN, CPFA Head of Finance	ANDREW BURNS Council Leader
24 September 2015	24 September 2015	24 September 2015

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs, including group interests, and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Head of Finance.

- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.

- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).

- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 24 September 2015.

ANDREW BURNS
Council Leader

24 September 2015

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

In preparing the Annual Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2015.

HUGH DUNN, CPFA
Head of Finance

24 September 2015

MOVEMENT IN RESERVES STATEMENT

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

2014/15	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
Balance at 31 March 2014	123,309	0	21,936	0
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	(4,301)	17,476	0	0
Other Comprehensive Income and Expenditure	0	0	0	21,479
Total Comprehensive Income and Expenditure	(4,301)	17,476	0	21,479
Adjustments between accounting basis and funding basis under regulations (Note 9)	7,629	(14,973)	0	(21,479)
Net (increase) / decrease before transfers to statutory reserves	3,328	2,503	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	(9,161)	(2,503)	12,868	0
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	(5,833)	0	12,868	0
Balance at 31 March 2015	**117,476**	**0**	**34,804**	**0**

2014/15	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
Balance at 31 March 2014	1,994	25,835	173,074	23,192
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	0	0	13,175	6,350
Other Comprehensive Income and Expenditure	0	11,298	32,777	(27,719)
Total Comprehensive Income and Expenditure	0	11,298	45,952	(21,369)
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,355	0	(26,468)	307
Net (increase) / decrease before transfers to statutory reserves	2,355	11,298	19,484	(21,062)
Transfer (to) / from other statutory reserves (Note 10.3)	0	(1,206)	(2)	7,678
Minority interest and other consolidation adjustments	0	0	0	
Increase / (decrease) in year	2,355	10,092	19,482	(13,384)
Balance at 31 March 2015	**4,349**	**35,927**	**192,556**	**9,808**

MOVEMENT IN RESERVES STATEMENT

2014/15	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2014	196,266	1,612,466	108,949	1,917,681
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	19,525	0	0	19,525
Other Comprehensive Income and Expenditure	5,058	(185,180)	(1,859)	(181,981)
Total Comprehensive Income and Expenditure	24,583	(185,180)	(1,859)	(162,456)
Adjustments between accounting basis and funding basis under regulations (Note 9)	(26,161)	26,468	(307)	0
Net (increase) / decrease before transfers to statutory reserves	(1,578)	(158,712)	(2,166)	(162,456)
Transfer (to) / from other statutory reserves (Note 10.3)	7,676	2	(7,676)	2
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	6,098	(158,710)	(9,842)	(162,454)
Balance at 31 March 2015	**202,364**	**1,453,756**	**99,107**	**1,755,227**

2013/14 Comparative Data	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
Balance at 31 March 2013	105,996	0	30,748	0
Movement in reserves during 2013/14				
Surplus or (deficit) on the provision of services	(27,930)	(18,545)	0	0
Other Comprehensive Income and Expenditure	0	0	0	16,707
Total Comprehensive Income and Expenditure	(27,930)	(18,545)	0	16,707
Adjustments between accounting basis and funding basis under regulations (Note 9)	30,290	22,843	0	(16,707)
Net (increase) / decrease before transfers to statutory reserves	2,360	4,298	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	14,953	(4,298)	(8,812)	0
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	17,313	0	(8,812)	0
Balance at 31 March 2014	**123,309**	**0**	**21,936**	**0**

MOVEMENT IN RESERVES STATEMENT

2013/14 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 2013	7,030	18,873	162,647	8,687
Movement in reserves during 2013/14				
Surplus or (deficit) on the provision of services	0	0	(46,475)	4,505
Other Comprehensive Income and Expenditure	0	8,805	25,512	17,894
Total Comprehensive Income and Expenditure	0	8,805	(20,963)	22,399
Adjustments between accounting basis and funding basis under regulations (Note 9)	(5,037)	0	31,389	252
Net (increase) / decrease before transfers to statutory reserves	(5,037)	8,805	10,426	22,651
Transfer (to) / from other statutory reserves (Note 10.3)	1	(1,843)	1	(8,146)
Minority interest and other consolidation adjustments	0	0	0	0
Increase / (decrease) in year	(5,036)	6,962	10,427	14,505
Balance at 31 March 2014	**1,994**	**25,835**	**173,074**	**23,192**

2013/14 Comparative Data	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2013	171,334	1,682,410	(1,306,506)	547,238
Movement in reserves during 2013/14				
Transfer of Police and Fire Services to central government	0	0	1,412,688	1,412,688
Surplus or (deficit) on the provision of services	(41,970)	0	0	(41,970)
Other Comprehensive Income and Expenditure	43,406	(38,554)	697	5,549
Total Comprehensive Income and Expenditure	1,436	(38,554)	1,413,385	1,376,267
Adjustments between accounting basis and funding basis under regulations (Note 9)	31,641	(31,389)	(252)	0
Net (increase) / decrease before transfers to statutory reserves	33,077	(69,943)	1,413,133	1,376,267
Transfer (to) / from other statutory reserves (Note 10.3)	(8,145)	(1)	8,146	0
Minority interest and other consolidation adjustments	0	0	(5,824)	(5,824)
Increase / (decrease) in year	24,932	(69,944)	1,415,455	1,370,443
Balance at 31 March 2014	**196,266**	**1,612,466**	**108,949**	**1,917,681**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2015

2013/14 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
343,151	Education Services		364,953	(24,502)	340,451
320,540	Social Work		396,772	(73,524)	323,248
1,265	Housing Revenue Account		74,019	(106,849)	(32,830)
36,415	Other Housing Services		298,722	(268,408)	30,314
51,537	Cultural and Related Services		65,738	(16,625)	49,113
70,753	Environmental Services		101,704	(29,414)	72,290
58,121	Roads and Transport		248,709	(185,186)	63,523
33,189	Planning and Development		69,007	(41,748)	27,259
11,540	Corporate and Democratic Core		13,836	(296)	13,540
18,820	Non-Distributed Costs		18,600	0	18,600
8,067	Services to the Public		25,950	(18,366)	7,584
204	Other Income and Expenditure		81,834	(71,794)	10,040
1,724	Associates and Joint Ventures Accounted for on an Equity Basis		23,271	(21,305)	1,966
955,326	**COST OF SERVICES**		1,783,115	(858,017)	925,098
4,221	Other Operating Expenditure	11.			(4,807)
110,758	Financing and Investment Income and Exp.	12.			91,300
(1,028,335)	Taxation and Non-Specific Grant Income	13.			(1,031,116)
41,970	**SURPLUS ON PROVISION OF SERVICES**				(19,525)
(49,212)	Surplus on Revaluation of Non-Current Assets			(19,070)	
(25,871)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(204,649)	
86,492	Changes in Financial and Demographic Assumptions / Other Experience			361,397	
(16,958)	Other Unrealised (Gains) / Losses			44,303	
(5,549)	Other Comprehensive Income and Expend.				181,981
36,421	**TOTAL COMPREHENSIVE EXPENDITURE**				162,456

An analysis of minority interest shares in the Group Comprehensive Income and Expenditure Statement can be seen in note 7.1.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2015

2013/14			Gross Expend.	Income	Net Expend.
£000	**SERVICES**	**Notes**	**£000**	**£000**	**£000**
343,151	Education Services		364,953	(24,502)	340,451
320,540	Social Work		396,772	(73,524)	323,248
1,265	Housing Revenue Account		74,019	(106,849)	(32,830)
36,415	Other Housing Services		298,722	(268,408)	30,314
53,643	Cultural and Related Services		61,402	(10,532)	50,870
70,753	Environmental Services		101,704	(29,414)	72,290
68,636	Roads and Transport		123,643	(52,828)	70,815
33,962	Planning and Development		56,196	(23,501)	32,695
11,540	Corporate and Democratic Core		13,836	(296)	13,540
18,820	Non-Distributed Costs		18,600	0	18,600
8,067	Services to the Public		25,950	(18,366)	7,584
(3,636)	Other Income and Expenditure		76,456	(71,323)	5,133
963,156	**COST OF SERVICES**		1,612,253	(679,543)	932,710
3,652	Other Operating Expenditure	11.			(4,716)
109,910	Financing and Investment Income and Exp.	12.			91,625
(1,030,243)	Taxation and Non-Specific Grant Income	13.			(1,032,794)
46,475	**SURPLUS ON PROVISION OF SERVICES**				(13,175)
(49,212)	Surplus on Revaluation of Non-Current Assets			(19,070)	
(25,871)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(204,649)	
86,492	Changes in Financial and Demographic Assumptions / Other Experience			361,397	
1,633	Other Unrealised Losses			14,725	
13,042	Other Comprehensive Income and Expend.				152,403
59,517	**TOTAL COMPREHENSIVE EXPENDITURE**				139,228

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		**£000**
59,517	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	139,228
(288)	Subsidiary and associate transactions included in the Council's CIES	829
(26,252)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	15,161
3,444	Associates	7,238
36,421	Group total Comprehensive Expenditure for the year	162,456

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net liability of the Group (assets less liabilities) represents the total net loss of the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services. The second category of reserves is those that the Group is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold.

31 March 2014 £000		Notes	31 March 2015 £000	£000
3,292	Intangible Assets	16.		4,954
1,017,351	Council Dwellings		1,029,558	
1,763,693	Other Land and Buildings		1,732,117	
103,377	Vehicles, Plant, Furniture and Equipment		178,127	
941,347	Infrastructure Assets		912,496	
11,347	Community Assets		12,192	
17,150	Surplus Assets		12,624	
79,740	Assets under Construction		50,330	
3,934,005	**Property, Plant and Equipment**	14.		3,927,444
2,415	Investment Properties	15.		16,304
30,391	Heritage Assets	17.		31,075
17,379	Assets Held for Sale	22.		21,179
821	Available for Sale Financial Assets			794
258	Deferred Tax			297
11,524	Other Long-Term Assets (Pension)			0
5,127	Long-Term Investments			11,553
37,845	Investments in Associates and Joint Ventures			33,771
95,766	Long-Term Debtors	20.		113,146
4,138,823	**Long-Term Assets**			4,160,517
4,586	Short-Term Investments		0	
2,889	Assets Held for Sale	22.	8,503	
17,220	Inventories	19.	12,057	
123,600	Short-Term Debtors	20.	82,940	
37,467	Cash and Cash Equivalents	21.	95,504	
185,762	**Current Assets**			199,004
(57,994)	Short-Term Borrowing		(77,787)	
(173,775)	Short-Term Creditors	23.	(169,986)	
(4,977)	Capital Grants Received in Advance		(1,340)	
(19,577)	Provisions	24.	(19,770)	
(256,323)	**Current Liabilities**			(268,883)

GROUP BALANCE SHEET

31 March 2014 £000		Notes	31 March 2015 £000	31 March 2015 £000
(1,393,140)	Long-Term Borrowing		(1,351,473)	
(205,184)	Other Long-Term Liabilities		(232,435)	
(9,547)	Deferred Tax		(3,467)	
(5,923)	Liabilities in Associates and Joint Ventures		(9,087)	
(536,787)	Other Long-Term Liabilities (Pensions)		(738,949)	
(2,150,581)	**Long-Term Liabilities**			(2,335,411)
1,917,681	**Net Assets**			**1,755,227**
918,790	Revaluation Reserve		911,395	
1,306,580	Capital Adjustment Account		1,339,227	
(51,049)	Financial Instruments Adjustment Account		(49,159)	
(535,498)	Pensions Reserve		(726,969)	
(26,357)	Employee Statutory Adjustment Account		(20,738)	
108,949	Group Unusable Reserves		99,107	
1,721,415	**Unusable Reserves**	26.		1,552,863
1,994	Capital Grants Unapplied Account		4,349	
25,835	Capital Fund		35,927	
21,936	Renewal and Repairs Fund		34,804	
123,309	General Fund		117,476	
23,192	Group Usable Reserves		9,808	
196,266	**Usable Reserves**	10.		202,364
1,917,681	**Total Reserves**			**1,755,227**

The unaudited accounts were issued on 19 June 2015. The audited accounts were authorised for issue on 24 September 2015.

HUGH DUNN, CPFA
Head of Finance
24 September 2015

BALANCE SHEET

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

31 March 2014 £000		Notes	31 March 2015 £000	31 March 2015 £000
3,292	Intangible Assets	16.		4,954
1,017,351	Council Dwellings		1,029,558	
1,735,804	Other Land and Buildings		1,704,462	
35,755	Vehicles, Plant, Furniture and Equipment		104,027	
939,723	Infrastructure Assets		911,161	
11,347	Community Assets		12,192	
17,150	Surplus Assets		12,624	
79,740	Assets under Construction		50,330	
3,836,870	**Property, Plant and Equipment**	14.		3,824,354
2,215	Investment Properties	15.		16,104
30,391	Heritage Assets	17.		31,075
17,379	Assets Held for Sale	22.		21,179
23,335	Long-Term Investments			23,510
99,266	Long-Term Debtors	20.		116,646
4,012,748	**Long-Term Assets**			4,037,822
4,586	Short-Term Investments		0	
2,889	Assets Held for Sale	22.	8,503	
2,537	Inventories	19.	2,749	
113,602	Short-Term Debtors	20.	69,751	
20,167	Cash and Cash Equivalents	21.	81,948	
143,781	**Current Assets**			162,951
(57,994)	Short-Term Borrowing		(79,287)	
(151,613)	Short-Term Creditors	23.	(141,325)	
(4,977)	Capital Grants Received in Advance		(1,340)	
(16,752)	Provisions	24.	(17,994)	
(231,336)	**Current Liabilities**			(239,946)

BALANCE SHEET

31 March 2014 £000		Notes	31 March 2015 £000	£000
(1,403,784)	Long-Term Borrowing	18.	(1,360,607)	
(200,371)	Other Long-Term Liabilities	18.	(226,939)	
(535,498)	Other Long-Term Liabilities (Pensions)	43.3	(726,969)	
(2,139,653)	**Long-Term Liabilities**			(2,314,515)
1,785,540	**Net Assets**			**1,646,312**
918,790	Revaluation Reserve		911,395	
1,306,580	Capital Adjustment Account		1,339,227	
(51,049)	Financial Instruments Adjustment Account		(49,159)	
(535,498)	Pensions Reserve		(726,969)	
(26,357)	Employee Statutory Adjustment Account		(20,738)	
1,612,466	**Unusable Reserves**	26.		1,453,756
1,994	Capital Grants Unapplied Account		4,349	
25,835	Capital Fund		35,927	
21,936	Renewal and Repairs Fund		34,804	
123,309	General Fund		117,476	
173,074	**Usable Reserves**	10.		192,556
1,785,540	**Total Reserves**			**1,646,312**

The unaudited accounts were issued on 19 June 2015. The audited accounts were authorised for issue on 24 September 2015.

HUGH DUNN, CPFA
Head of Finance
24 September 2015

GROUP CASH FLOW STATEMENT

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

Year ended 31 March 2015

2013/14 £000		Notes	£000	£000
	Operating Activities			
(212,792)	Taxation		(216,370)	
(1,061,122)	Grants		(1,074,651)	
(86,695)	Housing rents		(90,791)	
(512,828)	Sales of goods and rendering of services		(543,907)	
(4,871)	Interest and investment income received	27.	(11,680)	
(1,878,308)	Cash inflows from operating activities			(1,937,399)
616,610	Cash paid to and on behalf of employees		647,532	
200,368	Housing benefits paid out		202,498	
746,226	Cash paid to suppliers of goods and services		750,951	
2,582	Taxation paid		3,546	
96,806	Interest paid	27.	95,936	
1,662,592	Cash outflows from operating activities			1,700,463
(215,716)	Net cash flows from operating activities			(236,936)
	Investing Activities			
241,291	Net cash flows from investing activities	28.		183,054
	Financing Activities			
31,490	Net cash flows from financing activities	29.		(4,155)
57,065	Net decrease / (increase) in cash and cash equivalents			(58,037)
(94,532)	Cash and cash equivalents at 1 April			(37,467)
(37,467)	Cash and cash equivalents at 31 March	21.		(95,504)

CASH FLOW STATEMENT

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

Year ended 31 March 2015

2013/14 £000		Notes	£000	£000
	Operating Activities			
(211,614)	Taxation		(216,284)	
(1,061,122)	Grants		(1,074,651)	
(86,695)	Housing rents		(90,791)	
(370,204)	Sales of goods and rendering of services		(387,101)	
(4,651)	Interest and investment income received	27.	(11,450)	
(1,734,286)	Cash inflows from operating activities			(1,780,277)
540,639	Cash paid to and on behalf of employees		571,736	
200,368	Housing benefits paid out		202,498	
696,889	Cash paid to suppliers of goods and services		695,545	
96,313	Interest paid	27.	95,470	
1,534,209	Cash outflows from operating activities			1,565,249
(200,077)	Net cash flows from operating activities			(215,028)
	Investing Activities			
228,620	Net cash flows from investing activities	28.		159,177
	Financing Activities			
28,993	Net cash flows from financing activities	29.		(5,930)
57,536	Net decrease / (increase) in cash and cash equivalents			(61,781)
(77,703)	Cash and cash equivalents at 1 April			(20,167)
(20,167)	Cash and cash equivalents at 31 March	21.		(81,948)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2015 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Council.

1.1 Accruals of Income and Expenditure

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

1.2 Debt Redemption

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

1.3 Cash and Cash Equivalents

Cash and cash equivalents includes:

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

1.4 Contingent Assets and Liabilities

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

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

1.5 Provisions

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

1.6 Employee Benefits

- **Accruals of Holiday Leave**

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

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

- **Pensions**

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

  - **Teachers**

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

  - **Other Employees**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued
1.6 Employee Benefits - continued

- **Pensions - continued**
  - **Other Employees - continued**

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

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

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

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

1.7 Financial Instruments

- **Financial Liabilities**

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

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

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

- **Financial Assets**

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

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

1. Accounting Policies - continued

1.7 Financial Instruments - continued

- **Financial Assets - continued**

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

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

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

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

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

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

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

1.8 Government and non-Government Grants and Contributions

- **Revenue**

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

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

- **Capital**

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

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

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

1.9 Intangible Assets

Intangible fixed assets represent software licences purchased by the Council.

- **Recognition**

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

- **Measurement**

  Intangible fixed assets are initially measured at cost.

1. Accounting Policies - continued

1.9 Intangible Assets - continued

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

1.10 Inventories

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

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

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

1.11 Investment Properties

- **Measurement**
  Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value.

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

- **Revaluation**
  Investment properties are revalued annually.

- **Depreciation**
  Investment properties held at fair value are not depreciated.

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

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

1.12 Leases

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

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

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

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

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

1. Accounting Policies - continued

1.12 Leases - continued

- **Finance Leases - continued**
  - **Leased-in Assets - continued**

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

1.13 Current and Non-Current Assets Held for Sale

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

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

- **Measurement**

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

- **Depreciation**

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

1.14 Overheads

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

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

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

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

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

- fair value of the services received during the year - debited to education services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 7.35% (PPP1 scheme) and 5.004% (PPP2 scheme) on the outstanding balance sheet liability - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.16 Property, Plant and Equipment

- **Categories of Assets**

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

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

- **Recognition**

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

- **Measurement**

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

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

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

- **Depreciation**

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

  The Council does not depreciate its non-current assets in the year of acquisition. The Council operates a five-year rolling revaluation programme for assets and provides for depreciation on a straight line basis on the opening book value over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is not impacted by changes in asset value during the year arising from either revaluation or enhancements.

  Component accounting is applied as part of the revaluation process. As a result, where a building asset is split down into further components for the first time in year, the depreciation charge is based on the opening book value over the opening remaining useful life of the asset rather than subsequent component values and associated lives. The difference is not considered material.

- **Charges to Revenue for use of Non-Current Assets**

  Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

  - depreciation attributable to the assets used by the relevant service.
  - impairment losses attributable to the clear consumption of economic benefits on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

  The Council is not required to raise council tax to cover depreciation or impairment losses. Depreciation and impairment losses are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.16 Property, Plant and Equipment - continued

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

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

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

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

  The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million approximately. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.

  Where it is necessary to break a building down into further components, the following categories are applied:

  - Structural - includes external and internal walls, traditional roofing, doors, etc.
  - Non traditional roofing - includes flat roof, non-traditional roof coverings and industrial type roofs.
  - Finishes - includes doors, windows and room finishes.
  - Mechanical and electrical services - includes water, heat, ventilation, electrical, lifts, fire and communications.
  - Fittings and furnishings - includes fittings, furnishings and sanitary appliances.

1.17 Heritage Assets

- **Categories of Assets**
  Heritage assets comprise the following:

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

  Intangible heritage assets represent three private vehicle registration plates.

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.17 Heritage assets - continued

- **Measurement**

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

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

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

- **Depreciation**

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

1.18 Reserves

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

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax. Unusable reserves cannot be applied to fund expenditure.

- **Usable Reserves**

  The Council operates the following usable reserves:

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Reserves - continued

- **Unusable Reserves**

  The Council operates the following unusable reserves:

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

1.19 Revenue Expenditure Funded from Capital Under Statute

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

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

1.20 Value Added Tax

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

1.21 Group Account Consolidation

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

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

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
  - Subsidiaries - line-by-line basis;
  - Associates - equity method.
- Transport for Edinburgh Limited's and CEC Holdings Limited's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March), no consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Minority interests have been disclosed separately within the Group Balance Sheet and in Note 7.1 to the Financial Statements.
- Group members' financial statements have been prepared on an accruals basis, with the exception of the International Conference Centre Income Trust and International Conference Centre Expenditure Trust, which have been prepared on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement
- Amendments to IAS 19 Employee benefits (Defined benefit plans - employee contributions)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 financial statements.

IFRS 13 changes relate to improved consistency in fair value measurements and disclosures. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

3. Judgements Made in Applying Accounting Policies

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

3.1 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1) and Axiom Education Limited (PPP2).

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £557.310m at 31 March 2015) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.2 Group Membership

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

The following table details uncertainties on assumptions and estimates, and outlines the potential effect if actual results differ from the assumptions made.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £13.071m for each year that useful lives were reduced.
Long-Term Contracts	The Council's approved budget provides for inflationary uplifts on long-term contracts.	If inflation were to increase by 1%, this would result in an additional cost of £0.453m per annum.
Provisions	The Council has made a provision of £2.645m in respect of the remainder of anticipated equal pay settlements. This is based on the number of potential claimants and assumes similar settlement terms to those achieved previously. There is uncertainty surrounding both of these assumptions.	Should the settlement values increase by 10% this would have the effect of adding £0.265m to the provision required.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured.
Arrears	At 31 March, the Council had a balance of sundry debtors of £37.522m. A review of significant balances suggested that an impairment of doubtful debts of £6.824m (18%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £6.824m to be set aside as an allowance.
Arrears	In addition, the Council has a further debtor of £6.742m in respect of unbilled works on statutory notices. A review of these suggested that an impairment of doubtful debts of £3.551m was appropriate.	If the Council was unable to recover a further 10% of this amount, it would require to set an additional £0.674m aside as an allowance.
VAT Recovery Status	The Council's accounts are prepared on the assumption that VAT charged on its purchases is fully recoverable and that it will not become partially exempt.	If the Council were to exceed its 5% de minimis level, a minimum repayment of £3.907m would be due to HM Revenue and Customs.

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Council Tax Arrears	The Council makes an assumption on the level of Council Tax that will be collected over a number of years. The Council currently assumes that 96.64% of Council Tax will be collected. An impairment for doubtful debts of £8.282m has been provided for. In the current economic climate it is not certain that this would be sufficient.	If collection rates were to deteriorate by 1%, the amount to be impaired would require an additional £2.481m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £4.327m. A review of significant balances suggested that an impairment of doubtful debts of £4.326m (99%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There has been a significant increase in arrears and the impairment set aside, which should help protect against additional welfare reforms such as Universal Credit and the reduction in the benefits cap recently announced in the UK government's budget which potentially impact on the level of rent arrears.
Council Dwellings - Housing Stock	Council dwellings are valued using the Beacon Method which aggregates the vacant possession values of each unit of housing stock. The beacon discount factor is determined by applying a capitalisation yield to the gross rental income and comparing this to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied is 48%.	If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £19.484m. If the discount factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £19.484m.

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

5. Material Items of Income and Expense

The Council used £1.336m of the provision previously set aside for equal pay to offset costs arising during the year. The effect of this decrease is included within 'Other Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

In February 2015 the Scottish Parliament passed the Community Charge Debt (Scotland) Act 2015 bringing to an end the collection of Community Charge debts. The Council wrote off £73m of Community Charge debtors during the year, on the basis of this Bill. A bad debt provision for the full amount of outstanding Community Charge debtors had already been made in the Financial Statements therefore this has been fully drawn down. The effect of this is included in the Comprehensive Income and Expenditure Statement.

6. Events After the Balance Sheet Date

Sue Bruce left the Council and was replaced by Andrew Kerr as Chief Executive on 27 July 2015.

7. Subsidiaries and Associates

The Council holds shares in various trading companies, either as a controlling or minority shareholder.
The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

Subsidiaries:	**Shareholding**	
● CEC Holdings Limited	100.00%	
● Transport for Edinburgh Limited	100.00%	
Associates:		
● Edinburgh Leisure	33.33%	Board representation
● Festival City Theatres Trust	33.33%	Board representation
● Lothian Valuation Joint Board	61.22%	Funding percentage
● Common Good	100.00%	

Trusts:
- International Conference Centre Income Trust
- International Conference Centre Expenditure Trust

The following companies are not consolidated into the Group Accounts. An assessment has been carried out on these companies, their activities and the level of Council control. These companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

	Shareholding
● Capital City Partnership Limited	100.00%
● CEC Recovery Limited (formerly tie Limited)	100.00%
● Marketing Edinburgh Limited	100.00%

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

7.1 Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure 2014/15	**Authority £000**	**Minority Interests £000**	**Total £000**
(Surplus) or Deficit on the Provision of Services	(19,525)	0	(19,525)
Other Comprehensive Income and Expenditure	181,981	0	181,981
	162,456	0	162,456
2013/14 Comparative Data	**£000**	**£000**	**£000**
(Surplus) or Deficit on the Provision of Services	41,970	0	41,970
Other Comprehensive Income and Expenditure	(5,549)	0	(5,549)
	36,421	0	36,421

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Subsidiary Companies

- **Capital City Partnership**

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

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

The most recent audited results of the company are as follows:	31.03.15 £000	31.03.14 £000
Net assets	858	952
Net (profit) / loss before taxation	(41)	695
Retained profit carried forward	243	517

- **CEC Holdings Limited**

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

The most recent audited results of the company are as follows:	31.12.14 £000	Restated 31.12.13 £000
Net assets	17,920	20,088
Net (profit) / loss before taxation	(415)	3,514
Retained loss carried forward	51,716	(54,951)

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

- **CEC Recovery Limited *(formerly tie Limited)***

The principal activity of the company was previously the promotion, development, procurement, project management and implementation of certain nominated projects. The company did not actively trade in the year to 31 March 2015 and is actively pursuing the transferral of project documentation to Transport Scotland. The company changed its name from tie Limited to CEC Recovery Limited on 13 May 2013.

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

	31.03.15 0	31.03.14 £000
Net assets	0	0
Net deficit before taxation	0	0
Retained losses carried forward	(1)	(1)

- **Marketing Edinburgh Limited**

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

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

The most recent audited results of the company are as follows:	31.03.15 £000	31.03.14 £000
Net assets	262	300
Net (profit) / loss before taxation	41	42
Retained profit carried forward	259	300

7. Subsidiaries and Associates - continued

7.2 Subsidiary Companies - continued

- **Transport for Edinburgh Limited**

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

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

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

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

The most recent audited results of the company and its primary subsidiaries are as follows:

	31.12.14 Restated £000	31.12.13 Restated £000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	61,825	n/a
Net profit before taxation	(9,579)	n/a
Retained earnings	(11,136)	n/a
Dividend paid	5,000	n/a
Lothian Buses Limited		
Net assets	62,275	81,480
Net profit before taxation	(10,143)	(11,653)
Retained earnings	54,436	68,604
Dividend paid	5,494	3,296
Edinburgh Trams Limited		
Net assets	(449)	n/a
Net loss before taxation	564	n/a
Retained earnings	(449)	n/a
Dividend paid	0	n/a

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

7. Subsidiaries and Associates - continued

7.3 Associates

- **Edinburgh Leisure**

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

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

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

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

The most recent audited results of the company are as follows:	**31.03.15 £000**	**31.03.14 £000**
Net liabilities	(6,440)	(3,835)
Net operating (profit)/cost	(968)	237
Losses carried forward	6,440	3,835

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

The group share of the results of Edinburgh Leisure, based on 33.33% (2013/14 33.33%) Board Representation, is as follows:

	31.03.15 £000	**31.03.14 £000**
Incoming resources	(10,092)	(10,183)
Net loss	868	800
Net liabilities	(2,146)	(1,278)
Total usable reserves	2,146	1,278

- **Festival City Theatres Trust**

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

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

The most recent audited results of the company are as follows:	**31.03.15 £000**	**31.03.14 £000**
Net assets	4,179	4,446
Net outgoing resources	(197)	(75)
Fund balances carried forward	(4,179)	(4,446)

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

The group share of the results of the Festival City Theatres Trust, based on 33.33% (2013/14 33.33%) Board representation, is as follows:

	31.03.15 £000	**31.03.14 £000**
Incoming resources	(3,645)	(4,376)
Net outgoing resources	(89)	(25)
Net assets	1,393	1,482
Total usable reserves	(1,393)	(1,482)

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued
7.3 Associates - continued

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

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

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

  The group share of the results of the Lothian Valuation Joint Board, based on a 61.22% (2013/14 61.22%) funding percentage is as follows:

	31.03.15	**Restated 31.03.14**
	£000	**£000**
Funding - requisitions	(3,635)	(3,671)
Other income	(1,397)	(979)
Total income	(5,032)	(4,650)
Deficit for the year	307	247
Net liabilities	(6,941)	(4,644)
Usable reserves	0	0
Unusable reserves	6,941	4,644
Total reserves	6,941	4,644

7. Subsidiaries and Associates - continued

7.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

7.5 Shareholder Support to Council Companies

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

7.6 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £108.915m (2013/14 £132.141m) representing the Council's share of the realisable surpluses or deficits in these companies.

8. Trusts

- **International Conference Centre Expenditure Trust**

  This Trust was set up to hold funds provided by the Council for its development of the Edinburgh International Conference Centre. The balance of unexpended funds held at 31 March 2015 was £4.153m (31 March 2014 £5.890m).

  The decrease in the balance of £1.737m relates mainly to the provision of funding to EICC for capital development costs of £1.767m. The Expenditure Trust received interest of £0.03m.

  The £1.364m transferred from the Income Trust noted below was transferred to the Council to defray the development and running costs of the new additional function space.

- **International Conference Centre Income Trust**

  This Trust was set up to hold funds received from the sale of land at the Edinburgh International Conference Centre site, pending their use for development and other costs of the centre. The balance of unexpended funds held at 31 March 2015 was £3.551m (31 March 2014 £4.915m).

  Funds in the Income Trust have reduced by £1.364m during the year, relating mainly to the transfer, noted above, to the International Conference Centre Expenditure Trust. The Income Trust received interest of £0.023m.

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

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

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

2014/15	Usable Reserves: Capital Grants Unapplied Account £000	Usable Reserves: Capital Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(151,822)
Movements in the market value of investment properties	0	0	13,889
Amortisation of intangible assets	0	0	(710)
Capital grants and contributions applied	3,298	0	66,101
Capital funded from revenue	0	0	5,674
Revenue expenditure funded from capital under statute	0	0	(32,641)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	93,408
Capital expenditure charged against General Fund and HRA balances	0	0	32,641
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(943)	0	943
Adjustments primarily involving the Capital Receipts Reserve			
Net loss on sale of property, plant and equipment and assets held for sale	0	0	4,716
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,479
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,894
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	61,359
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,619
Total Adjustments	2,355	0	26,468

NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves		
2013/14 Comparative Data	**General Fund Balance £000**	**Housing Revenue Account Balance £000**	**Capital Receipts Reserve £000**
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	144,120	52,082	0
Movements in the market value of investment properties	0	0	0
Amortisation of intangible assets	288	0	0
Capital grants and contributions applied	(82,023)	(3,301)	0
Capital funded from revenue	(382)	(3,575)	0
Revenue expenditure funded from capital under statute	30,365	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(66,794)	(23,163)	0
Capital expenditure charged against General Fund and HRA balances	(30,365)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and as held for sale	3,118	534	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(16,707)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,263)	(397)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	83,438	1,009	0
Employer's pension contributions and direct payments to pensioners payable in the year	(59,705)	(450)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	9,493	104	0
Total Adjustments	30,290	22,843	(16,707)

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

	Usable Reserves		
2013/14 Comparative Data	**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	(196,202)
Movements in the market value of investment properties	0	0	0
Amortisation of intangible assets	0	0	(288)
Capital grants and contributions applied	0	0	85,324
Capital funded from revenue	0	0	3,957
Revenue expenditure funded from capital under statute	0	0	(30,365)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	89,957
Capital expenditure charged against General Fund and HRA balances	0	0	30,365
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(5,037)	0	5,037
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and as held for sale	0	0	(3,652)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	16,707
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,660
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(84,447)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	60,155
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(9,597)
Total Adjustments	(5,037)	0	(31,389)

10. Usable Reserves

10.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year. Comparative data is included for 2013/14 which has been restated.

Group Reserves	Balance at 01.04.14 £000	Net Transfers Out 2014/15 £000	Net Transfers In 2014/15 £000	Balance at 31.03.15 £000
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(54,951)	3,236	0	(51,715)
Capital grants unapplied account	3,632	0	(419)	3,213
Transport for Edinburgh Limited				
Revenue reserves	61,852	(13,329)	0	48,523
Total Usable Reserves - Subsidiaries	**10,533**	**(10,093)**	**(419)**	**21**
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	1,651	0	1,185	2,836
Edinburgh Leisure				
Earmarked revenue reserve	419	0	157	576
Revenue reserves	(1,697)	0	(1,025)	(2,722)
International Conference Centre Trusts				
Income Trust	4,915	(1,364)	0	3,551
Expenditure Trust	5,890	(3,101)	1,364	4,153
Festival City Theatres Trust				
Earmarked capital reserve	1,606	(149)	0	1,457
Revenue reserves	(125)	0	61	(64)
Total Usable Reserves - Associates and Joint Ventures	**12,659**	**(4,614)**	**1,742**	**9,787**
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	**23,192**	**(14,707)**	**1,323**	**9,808**

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.13 £000	Net Transfers Out 2013/14 £000	Net Transfers In 2013/14 £000	Balance at 31.03.14 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(52,595)	(2,356)	0	(54,951)
Capital grants unapplied account	3,815	(183)	0	3,632
Transport for Edinburgh				
Revenue reserves	42,601	0	19,251	61,852
Total Usable Reserves - Subsidiaries	**(6,179)**	**(2,539)**	**19,251**	**10,533**
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserves	1,615	0	36	1,651
Edinburgh Leisure				
Earmarked revenue reserve	287	0	132	419
Revenue reserves	(765)	(932)	0	(1,697)
International Conference Centre Trusts				
Income Trust	6,134	(1,219)	0	4,915
Expenditure Trust	6,075	(1,404)	1,219	5,890
Festival City Theatres Trust				
Earmarked capital reserve	1,763	(157)	0	1,606
Revenue reserves	(243)	118	0	(125)
Total Usable Reserves - Associates and Joint Ventures	**14,866**	**(3,594)**	**1,387**	**12,659**
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	**8,687**	**(6,133)**	**20,638**	**23,192**

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued
10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.14 £000	Inter-Fund Transfer 2014/15 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31.03.15 £000
Council's Usable Reserves					
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under Devolved School Management (DSM)	1,273	0	(1,273)	1,054	1,054
Balances set aside for specific inv.	12,028	496	(3,938)	5,303	13,889
Contingency funding, workforce mgmt.	22,832	0	(5,676)	745	17,901
Council Priorities Fund	10,894	0	(8,258)	681	3,317
Dilapidations Fund	8,154	0	(85)	690	8,759
Energy efficiency Fund	983	0	(275)	91	799
Insurance Funds	11,928	0	(1,550)	2,179	12,557
Licensing Income	1,820	0	(447)	29	1,402
Recycling balances	1,464	0	(92)	0	1,372
Revenue grants and contributions received in advance of planned expenditure	16,180	(496)	(6,915)	5,308	14,077
Council Tax Discount Fund	16,335	0	0	2,301	18,636
Spend to Save Fund and similar projects	6,196	0	(2,861)	4,134	7,469
Other earmarked balances	197	0	0	22	219
Strategic Acquisition Fund	0	0	0	3,000	3,000
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,503)	2,503	0
Total General Fund	123,309	0	(33,873)	28,040	117,476
Housing Revenue Account Balance	0	0	(2,503)	2,503	0
Renewal and Repairs Fund	21,936	0	0	12,868	34,804
Capital Fund	25,835	0	(1,298)	11,390	35,927
Capital Receipts Reserve	0	0	21,479	(21,479)	0
Capital Grants Unapplied Account	1,994	0	(943)	3,298	4,349
Total Usable Reserves - Council	**173,074**	**0**	**(17,138)**	**36,620**	**192,556**
Total Usable Reserves - Group	**196,266**	**0**	**(31,845)**	**37,943**	**202,364**

10. Usable Reserves - continued
10.1 Transfers to and from Usable Reserves - continued

(re-stated)	Balance at 01.04.13 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31.03.14 £000
General Fund				
Unallocated General Fund	13,025	0	0	13,025
Balances held by schools under DSM	2,649	(2,649)	1,273	1,273
Balances set aside for specific inv.	8,229	(4,632)	8,431	12,028
Contingency funding, workforce mgmt.	18,203	0	4,629	22,832
Council Priorities Fund	2,917	(207)	8,184	10,894
Dilapidations Fund	10,993	(4,375)	1,536	8,154
Energy efficiency Fund	997	(110)	96	983
Insurance Funds	10,675	(1,264)	2,517	11,928
Licensing Income	1,592	0	228	1,820
Recycling balances	1,464	0	0	1,464
Revenue grants and contributions received in advance of planned expend.	17,927	(9,603)	7,856	16,180
Council Tax Discount Fund	13,774	0	2,561	16,335
Spend to Save Fund and similar projects	3,434	(3,226)	5,988	6,196
Other earmarked balances	117	(13)	93	197
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	(4,298)	4,298	0
Total General Fund	105,996	(30,377)	47,690	123,309
Housing Revenue Account Balance	0	(4,298)	4,298	0
Renewal and Repairs Fund	30,748	(13,207)	4,395	21,936
Capital Fund	18,873	(1,911)	8,873	25,835
Capital Receipts Reserve	0	(16,707)	16,707	0
Capital Grants Unapplied Account	7,030	(5,036)	0	1,994
Total Usable Reserves - Council	**162,647**	**(71,536)**	**81,963**	**173,074**
Total Usable Reserves - Group	**171,334**	**(77,669)**	**102,601**	**196,266**

The General Fund useable reserves categorisations have been restated for 2013/14 to better reflect the strategic classification of funds.

10.2 Devolved School Management
A net credit balance of £1.054m (2013/14 £1.273m) is held within the General Fund in accordance with the Devolved School Management scheme.

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

2014/15	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(33,873)	(2,503)	0	21,479
Transfers in	28,040	2,503	12,868	(21,479)
Total movements in fund	(5,833)	0	12,868	0
Recognised in Comprehensive Income and Expenditure Statement	3,328	2,503	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	(9,161)	(2,503)	12,868	0
Total movements in fund	(5,833)	0	12,868	0

	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	**Total £000**
Transfers out	(943)	(1,298)	(14,707)	**(31,845)**
Transfers in	3,298	11,390	1,323	**37,943**
Total movements in fund	2,355	10,092	(13,384)	**6,098**
Recognised in Comprehensive Income and Expenditure Statement	2,355	11,298	(21,062)	**(1,578)**
Minority interest and other consol. adjusts.	0	0	0	**0**
Transfers to other earmarked reserves	0	(1,206)	7,678	**7,676**
Total movements in fund	2,355	10,092	(13,384)	**6,098**

2013/14 Comparative Data	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(30,377)	(4,298)	(13,207)	(16,707)
Transfers in	47,690	4,298	4,395	16,707
Total movements in fund	17,313	0	(8,812)	0
Recognised in Comprehensive Income and Expenditure Statement	2,360	4,298	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	14,953	(4,298)	(8,812)	0
Total movements in fund	17,313	0	(8,812)	0

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2013/14 Comparative Data	**Capital Grants Unapplied £000**	**Capital Fund £000**	**Group Usable Reserves £000**	**Total £000**
Transfers out	(5,036)	(1,911)	(6,133)	**(77,669)**
Transfers in	0	8,873	20,638	**102,601**
Total movements in fund	(5,036)	6,962	14,505	**24,932**
Recognised in Comprehensive Income and Expenditure Statement	(5,037)	8,805	22,651	**33,077**
Minority interest and other consol. adjusts.	0	0	0	**0**
Transfers to other earmarked reserves	1	(1,843)	(8,146)	**(8,145)**
Total movements in fund	(5,036)	6,962	14,505	**24,932**

11. Other Operating Expenditure

	2014/15 Group £000	**2014/15 Council £000**	**2013/14 Group £000**	**2013/14 Council £000**
(Gains) / losses on the disposal of non-current assets	(4,807)	(4,716)	4,221	3,652
	(4,807)	(4,716)	4,221	3,652

12. Financing and Investment Income and Expenditure

	2014/15 Group £000	**2014/15 Council £000**	**2013/14 Group £000**	**2013/14 Council £000**
Interest payable and similar charges	94,064	93,657	95,122	94,649
Interest cost on defined benefit obligation	118,313	103,245	112,865	99,411
Interest receivable and similar income	(11,312)	(11,144)	(5,118)	(4,936)
Interest income on plan assets	(95,508)	(79,991)	(91,933)	(79,047)
Income / expend. in relation to investment properties and changes in their fair value	(14,208)	(14,208)	64	(212)
Net (surplus) / deficit from trading activities	(49)	66	(242)	45
	91,300	91,625	110,758	109,910

13. Taxation and Non-Specific Grant Income

	2014/15 Group £000	**2014/15 Council £000**	**2013/14 Group £000**	**2013/14 Council £000**
Council Tax income	(212,976)	(212,976)	(207,925)	(207,925)
Non-domestic rates	(364,108)	(364,108)	(334,630)	(334,630)
Non-ring fenced government grants	(386,311)	(386,311)	(402,364)	(402,364)
Capital grants and contributions	(69,399)	(69,399)	(85,324)	(85,324)
Taxation expenses	1,678	0	1,908	0
	(1,031,116)	(1,032,794)	(1,028,335)	(1,030,243)

14. Property, Plant and Equipment

14.1 Depreciation

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

Council dwellings	50 years
Buildings	50 years (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP Schools	40 years (PPP1 schools) and 35 years (PPP2 schools)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 10 years, to reflect estimated useful life 3 years to 15 years, Group Companies

14.2 Capital Commitments

At 31 March 2015, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £64.920m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2014 were £25.432m.

	£000	Expected Completion Date
Portobello New High School	28,300	Aug-16
Boroughmuir New High School	25,800	Oct-16
Kirkliston Primary School extension	3,000	Aug-16
NEP term contract	2,500	2 years
HRA - External Fabric Improvement Term Contract	1,715	1 year
HRA - Gas Heating Term Contract	1,200	1 year
Water of Leith Phase 2 (Mains diversion) - Scottish Gas Networks	1,080	1 year
Zero Waste - Site Construction	690	1-2years
New Autism Day and Respite Centre retention	400	Apr-15
Other capital commitments	235	1 year
	64,920	

In November 2014, Lothian Buses Limited entered into an agreement to purchase 20 hybrid vehicles for £4.80m. These are expected to be delivered during mid 2015.

CEC Holdings Limited has contractual commitments of £0.0m (2013/14 £0.640m).

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued
14.3 Movements on Balances - Group Accounts
Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,854,171	215,260	1,316,428
Additions	33,769	31,861	29,195	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,241)	(2,878)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	1,047,151	1,841,517	300,619	1,350,760
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(90,478)	(111,883)	(375,081)
Depreciation charge	(17,746)	(47,658)	(17,731)	(63,183)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,181	2,593	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	(17,593)	(109,400)	(122,492)	(438,264)
Net book value				
At 31 March 2015	1,029,558	1,732,117	178,127	912,496
At 31 March 2014	1,017,351	1,763,693	103,377	941,347

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued
14.3 Movements on Balances - Group Accounts
Movements in 2014/15

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2014	11,347	17,243	79,740	**4,511,749**
Additions	1,164	89	34,694	**165,104**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	**(10,826)**
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	**(18,834)**
Derecognition - disposals	0	(850)	0	**(16,494)**
Derecognition - other	0	0	0	**(8,632)**
Assets reclassified (to) / from held for sale	0	(1,048)	0	**(6,864)**
Other movements in cost or valuation	0	0	(64,104)	**0**
At 31 March 2015	12,192	12,634	50,330	**4,615,203**
Accumulated Depreciation and Impairment				
At 1 April 2014	0	(93)	0	**(577,744)**
Depreciation charge	0	(66)	0	**(146,384)**
Depreciation charge written out to Revaluation Reserve	0	0	0	**20,902**
Depreciation written out to the Surplus on the Provision of Services	0	114	0	**5,948**
Derecognition - disposals	0	0	0	**4,901**
Derecognition - other	0	0	0	**5,793**
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	**(1,264)**
Other movements in cost or valuation	0	35	0	**89**
At 31 March 2015	0	(10)	0	**(687,759)**
Net book value				
At 31 March 2015	12,192	12,624	50,330	**3,927,444**
At 31 March 2014	11,347	17,150	79,740	**3,934,005**

14. Property, Plant and Equipment - continued
14.4 Movements on Balances - Group Accounts
2013/14 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2013	1,107,677	1,821,734	204,314	1,225,857
Additions	39,115	31,979	19,578	90,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(60,972)	17,302	98	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(62,981)	(31,548)	0	0
Derecognition - disposals	(5,298)	(10,537)	(5,239)	0
Derecognition - other	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	19	(698)	0	0
Other movements in cost or valuation	0	25,939	1	0
At 31 March 2014	1,017,560	1,854,171	215,260	1,316,428
Accumulated Depreciation and Impairment				
At 1 April 2013	(62,533)	(93,459)	(100,530)	(316,173)
Depreciation charge	(18,186)	(44,974)	(18,489)	(58,668)
Depreciation charge written out to Revaluation Reserve	50,601	43,337	13	0
Depreciation written out to the Surplus on the Provision of Services	29,538	4,078	0	0
Derecognition - disposals	371	501	4,319	0
Derecognition - other	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(688)	(240)
Other movements in cost or valuation	0	39	0	0
At 31 March 2014	(209)	(90,478)	(111,883)	(375,081)
Net book value				
At 31 March 2014	1,017,351	1,763,693	103,377	941,347
At 31 March 2013	1,045,144	1,728,275	103,784	909,684

14. Property, Plant and Equipment - continued
14.4 Movements on Balances - Group Accounts
2013/14 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2013	11,263	19,814	95,306	**4,485,965**
Additions	1,079	131	10,871	**193,324**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,391)	0	**(44,963)**
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(1,492)	(1,621)	0	**(97,642)**
Derecognition - disposals	0	0	0	**(21,074)**
Derecognition - other	0	0	0	**(3,492)**
Assets reclassified (to) / from held for sale	0	310	0	**(369)**
Other movements in cost or valuation	497	0	(26,437)	**0**
At 31 March 2014	11,347	17,243	79,740	**4,511,749**
Accumulated Depreciation and Impairment				
At 1 April 2013	0	(31)	0	**(572,726)**
Depreciation charge	0	(99)	0	**(140,416)**
Depreciation charge written out to Revaluation Reserve	0	0	0	**93,951**
Depreciation written out to the Surplus on the Provision of Services	0	37	0	**33,653**
Derecognition - disposals	0	0	0	**5,191**
Derecognition - other	0	0	0	**3,492**
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	**(928)**
Other movements in cost or valuation	0	0	0	**39**
At 31 March 2014	0	(93)	0	**(577,744)**
Net book value				
At 31 March 2014	11,347	17,150	79,740	**3,934,005**
At 31 March 2013	11,263	19,783	95,306	**3,913,239**

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council

Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,796,454	94,409	1,309,758
Additions	33,769	31,623	13,955	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,127)	(206)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	1,047,151	1,783,676	167,200	1,344,090
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(60,650)	(58,654)	(370,035)
Depreciation charge	(17,746)	(47,186)	(9,089)	(62,894)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,067	41	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	(17,593)	(79,214)	(63,173)	(432,929)
Net book value				
At 31 March 2015	1,029,558	1,704,462	104,027	911,161
At 31 March 2014	1,017,351	1,735,804	35,755	939,723

14. Property, Plant and Equipment - continued
14.5 Movements on Balances - City of Edinburgh Council
Movements in 2014/15

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
At 1 April 2014	11,347	17,243	79,740	**4,326,511**	558,965
Additions	1,164	89	34,694	**149,626**	23,151
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	**(10,826)**	(9,629)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	**(18,834)**	0
Derecognition - disposals	0	(850)	0	**(13,708)**	0
Derecognition - other	0	0	0	**(8,632)**	0
Assets reclassified (to) / from held for sale	0	(1,048)	0	**(6,864)**	0
Other movements in cost or valuation	0	0	(64,104)	**0**	54
At 31 March 2015	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' and 'Assets Under Construction'.

14. Property, Plant and Equipment - continued
14.6 Movements on Balances - City of Edinburgh Council
2013/14 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2013	1,107,677	1,768,939	85,844	1,219,187
Additions	39,115	31,835	12,191	90,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(60,972)	17,302	98	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(62,981)	(31,548)	0	0
Derecognition - disposals	(5,298)	(10,537)	(231)	0
Derecognition - other	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	19	(698)	0	0
Other movements in cost or valuation	0	21,161	(1)	0
At 31 March 2014	1,017,560	1,796,454	94,409	1,309,758
Accumulated Depreciation and Impairment				
At 1 April 2013	(62,533)	(64,029)	(51,475)	(311,416)
Depreciation charge	(18,186)	(44,576)	(10,041)	(58,379)
Depreciation charge written out to Revaluation Reserve	50,601	43,337	13	0
Depreciation written out to the Surplus on the Provision of Services	29,538	4,078	0	0
Derecognition - disposals	371	501	45	0
Derecognition - other	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(688)	(240)
Other movements in cost or valuation	0	39	0	0
At 31 March 2014	(209)	(60,650)	(58,654)	(370,035)
Net book value				
At 31 March 2014	1,017,351	1,735,804	35,755	939,723
At 31 March 2013	1,045,144	1,704,910	34,369	907,771

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued
14.6 Movements on Balances - City of Edinburgh Council
2013/14 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
Cost or Valuation					
At 1 April 2013	11,263	19,814	90,818	**4,303,542**	551,161
Additions	1,079	131	10,579	**185,501**	146
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,391)	0	**(44,963)**	17,759
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(1,492)	(1,621)	0	**(97,642)**	(10,101)
Derecognition - disposals	0	0	0	**(16,066)**	0
Derecognition - other	0	0	0	**(3,492)**	0
Assets reclassified (to) / from held for sale	0	310	0	**(369)**	0
Other movements in cost or valuation	497	0	(21,657)	**0**	0
At 31 March 2014	11,347	17,243	79,740	**4,326,511**	558,965
Accumulated Depreciation and Impairment					
At 1 April 2013	0	(31)	0	**(489,484)**	(43,097)
Depreciation charge	0	(99)	0	**(131,281)**	(11,334)
Depreciation charge written out to Revaluation Reserve	0	0	0	**93,951**	40,575
Depreciation written out to the Surplus on the Provision of Services	0	37	0	**33,653**	1,801
Derecognition - disposals	0	0	0	**917**	0
Derecognition - other	0	0	0	**3,492**	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	**(928)**	0
Other movements in cost or valuation	0	0	0	**39**	0
At 31 March 2014	0	(93)	0	**(489,641)**	(12,055)
Net book value					
At 31 March 2014	11,347	17,150	79,740	**3,836,870**	546,910
At 31 March 2013	11,263	19,783	90,818	**3,814,058**	508,064

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

14. Property, Plant and Equipment - continued

14.7 Council Dwellings, Other Land and Buildings and Investment Properties

The Council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out under the direction of the Council's Estate Manager (Projects), S. Sladdin RICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Fixtures and fittings are included in the valuation of the buildings where appropriate.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were assumed to be in a reasonable state of repair and have a life expectancy of more than fifty years.

- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board.

- Not all properties were inspected.

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

Council assets	**Council Dwellings £000**	**Other Land and Buildings £000**	**Vehicles, Plant, Furniture and Equipment £000**	**Infrastructure Assets £000**
Carried at historical cost	29,119	59,968	98,551	1,344,090
Valued at fair value as at:				
31 March 2015	1,425	271,816	67,674	0
31 March 2014	1,013,882	450,255	125	0
31 March 2013	392	683,147	850	0
31 March 2012	0	238,880	0	0
31 March 2011	2,333	79,610	0	0
Total cost or valuation	1,047,151	1,783,676	167,200	1,344,090

Council assets	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total £000**
Carried at historical cost	12,192	51	50,330	1,594,301
Valued at fair value as at:				
31 March 2015	0	1,175	0	342,090
31 March 2014	0	0	0	1,464,262
31 March 2013	0	5,008	0	689,397
31 March 2012	0	0	0	238,880
31 March 2011	0	6,400	0	88,343
Total cost or valuation	12,192	12,634	50,330	4,417,273

NOTES TO THE FINANCIAL STATEMENTS

15. Investment Properties

15.1 Income and Expenses on Investment Properties

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

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Rental income from investment properties	(387)	(387)	(212)	(212)
Direct operating expenses arising from investment property	68	68	0	0
	(319)	(319)	(212)	(212)

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal.

15.2 Movement in Fair Value

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

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	2,415	2,215	2,640	2,215
Additions:				
- Subsequent expenditure	0	0	51	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	13,889	13,889	(276)	0
Transfers	0	0	0	0
- (to) / from Inventories	0	0	0	0
- (to) / from Property, Plant and Equipment	0	0	0	0
- (to) / from Assets Held for Sale	0	0	0	0
Value at 31 March	16,304	16,104	2,415	2,215

NOTES TO THE FINANCIAL STATEMENTS

16. Intangible Assets

Intangible assets mainly represent purchased software licences.

Software is given a finite useful life based on the period of the licence purchased.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.710m in 2014/15 (2013/14 £0.257m) was charged to the following services.

	2014/15 £000	2013/14 £000
Education services	56	44
Cultural and related services	0	32
Social Work	12	168
Services to the Public	642	13
Total amortisation	710	257

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

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April				
Gross carrying amount	6,185	6,185	3,049	3,049
Less: Accumulated amortisation	(2,893)	(2,893)	(2,636)	(2,636)
Net carrying amount at 1 April	3,292	3,292	413	413
Additions during the year				
- Purchased intangible assets	2,372	2,372	3,167	3,167
Impairment during the year	0	0	(31)	(31)
Amortisation for the period	(710)	(710)	(257)	(257)
Net carrying amount at 31 March	4,954	4,954	3,292	3,292
Comprising:				
Gross carrying amounts	8,557	8,557	6,185	6,185
Accumulated amortisation	(3,603)	(3,603)	(2,893)	(2,893)
Net carrying amount at 31 March	4,954	4,954	3,292	3,292

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

	Carrying Amount 2014/15 £000	Carrying Amount 2013/14 £000	Remaining Amortisation Period 31.03.15
Master data management software	887	717	4 years
Web-based solution software, including web forms	953	683	4 years
Integration engine software	846	633	4 years
Customer relationship management solutions	1,687	631	4 years
Security management software	285	357	4 years

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets
17.1 Reconciliation of the Carrying Value of Heritage Assets
Movements in 2014/15

Cost or Valuation	**Monuments and Statues £000**	**Civic Regalia and Artefacts £000**	**Archival Collections £000**
At 1 April 2014	576	2,047	6,797
Additions	44	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(7)	0	0
At 31 March 2015	613	2,047	6,797
Accumulated Impairment			
At 1 April 2014	0	0	0
At 31 March 2015	0	0	0
Net book value			
At 31 March 2015	613	2,047	6,797
At 31 March 2014	576	2,047	6,797

Cost or Valuation	**Libraries' Special Collections £000**	**Museum and Gallery Collections £000**	**Total Heritage Assets £000**
At 1 April 2014	1,675	19,296	30,391
Additions	0	0	44
Revaluation increases / (decreases) recognised in the Revaluation Reverse	300	347	647
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(7)
At 31 March 2015	1,975	19,643	31,075
Accumulated Impairment			
At 1 April 2014	0	0	0
At 31 March 2015	0	0	0
Net book value			
At 31 March 2015	1,975	19,643	31,075
At 31 March 2014	1,675	19,296	30,391

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets - continued

17.1 Reconciliation of the Carrying Value of Heritage Assets - continued

2013/14 Comparative Data

Cost or Valuation	**Monuments and Statues £000**	**Civic Regalia and Artefacts £000**	**Archival Collections £000**
At 1 April 2013	423	2,047	6,797
Additions	153	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2014	576	2,047	6,797
Accumulated Impairment			
At 1 April 2013	0	0	0
At 31 March 2014	0	0	0
Net book value			
At 31 March 2014	576	2,047	6,797
At 31 March 2013	423	2,047	6,797

Cost or Valuation	**Libraries' Special Collections £000**	**Museum and Gallery Collections £000**	**Total Heritage Assets £000**
At 1 April 2013	1,675	19,296	30,238
Additions	0	0	153
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2014	1,675	19,296	30,391
Accumulated Impairment			
At 1 April 2013	0	0	0
At 31 March 2014	0	0	0
Net book value			
At 31 March 2014	1,675	19,296	30,391
At 31 March 2013	1,675	19,296	30,238

17. Heritage Assets - continued

17.2 Details of Heritage Assets

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

18. Financial Instruments

18.1 Categories of Financial Instruments

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

	Long-Term		Current	
	31.03.15	**31.03.14**	**31.03.15**	**31.03.14**
Investments	**£000**	**£000**	**£000**	**£000**
Loans and receivables	0	0	99,286	40,077
Unquoted equity investment at cost	23,511	23,335	0	0
Total investments	23,511	23,335	99,286	40,077
Debtors				
Loans and receivables	4,374	3,500	37,522	29,892
Total debtors	4,374	3,500	37,522	29,892
Borrowings				
Financial liabilities (principal amount)	(1,351,533)	(1,394,588)	(64,341)	(41,495)
Accrued interest	0	0	(17,856)	(18,293)
Cost of amortisation	(9,074)	(9,196)	13	0
Total borrowings	(1,360,607)	(1,403,784)	(82,184)	(59,788)

18. Financial Instruments - continued
18.1 Categories of Financial Instruments - continued

	Long-Term	
	31.03.15	31.03.14
	£000	£000
Other Long-Term Liabilities		
PPP and finance lease liabilities	(226,589)	(200,021)
Deferred liability	(350)	(350)
Total other long-term liabilities	(226,939)	(200,371)

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

	Current	
	31.03.15	31.03.14
Creditors	£000	£000
Financial liabilities at amortised cost	(18,597)	(11,141)
PPP and finance leases due within 1 year	(10,736)	(8,821)
Total creditors	(29,333)	(19,962)

Lothian Regional Council entered into an agreement for the disposal of Norton Park Annex to the Tudor Trust. The terms of the disposal included the creation of a Title Company with share capital of 100 ordinary shares, held by the Tudor Trust, and 350,000 £1 preference shares held by City of Edinburgh Council. The preference shares carry rights that, in the event of the company being wound up or the property sold, the Council will receive the first £0.35m of the sale proceeds. This is reflected in the Balance Sheet as 'Other Long-term Liabilities' of £0.35m, as shown above and as a long-term investment.

18.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	76,522	13	76,535
Impairment losses	0	(43)	(43)
Total expense in Surplus on the Provision of Services	76,522	(30)	76,492
Interest income	0	684	684
Net gain for the year	76,522	654	77,176

In addition to the above interest expense, £1.887m (2013/14 £1.877m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.279m (2013/14 £0.317m) of loans fund expenses charged to the Council.

18.3 Fair Value of Assets and Liabilities
Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date.

18. Financial Instruments - continued

18.3 Fair Value of Assets and Liabilities - continued

- for loans and receivables, the prevailing benchmark market rates have been used to provide the fair value.
- no early repayment of impairment is recognised.
- where no instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31.03.15		31.03.14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	(1,128,116)	(1,562,608)	(1,156,294)	(1,414,394)
European Investment Bank	(1,813)	(1,813)	0	0
Market debt	(293,496)	(508,695)	(293,515)	(315,636)
Temporary borrowing	(16,469)	(16,469)	(11,969)	(11,969)
Other bodies	(2,876)	(2,876)	(1,793)	(1,793)
Other long-term liabilities	(350)	(350)	(350)	(350)
Trade creditors	(18,597)	(18,597)	(11,141)	(11,141)
Finance Leases	(237,325)	(237,325)	(208,842)	(208,842)
Financial liabilities	(1,699,042)	(2,348,733)	(1,683,904)	(1,964,125)

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31.03.15		31.03.14	
Investments	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	99,286	99,286	40,077	40,077
Unquoted equity investment at cost	23,511	23,511	23,335	23,335
Debtors				
Loans and receivables	4,374	4,374	3,500	3,500
Other trade debtors	37,522	37,522	29,892	29,892
Total Investments	164,693	164,693	96,804	96,804

19. Inventories

Movements in 2014/15 and 2013/14

	2014/15		2013/14	
	Group	Council	Group	Council
Fuel Stocks	£000	£000	£000	£000
Balance at 1 April	591	165	389	170
Purchases	26,043	2,771	27,174	2,997
Recognised as an expense in the year	(26,134)	(2,822)	(26,972)	(3,002)
Balance at 31 March	500	114	591	165
Gift Stock and Community Equipment	£000	£000	£000	£000
Balance at 1 April	831	831	742	742
Purchases	2,906	2,906	2,031	2,031
Held by a third party	33	33	27	27
Recognised as an expense in the year	(2,605)	(2,605)	(1,969)	(1,969)
Balance at 31 March	1,165	1,165	831	831
Construction and Other Raw Materials	£000	£000	£000	£000
Balance at 1 April	1,424	1,242	1,494	1,200
Purchases	23,433	8,081	24,371	8,013
Recognised as an expense in the year	(23,466)	(8,168)	(24,441)	(7,971)
Balance at 31 March	1,391	1,155	1,424	1,242
Items held for sale	£000	£000	£000	£000
Balance at 1 April	89	89	79	79
Purchases	329	329	321	321
Recognised as an expense in the year	(326)	(326)	(310)	(310)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	91	91	89	89
Work in Progress	£000	£000	£000	£000
Balance at 1 April	14,081	6	9,933	8
Purchases	0	0	4,173	23
Recognised as an expense in the year	(5,395)	(6)	(25)	(25)
Balance at 31 March	8,686	0	14,081	6
Clothing and Equipment	£000	£000	£000	£000
Balance at 1 April	79	79	74	74
Purchases	273	273	199	199
Recognised as an expense in the year	(262)	(262)	(194)	(194)
Balance at 31 March	90	90	79	79
Catering Stocks	£000	£000	£000	£000
Balance at 1 April	125	125	113	113
Purchases	2,630	2,630	2,570	2,570
Recognised as an expense in the year	(2,621)	(2,621)	(2,558)	(2,558)
Balance at 31 March	134	134	125	125

19. Inventories - continued

Total	2014/15 Group £000	2014/15 Council £000	2013/14 Group £000	2013/14 Council £000
Balance at 1 April	17,220	2,537	12,824	2,386
Purchases	55,614	16,990	60,839	16,154
Held by a third party	33	33	27	27
Recognised as an expense in the year	(60,809)	(16,810)	(56,469)	(16,029)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	12,057	2,749	17,220	2,537

20. Debtors

20.1 Long-term Debtors

	2014/15 Group £000	2014/15 Council £000	2013/14 Group £000	2013/14 Council £000
Central government bodies	34,865	34,865	35,629	35,629
Other local authorities	1,142	1,142	0	0
NHS bodies	97	97	0	0
Public corporations and trading funds	0	0	0	0
Other entities and individuals	190,604	194,104	239,230	242,730
Total long-term debtors before provision for impairment	226,708	230,208	274,859	278,359
Less: Provision for impairment	(113,562)	(113,562)	(179,093)	(179,093)
Total net long-term debtors	113,146	116,646	95,766	99,266

20.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2014/15 Group £000	2014/15 Council £000	2013/14 Group £000	2013/14 Council £000
Capital advances				
Police Scotland	18,262	18,262	20,351	20,351
Fire Scotland	3,192	3,192	4,467	4,467
Council Tax	91,519	91,519	86,448	86,448
Community Charge	0	0	72,458	72,458
Non-Domestic Rates	1,757	1,757	1,590	1,590
CEC Holdings	0	3,500	0	3,500
Edinburgh Marketing loan	0	0	9	9
NHT Loans (see note 34.3)	45,665	45,665	35,969	35,969
House rents	3,194	3,194	3,528	3,528
Car loan scheme	146	146	150	150
Other debtors	62,973	62,973	49,889	49,889
	226,708	230,208	274,859	278,359

Long-term debtors include £18.262m (2013/14 £20.351m) and £3.192m (2013/14 £4.467m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

The Community Charge Debt (Scotland) Act 2015 was passed on 19 February 2015, bringing to an end the collection of Community Charge in Scotland. The Council has written off the Community Charge debtor in full during the financial year.

20. Debtors - continued

20.3 Current Debtors

	2014/15		2013/14	
	Group	Council	Group	Council
	£000	£000	£000	£000
Central government bodies	30,932	28,645	51,465	49,860
Other local authorities	3,682	2,836	6,845	6,250
NHS bodies	1,645	1,645	989	989
Public corporations and trading funds	86	86	2,493	2,493
Other entities and individuals	137,260	127,204	153,649	145,843
Total current debtors before provision for impairment	173,605	160,416	215,441	205,435
Less: Provision for impairment	(90,665)	(90,665)	(91,841)	(91,833)
Total net current debtors	82,940	69,751	123,600	113,602

20.4 Provision for Impairment

	2014/15		2013/14	
	Group	Council	Group	Council
Long-term provision for impairment	£000	£000	£000	£000
Community charge	0	0	(72,459)	(72,459)
Council tax	(87,720)	(87,720)	(82,863)	(82,863)
Non-Domestic rates	(1,362)	(1,362)	(1,208)	(1,208)
Sundry debtors	(24,480)	(24,480)	(22,563)	(22,563)
Total long-term provision for impairment	(113,562)	(113,562)	(179,093)	(179,093)
Current provision for impairment	£000	£000	£000	£000
Community charge	0	0	(30)	(30)
Council tax	(80,090)	(80,090)	(79,410)	(79,410)
Non-Domestic rates	(190)	(190)	(342)	(342)
Sundry debtors	(10,385)	(10,385)	(12,059)	(12,051)
Total current provision for impairment	(90,665)	(90,665)	(91,841)	(91,833)

21. Cash and Cash Equivalents

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

	2014/15		2013/14	
	Group	Council	Group	Council
	£000	£000	£000	£000
Cash held	385	385	389	389
Bank current accounts	(4,167)	(17,723)	1,588	(15,712)
Short-term deposits:				
With banks or building societies	65,007	65,007	25,432	25,432
With other local authorities	0	0	0	0
With money market fund	29,131	29,131	8,234	8,234
With treasury bills	2,565	2,565	1,824	1,824
Other	2,583	2,583	0	0
	95,504	81,948	37,467	20,167

22. Assets Held for Sale

22.1 Non-Current Assets	2014/15 Group £000	2014/15 Council £000	2013/14 Group £000	2013/14 Council £000
Balance at 1 April	17,379	17,379	19,551	19,551
Additions	95	95	78	78
Revaluation gains/(losses) recognised in the revaluation reserve	8,200	8,200	450	450
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(537)	(537)	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	5,585	5,585	180	180
Assets sold	(2,697)	(2,697)	(2,571)	(2,571)
Transfers from non-current to current	(6,846)	(6,846)	(309)	(309)
Balance at 31 March	21,179	21,179	17,379	17,379

22.2 Current Assets	2014/15 Group £000	2014/15 Council £000	2013/14 Group £000	2013/14 Council £000
Balance at 1 April	2,889	2,889	5,273	5,273
Additions	22	22	24	24
Revaluation gains/(losses) recognised in the revaluation reserve	149	149	(226)	(226)
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(2)	(2)
Assets reclassified as held for sale: Property, Plant and Equipment	1,190	1,190	150	150
Assets sold	(2,593)	(2,593)	(2,639)	(2,639)
Transfers from non-current to current	6,846	6,846	309	309
Balance at 31 March	8,503	8,503	2,889	2,889

23. Creditors

	2014/15 Group £000	2014/15 Council £000	2013/14 Group £000	2013/14 Council £000
Central government bodies	(21,683)	(18,393)	(25,157)	(20,518)
Other local authorities	(15,305)	(14,296)	(11,419)	(12,544)
NHS bodies	(660)	(660)	(620)	(614)
Public corporations and trading funds	(2,426)	(2,426)	(3,528)	(3,528)
Other entities and individuals	(129,912)	(105,550)	(133,051)	(114,409)
	(169,986)	(141,325)	(173,775)	(151,613)

24. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £19.769m (2013/14 £19.577m).

Of this amount, £17.993m (2013/14 £16.752m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, as summarised below, based on the Council's assessment of the costs.

	Trams £000	Equal Pay Claims £000	Council Tax Discounts £000
Balance at 1 April 2014	(4,418)	(4,679)	(1,766)
Additional provisions made during the year	(119)	0	0
Amounts used during the year	314	1,336	0
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	594	698	254
Balance at 31 March 2015	(3,629)	(2,645)	(1,512)

	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2014	(170)	(120)	(5,599)
Additional provisions made during the year	(170)	(173)	(4,836)
Amounts used during the year	170	116	558
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	0	16
Balance at 31 March 2015	(170)	(177)	(9,861)

	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2014	(16,752)	(2,825)	(19,577)
Additional provisions made during the year	(5,298)	0	(5,298)
Amounts used during the year	2,494	1,049	3,543
Transferred from other long-term liabilities	0	0	0
Unused amounts reversed during the year	1,562	0	1,562
Balance at 31 March 2015	(17,994)	(1,776)	(19,770)

25. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 14 to 16) and Note 10.

26. Unusable Reserves

26.1 Summary of Unusable Reserves

	Balance as at: 31 March 2015 £000	31 March 2014 £000
Revaluation Reserve	911,395	918,790
Capital Adjustment Account	1,339,227	1,306,580
Financial Instruments Adjustment Account	(49,159)	(51,049)
Pensions Reserve	(726,969)	(535,498)
Employee Statutory Adjustment Account	(20,738)	(26,357)
Total Council Unusable Reserves	1,453,756	1,612,466
Subsidiaries, Associates and Joint Ventures	99,107	108,949
Total Group Unusable Reserves	1,552,863	1,721,415

26.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

		2014/15 £000		2013/14 £000
Balance at 1 April		918,790		901,436
Upward revaluation of assets	49,478		98,837	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(30,408)		(49,625)	
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service		19,070		49,212
Difference between fair value depreciation and historical cost depreciation	(19,524)		(19,541)	
Accumulated gains on assets sold	(6,941)		(12,317)	
Amount written off to the capital adjustment account		(26,465)		(31,858)
Balance at 31 March		911,395		918,790

26. Unusable Reserves - continued

26.3 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council to finance the costs for acquisition, construction and enhancement of non-current assets. The account also holds accumulated gains and losses on investment properties and evaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Note 9 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

		2014/15 £000		2013/14 £000
Balance at 1 April		1,306,580		1,301,035
Reversal of items relating to capital expenditure debited or credited to the CIES				
Charges for depreciation and impairment of non-current assets	(135,488)		(129,145)	
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(13,577)		(63,992)	
Amortisation of intangible assets	(710)		(288)	
Capital funded from revenue	5,674		3,957	
Revenue exp. funded from capital under statute	(32,641)		(30,365)	
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	4,716		(3,652)	
	(172,026)		(223,485)	
Adjusting amounts written out of the revaluation reserve	26,465		31,858	
Net written out amount of the costs of non-current assets consumed in the year		(145,561)		(191,627)
Capital financing applied in the year:				
Use of the capital receipts reserve to finance new capital expenditure	21,479		16,707	
Capital grants and contributions credited to the CIES that have been applied to capital financing	66,101		85,324	
Application of grants from the capital grants unapplied account / capital fund	943		5,037	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	90,653		86,891	
Capital expenditure charged against the General Fund and HRA balances	32,641		30,365	
		211,817		224,324
Movements in the market value of investment properties credited to the CIES		13,889		0
Other unrealised losses debited to the CIES		(47,498)		(27,152)
Balance at 31 March		1,339,227		1,306,580

26. Unusable Reserves - continued

26.4 Financial Instruments Adjustment Account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund and Housing Revenue Account. This account also holds the equivalent interest rate adjustment on lender option / borrower option loans.

		2014/15 £000		2013/14 £000
Balance at 1 April		(51,049)		(52,716)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,877		1,876	
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	18		(216)	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements		1,895		1,660
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition		(5)		7
Balance at 31 March		(49,159)		(51,049)

The Council operates a loans pool on behalf of the General Fund and Housing Revenue Account. With the transfer of responsibility for Police and Fire services to the new national bodies, all movements are now reflected on the Council's Balance Sheet. An element of the cost, however, is recovered through the pooled interest rate and therefore there is no financial impact on the Council.

26.5 Pensions Reserve

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

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

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

26. Unusable Reserves - continued
26.5 Pensions Reserve - continued

	2014/15 £000	2013/14 £000
Balance at 1 April	(535,498)	(450,585)
Actuarial gains or losses on pension assets and liabilities	(156,748)	(60,621)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(96,082)	(84,447)
Employer's pension contributions and direct payments to pensioners payable in the year	61,359	60,155
Balance at 31 March	(726,969)	(535,498)

26.6 Employee Statutory Adjustment Account

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

The amount accrued at the end of the 2014/15 is £5.619m lower than the previous year. This is mainly attributable to policy changes to the amount of unused leave that can be carried forward from year to year.

		2014/15 £000		2013/14 £000
Balance at 1 April		(26,357)		(16,760)
Settlement or cancellation of accrual made at the end of the preceding year	26,357		16,760	
Amount accrued at the end of the current year	(20,738)		(26,357)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		5,619		(9,597)
Balance at 31 March		(20,738)		(26,357)

26. Unusable Reserves - continued
26.7 Unusable Reserves - Group Members

	Balance as at: 31 March 2015 £000	31 March 2014 £000
Subsidiaries		
CEC Holdings Limited		
Capital adjustment account	64,465	64,465
Capital contribution	12,267	11,419
Transport for Edinburgh		
Revaluation reserve	6,337	6,477
Non Controlling Interest	5,598	7,325
Other Unusable Reserves	(4,457)	0
Total Unusable Reserves - Subsidiaries	84,210	89,686
Associates and Joint Ventures		
Common Good		
Capital adjustment account	(22)	(20)
Revaluation reserve	21,860	23,928
Lothian Valuation Joint Board		
Capital adjustment account	385	351
Employee statutory adjustment account	(59)	(54)
Pension reserve	(7,267)	(4,942)
Total Unusable Reserves - Associates and Joint Ventures	14,897	19,263
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	99,107	108,949

27. Cash Flow Statement - Operating Activities
The cash flows for operating activities include the following items:

	2014/15 Group £000	2014/15 Council £000	2013/14 Group £000	2013/14 Council £000
Interest received	(3,243)	(3,013)	(1,871)	(1,651)
Interest paid	95,936	95,470	96,806	96,313
Investment income received	(8,437)	(8,437)	(3,000)	(3,000)
Net cash flows from interest and investment income	84,256	84,020	91,935	91,662

28. Cash Flow Statement - Investing Activities

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Purchase of property, plant and equipment, investment property and intangible assets	157,496	142,282	225,602	218,468
Other payments for investing activities	60,064	51,133	48,943	42,261
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(16,766)	(16,499)	(17,566)	(16,495)
Net proceeds from short- and long-term investments	(4,410)	(4,410)	(2,292)	(2,292)
Other receipts from investing activities	(13,330)	(13,329)	(13,396)	(13,322)
Net cash flows from investing activities	183,054	159,177	241,291	228,620

29. Cash Flow Statement - Financing Activities

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Cash receipts of short- and long-term borrowing	(48,189)	(47,342)	(13,245)	(11,563)
Other payments for / (receipts) from financing activities	1,263	1,263	1,576	1,576
Cash payments for the reduction of the outstanding liabilities relating to finance leases	12,317	9,695	14,102	9,923
Repayments of short- and long-term borrowing	30,454	30,454	29,057	29,057
Net cash flows from investing activities	(4,155)	(5,930)	31,490	28,993

30. Analysis of Change in Financing Activities

	Balance 01.04.14	Cash Trans.	Non Cash Trans.	Balance 31.03.15
Group	£000	£000	£000	£000
Debt due within 1 Year	(57,994)	(20,372)	579	(77,787)
Debt due after 1 Year	(1,393,140)	41,654	13	(1,351,473)
Total debt due	(1,451,134)	21,282	592	(1,429,260)
Other liquid resources	83,510	425	0	83,935
Finance leases	(214,599)	(25,862)	1	(240,460)
Total	**(1,582,223)**	**(4,155)**	**593**	**(1,585,785)**
Council	**£000**	**£000**	**£000**	**£000**
Debt due within 1 Year	(57,994)	(21,872)	579	(79,287)
Debt due after 1 Year	(1,403,784)	43,164	13	(1,360,607)
Total debt due	(1,461,778)	21,292	592	(1,439,894)
Other liquid resources	100,088	1,263	0	101,351
Finance leases	(208,841)	(28,485)	1	(237,325)
Total	**(1,570,531)**	**(5,930)**	**593**	**(1,575,868)**

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

Group	Balance 01.04.14 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.15 £000
Financing				
Temporary loans	(11,969)	(4,495)	(5)	(16,469)
PWLB	(1,156,294)	27,743	435	(1,128,116)
Market loans	(293,515)	0	19	(293,496)
Other Borrowing	10,644	(1,966)	143	8,821
Net financing	**(1,451,134)**	**21,282**	**592**	**(1,429,260)**

Council	£000	£000	£000	£000
Financing				
Temporary loans	(11,969)	(4,495)	(5)	(16,469)
PWLB	(1,156,294)	27,743	435	(1,128,116)
Market loans	(293,515)	0	19	(293,496)
Other Borrowing	0	(1,956)	143	(1,813)
Net financing	**(1,461,778)**	**21,292**	**592**	**(1,439,894)**

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

32. Amounts Reported for Resource Allocation Decisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued
32.1 Departmental Income and Expenditure

2014/15	Children and Families £000	Economic 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	Valuation Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,736)	(104,564)	0	(213,368)
Government grants and other contributions	(54,302)	(1,586)	0	(34,984)
Total Income	(75,038)	(106,150)	0	(248,352)
Employee expenses	103,675	10,968	0	126,824
Other service expenses	181,600	85,470	3,745	258,064
Support service recharges	0	7,209	0	780
Total Expenditure	285,275	103,647	3,745	385,668
Net Expenditure / (Income)	210,237	(2,503)	3,745	137,316

	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income		0	(132,710)	(504,213)
Income from associates		0	(21,304)	(21,304)
Government grants and other contributions	(202,248)	0	(26,851)	(355,972)
Total Income	(202,248)	0	(180,865)	(881,489)
Employee expenses	0	(707)	83,591	633,780
Other service expenses	229,642	0	80,522	1,083,374
Expenditure on associates	0	0	0	0
Support service recharges	0	0	0	7,989
Depreciation, amortisation and impairment	0	0	9,140	9,140
Total Expenditure	229,642	(707)	173,253	1,734,283
Net Expenditure / (Income)	27,394	(707)	(7,612)	852,794

32. Amounts Reported for Resource Allocation Decisions - continued
32.1 Departmental Income and Expenditure - continued

2013/14 Comparative Data	Children and Families £000	Economic Devt. £000	Corporate Governance £000
Fees, charges and other service income	(8,227)	(228)	(23,152)
Government grants and other contributions	(11,462)	(3,093)	(11,710)
Total Income	(19,689)	(3,321)	(34,862)
Employee expenses	258,766	4,156	45,091
Other service expenses	155,957	11,807	68,292
Total Expenditure	414,723	15,963	113,383
Net Expenditure / (Income)	395,034	12,642	78,521

	Health and Social Care £000	Housing Revenue Account £000	Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(18,714)	(99,541)	0	(205,817)
Government grants and other contributions	(53,767)	(1,138)	0	(39,987)
Total Income	(72,481)	(100,679)	0	(245,804)
Employee expenses	98,170	10,411	0	131,781
Other service expenses	174,181	78,589	3,745	241,912
Support service recharges	0	7,381	0	1,914
Total Expenditure	272,351	96,381	3,745	375,607
Net Expenditure / (Income)	199,870	(4,298)	3,745	129,803

	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(112,452)	(468,131)
Income from associates	0	0	(19,339)	(19,339)
Government grants and other contributions	(199,568)	0	(24,579)	(345,304)
Total Income	(199,568)	0	(156,370)	(832,774)
Employee expenses	0	(4,598)	77,374	621,151
Other service expenses	228,380	0	40,812	1,003,675
Expenditure on associates	0	0	21,063	21,063
Support service recharges	0	0	0	9,295
Depreciation, amortisation and impairment	0	0	9,323	9,323
Total Expenditure	228,380	(4,598)	148,572	1,664,507
Net Expenditure / (Income)	28,812	(4,598)	(7,798)	831,733

32. Amounts Reported for Resource Allocation Decisions - continued

32.2 Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements for the Group and the Council

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Net expenditure in departmental analysis	852,794	860,406	831,733	839,531
Net expenditure of services and support services not included in the dept. analysis	33,053	33,053	19,110	19,110
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in departmental analysis	100,676	100,676	164,683	164,715
Amounts included in departmental analysis not included in CIES	(61,359)	(61,359)	(60,155)	(60,155)
Amounts included in the departmental analysis included below Cost of Services in the CIES	(66)	(66)	(45)	(45)
Cost of Services in CIES	925,098	932,710	955,326	963,156

32.3 Reconciliation to Subjective Analysis

Group 2014/15	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(504,213)	11,619	2,391
Income from associates and joint ventures	(21,304)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(355,972)	9,490	0
Total Income	(881,489)	21,109	2,391
Employee expenses	633,780	116,082	(51,856)
Other service expenses	1,083,374	(104,138)	(2,391)
Expenditure on associates and joint ventures	0	0	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	9,140	0	152,532
Total Expenditure	1,734,283	11,944	98,285
Net Expenditure / (Income)	852,794	33,053	100,676

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

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

Group 2014/15	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(488,906)	(15,573)	(504,479)
Income from associates and joint ventures	(21,304)	0	(21,304)
Interest and investment income	0	(106,820)	(106,820)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(346,482)	(819,818)	(1,166,300)
Total Income	(856,692)	(1,155,187)	(2,011,879)
Employee expenses	639,298	701	639,999
Other service expenses	980,820	2,293	983,113
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	0
Depreciation, amortisation and impairment	161,672	0	161,672
Interest payments	0	212,377	212,377
Gain on disposal of assets	0	(4,807)	(4,807)
Total Expenditure	1,781,790	210,564	1,992,354
Net Expenditure / (Income)	925,098	(944,623)	(19,525)

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Council 2014/15	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(371,503)	11,619	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(329,121)	9,490	0
Total Income	(700,624)	21,109	0
Employee expenses	550,189	116,082	(51,856)
Other service expenses	1,002,852	(104,138)	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	0	0	152,532
Total Expenditure	1,561,030	11,944	100,676
Net Expenditure / (Income)	860,406	33,053	100,676

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

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Council 2014/15	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges and other service income	(358,587)	(15,573)	(374,160)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(91,135)	(91,135)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(319,631)	(819,818)	(1,139,449)
Total Income	(678,218)	(1,139,502)	(1,817,720)
Employee expenses	555,707	701	556,408
Other service expenses	902,689	730	903,419
Support service recharges	0	0	0
Depreciation, amortisation and impairment	152,532	0	152,532
Interest payments	0	196,902	196,902
Gain on disposal of assets	0	(4,716)	(4,716)
Total Expenditure	1,610,928	193,617	1,804,545
Net Expenditure / (Income)	932,710	(945,885)	(13,175)

Group 2013/14 Comparative Data	**Dept. Analysis £000**	**Services not in Analysis £000**	**Not Reported to Mgmt. £000**
Fees, charges and other service income	(468,131)	9,388	2,679
Income from associates and joint ventures	(19,339)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(345,304)	16,305	0
Total Income	(832,774)	25,693	2,679
Employee expenses	621,151	102,462	(31,776)
Other service expenses	1,003,675	(109,045)	(2,711)
Expenditure on associates and joint ventures	21,063	0	0
Support service recharges	9,295	0	0
Depreciation, amortisation and impairment	9,323	0	196,491
Total Expenditure	1,664,507	(6,583)	162,004
Net Expenditure / (Income)	831,733	19,110	164,683

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Group 2013/14 Comparative Data	**Not Included in CIES £000**	**Reported Below Cost of Services £000**	**Allocation of Recharges £000**
Fees, charges and other service income	0	1,355	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,355	0
Employee expenses	(60,155)	(742)	3,769
Other service expenses	0	(658)	5,526
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	(9,295)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(60,155)	(1,400)	0
Net Expenditure / (Income)	(60,155)	(45)	0

Group 2013/14 Comparative Data	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges and other service income	(454,709)	(1,567)	(456,276)
Income from associates and joint ventures	(19,339)	0	(19,339)
Interest and investment income	0	(97,051)	(97,051)
Income from Council Tax	0	(207,925)	(207,925)
Government grants and other contributions	(328,999)	(822,318)	(1,151,317)
Total Income	(803,047)	(1,128,861)	(1,931,908)
Employee expenses	634,709	742	635,451
Other service expenses	896,787	2,555	899,342
Expenditure on associates and joint ventures	21,063	0	21,063
Support service recharges	0	0	0
Depreciation, amortisation and impairment	205,814	0	205,814
Interest payments	0	207,987	207,987
Gain on disposal of assets	0	4,221	4,221
Total Expenditure	1,758,373	215,505	1,973,878
Net Expenditure / (Income)	955,326	(913,356)	41,970

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Council 2013/14 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(355,679)	9,388	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(320,725)	16,305	0
Total Income	(676,404)	25,693	0
Employee expenses	543,777	102,462	(31,776)
Other service expenses	962,863	(109,045)	0
Support service recharges	9,295	0	0
Depreciation, amortisation and impairment	0	0	196,491
Total Expenditure	1,515,935	(6,583)	164,715
Net Expenditure / (Income)	839,531	19,110	164,715

Council 2013/14 Comparative Data	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,355	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,355	0
Employee expenses	(60,155)	(742)	3,769
Other service expenses	0	(658)	5,526
Support service recharges	0	0	(9,295)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(60,155)	(1,400)	0
Net Expenditure / (Income)	(60,155)	(45)	0

32. Amounts Reported for Resource Allocation Decisions - continued
32.3 Reconciliation to Subjective Analysis - continued

Council 2013/14 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(344,936)	(1,567)	(346,503)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(83,983)	(83,983)
Income from Council Tax	0	(207,925)	(207,925)
Government grants and other contributions	(304,420)	(822,318)	(1,126,738)
Total Income	(649,356)	(1,115,793)	(1,765,149)
Employee expenses	557,335	742	558,077
Other service expenses	858,686	658	859,344
Support service recharges	0	0	0
Depreciation, amortisation and impairment	196,491	0	196,491
Interest payments	0	194,060	194,060
Gain on disposal of assets	0	3,652	3,652
Total Expenditure	1,612,512	199,112	1,811,624
Net Expenditure / (Income)	963,156	(916,681)	46,475

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

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

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

	2014/15 £000	2013/14 £000	2012/13 £000	Cumulative £000
Turnover	1,297	1,355	1,210	n/a
(Deficit) / Surplus	(66)	(45)	17	(94)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period, due to a downturn in turnover of both in-house catering and external hospitality. Reduced opening hours and menu rationalisation, along with investment in cheaper and more efficient equipment are planned to ensure cost reduction going forward.

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

33. Trading Operations - continued

33.2 Refuse Collection, including Trade Waste

This trading operation provides refuse collection services for over 239,000 households, with the majority of these properties being served by a containerised waste collection system. Trade waste provides a collection and disposal service to producers of commercial waste throughout the city. In addition the service provides uplifts of bulky household refuse.

	2014/15 £000	2013/14 £000	2012/13 £000	Cumulative £000
Turnover	17,155	17,319	17,048	n/a
Surplus / (deficit)	2,279	2,997	878	6,154

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

Refuse Collection has implemented a number of service improvements and these have contributed to the improved financial position.

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

34. Financial Support and Guarantees

34.1 Loans and guarantees

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

	2014/15 £000 Transport for Edinburgh Ltd.	2013/14 £000 Transport for Edinburgh Ltd.	2014/15 £000 Spartan Community Football Academy	2013/14 £000 Spartan Community Football Academy
Opening Balance	-	-	50	49
New Loans	1,000	-	-	-
Increase in the Discounted Amount	20	-	4	4
Fair Value Adjustment	(196)	-	-	-
Loan Repayment	-	-	(3)	(3)
Balance Carried Forward	824	-	51	50
Nominal Value Carried Forward	1,000	-	108	111

Adjustments have been made under the requirements of IAS 39 as required by the Code.

The Transport for Edinburgh loan relates to two £500,000 loans to Transport for Edinburgh Ltd. to provide a loan facility to Tramco for Tramco's general working capital purposes and funding Tramco's business and activities.

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

34. Financial Support and Guarantees - continued

34.2 Shared Equity Scheme

In 2010/11, the Council approved a pilot scheme for a Council-backed shared equity scheme to help buyers purchase homes from PARC (a subsidiary of CEC Holdings Limited) and support the regeneration of Craigmillar. The Council provided assistance to sixteen purchasers, at a cost of £0.484m. No further assistance has been provided since 2012/13.

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

Interest for the period up to the first five years is charged to PARC and thereafter to the purchasers.

34.3 National Housing Trust

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market.

The Scottish Government has granted the Council permission to borrow up to £55m for phase 1 to purchase homes from developers. The scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs.

The Council worked with the Scottish Government and the SFT to procure private developers to build up to 600 homes for mid market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships (LLPs), through the NHT initiative. Four contracts were awarded and all sites are complete, as of June 2014. A total of 422 new homes have been delivered at a cost of £45.67m.

Phase 2 of NHT home building was approved by Council in June 2014. Approval was granted to award the contract to Forth Ports Ltd for the delivery of up to 96 new affordable housing units. Investment totalling £11.92m will be required from the Council with the project starting in January 2016. Expenditure of £2.98m is forecast for 2015/16 with the remaining balance of £8.94m forecast for 2016/17.

A third phase of NHT has been approved and will deliver an additional 413 mid market rent (MMR) homes across four separate sites. Permission has been granted to borrow an additional £55m in support of this phase.

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

Developer	Development Site	Total No. of Flats	2014/15 £000	Prior Years £000
Places for People	Lochend North	126	0	13,323
Places for People	Lighthouse Court	62	0	6,492
Teague Homes Limited	Salamander Place / Leith Links	145	9,696	5,855
Miller Homes	Telford North	89	0	10,299
			9,696	35,969

These sums are included within Long-term Debtors, as detailed in note 20.1.

35. Agency Income and Expenditure

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

	2014/15	2013/14
Expenditure	**£000**	**£000**
Payments to other local authorities in respect of:		
Area waste project	279	607
Educational services for children	1,842	2,297
Care services for children	1,491	535
Others		
Police officers	2,600	2,616
Police Scotland - cab inspection	299	410
Scottish Cities Alliance Investment Fund (see note 48.)	1,337	889
Total Expenditure	**7,848**	**7,354**
Income		
Receipts in respect of library services:		
Health Boards	(19)	(18)
Scottish Prison Service	(16)	(16)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(1,026)	(945)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,410)
Midlothian Council	(61)	(58)
Receipts from other local authorities in respect of:		
Criminal justice services	(1,055)	(873)
Educating pupils	(741)	(668)
Pentland Hills Regional Park management	(78)	(76)
Care services for children	(867)	(755)
Risk Factory	(39)	(40)
Social work undertakings	(4,302)	(3,825)
Total Income	**(9,884)**	**(8,684)**

36. Audit Costs

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.691m (2013/14 £0.684m). The Council has re-charged £0.048m of the audit fee to Lothian Pension Funds in respect of its audit (2013/14 £0.047m).

In addition, the Council paid audit fees to Scott Moncrieff for the audit of CEC Recovery Limited's accounts (formerly tie Limited). The Council paid £0.002m during 2014/15 (2013/14 £0.004m) for the audit of 2013/14 financial statements.

37. Grant Income

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

Revenue Funding	2014/15 £000	£000	2013/14 £000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(386,311)		(402,364)	
Non-domestic rates	(364,108)		(334,630)	
		(750,419)		(736,994)
Credited to services				
Government grants	(20,594)		(18,209)	
Department for Work and Pensions				
- Housing benefits	(202,325)		(199,568)	
- Other funding	(4,515)		(5,256)	
N.H.S. Lothian	(37,093)		(33,810)	
Other Local Authorities	(3,929)		(3,689)	
International Conference Centre Inc. Trust	(1,627)		(927)	
Edinburgh Leisure	(679)		(679)	
Scottish Prison Service	(489)		(484)	
Lottery funding	(25)		7	
SportScotland	(1,012)		(1,054)	
		(272,288)		(263,669)
Total		(1,022,707)		(1,000,663)
Capital Funding				
Scottish Government		(63,942)		(42,316)
Transport Scotland		(42)		(35,994)
Other grants and contributions, including contributions from developers and individuals		(4,422)		(2,773)
Lothian Health Board		0		(964)
Henderson Global		28		(905)
N-Power		0		(581)
Cruden Homes		(242)		(651)
Lothian Buses		0		(412)
Edinburgh Military Tattoo		0		(340)
Historic Scotland		(173)		(145)
Forth Estuary Transport Authority		(235)		(139)
Royal Bank of Scotland		(56)		(56)
Waste Recycling Environmental Grant		0		(45)
International Conference Centre Income Trust		0		(3)
Museum Galleries Scotland		(56)		0
Midlothian Council		(9)		0
Edinburgh Tram Ltd.		(17)		0
Edinburgh Tourist Board		(233)		0
Total		**(69,399)**		**(85,324)**

38. Related Parties

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, are shown below.

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure

	2014/15 £000	2013/14 £000
● Revenue Expenditure		
Capital City Partnership	4,249	4,327
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh, and PARC)	220	439
Changeworks Recycling	7	3
Edinburgh Festival Theatres	771	778
Edinburgh Leisure Limited		
Revenue funding	9,590	9,559
Other expenditure	303	90
Edinburgh Trams Ltd	2,851	1,595
Edinburgh World Heritage Trust	49	89
Lothian Buses Limited		
Supported bus services	840	465
Other expenditure	3,954	2,042
NHS Bodies	2,398	2,189
Other Local Authorities	2,638	2,393
Scottish Government	171	0
Scottish and Southern Energy	264	536
Subsidiaries / Voluntary Organisations		
Criminal Justice Bodies	747	799
Dean and Calvin Charitable Trust	837	843
Edinburgh International Festival Society	2,506	2,505
Essential Edinburgh	0	298
Festivals Edinburgh Ltd	175	172
Handicab	448	448
Health Projects	156	154
Lifecare Edinburgh	539	538
Marketing Edinburgh	977	1,007
Royal Lyceum Theatre Co Ltd	382	379
Total Revenue Expenditure	**35,072**	**31,648**
● Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(196)	(208)
Edinburgh Festival Theatres	(59)	(72)
Professional services, rents, other grants and funding		
CEC Holdings Limited (including EICC Limited)	(1)	(92)
Edinburgh Leisure	(6)	(679)
Lothian Valuation Joint Board	(5)	(5)
Other Local Authorities	(2,971)	(2,407)
Scottish Government	(588)	(563)
Scottish Court Service	70	(489)
Lothian Health Board		
Change Fund	(2,065)	(3,906)
Resource transfers	(21,077)	(20,682)
Other Grants and Fees	(384)	(386)
Total Revenue Income	**(27,282)**	**(29,489)**

38. Related Parties - continued

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

	2014/15 £000	2013/14 £000
● Joint Board Requisitions		
Lothian Valuation Joint Board	3,745	3,745
SESTRAN	0	0
Total Joint Board Requisitions	**3,745**	**3,745**
● Central Support Income		
Forth Estuary Transport Authority	(109)	(100)
Lothian Valuation Joint Board	(65)	(63)
Pension Funds	(322)	(522)
Total Central Support Income	**(496)**	**(685)**
● Interest on Revenue Balances		
Forth Estuary Transport Authority	(11)	(18)
Lothian Valuation Joint Board	3	3
Pension Funds	22	10
SESTRAN	(1)	(1)
Total Interest on Revenue Balances	**13**	**(6)**
● Loans Charges Recovered		
Further Education Colleges (pre 1996 expenditure)	0	(141)
Lothian and Borders Fire and Rescue Board	(1,503)	(1,746)
Lothian and Borders Police Board	(3,130)	(3,213)
Total Loans Charges	**(4,633)**	**(5,100)**

38.2 Subsidiaries and Other Organisations - Capital Expenditure

	2014/15 £000	2013/14 £000
● Capital Expenditure		
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh and PARC)	1,334	2,798
Edinburgh Leisure	165	168
Edinburgh Military Tattoo	0	340
Hubco	4,468	8,345
Other Local Authorities	2,320	0
Scottish Government	261	0
Sport Scotland	151	0
Transport Scotland	0	1,109
Total Capital Expenditure	**8,699**	**12,760**

38. Related Parties - continued

38.3 Related Parties - Indebtedness

The following represent material amounts due to / (by) the Council, at 31 March 2015:

	2014/15 £000	2013/14 £000
CEC Holdings Limited (including all subsidiaries)	(169)	(658)
Edinburgh Military Tattoo	0	5
Forth Estuary Transport Authority	509	5,219
Hubco	(770)	(705)
Lothian and Borders Criminal Justice Authority	2,599	2,594
Scottish Fire and Rescue Service	1,228	1,642
Police Scotland	48	(596)
Lothian Valuation Joint Board	(1,233)	(924)
Lothian Buses	0	(48)
NHS Bodies	540	414
Pension Funds	(6,361)	(8,851)
Scottish Government	7,079	8,017
Scottish Water	70	2,418
SESTRAN	1,090	335
SUSTRANS	710	573
Transport Scotland	422	17,468
	5,762	**26,903**

- **Other Indebtedness**

HM Revenue and Customs - VAT	8,879	9,524
HM Revenue and Customs - PAYE and NI	(9,397)	(11,301)
	(518)	**(1,777)**

- **Investments held on behalf of, and repayable to:**

CEC Holdings	(120)	(196)
Common Good	(2,756)	(1,597)
	(2,876)	**(1,793)**

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

	2014/15		2013/14	
	£000	£000	£000	£000
Opening capital financing requirement		1,728,465		1,700,769
Capital Investment				
Property, plant and equipment	149,626		185,501	
Heritage Assets	44		153	
Assets held for sale	117		102	
Intangible assets	2,372		3,167	
Capital Receipts transferred to Capital Fund	11,298		8,805	
National Housing Trust - Consent to borrow (see note 34.3)	9,696		29,333	
Revenue expenditure funded from capital under statute	32,641		30,365	
Adjustments to PPP schools during the year (reflected in finance leases)	12,610		0	
		218,404		257,426
Sources of Finance				
Capital receipts	(21,479)		(16,707)	
Capital Funded from Current Revenue	(5,674)		(3,957)	
Government grants and other contributions	(99,372)		(120,777)	
Loans fund / finance lease repayments	(94,314)		(88,289)	
		(220,839)		(229,730)
Closing capital financing requirement		1,726,030		1,728,465
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow		(37,331)		25,650
Voluntary debt repayment - HRA		(6,123)		(6,000)
Assets acquired under finance leases		7,172		8,046
Assets acquired under PFI/PPP contracts		33,847		0
(Decrease) / Increase in capital financing requirement		(2,435)		27,696

40. Leases

40.1 Assets Leased in - Finance Leases

The Council has acquired two buildings and its IT equipment under finance leases. Following in year reassessment, copying equipment is now determined to meet the definition of operating lease and has been reclassified from finance lease to operating lease classification. The assets acquired under these leases are included in property, plant and equipment in the Balance Sheet:

	2014/15		2013/14	
	Group £000	**Council £000**	**Group £000**	**Council £000**
Value at 1 April	13,768	8,011	12,249	3,093
Additions during the year	7,172	7,172	8,046	8,046
Reclassification to operating lease during the year	(2,840)	(2,840)	0	0
Repayments during the year	(5,442)	(2,820)	(6,527)	(3,128)
Value at 31 March	12,658	9,523	13,768	8,011
Other land and buildings	126	126	190	190
Vehicles, plant, equipment and furniture	12,532	9,397	13,578	7,821
Value at 31 March	12,658	9,523	13,768	8,011

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

	2014/15		2013/14	
	Group £000	**Council £000**	**Group £000**	**Council £000**
Finance lease liabilities:				
Current	5,275	2,816	4,548	1,926
Non-current	7,383	6,707	9,220	6,085
Finance costs payable	751	751	817	817
Minimum lease payments	13,409	10,274	14,585	8,828

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

Minimum Finance Lease Repayments	**at 31.03.15**		**at 31.03.14**	
	Group £000	**Council £000**	**Group £000**	**Council £000**
Not later than one year	5,495	3,036	4,791	2,169
Later than one year and not later than five years	7,914	7,238	9,790	6,655
Later than five years	0	0	4	4
	13,409	10,274	14,585	8,828
Finance Lease Liabilities	**£000**	**£000**	**£000**	**£000**
Not later than one year	5,275	2,816	4,548	1,926
Later than one year and not later than five years	7,383	6,707	9,216	6,081
Later than five years	0	0	4	4
	12,658	9,523	13,768	8,011

40. Leases - continued

40.2 Assets Leased in - Operating Leases

The Group leases in property, vehicles and copying equipment (reclassified from finance lease to operating lease following in year reassessment) financed under the terms of operating leases. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

The amounts recognised as an expense during the year include £0.277m of contributions paid by employees towards cost of car leasing (2013/14 £0.399m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.362m is recoverable from employees (2013/14 £0.387m):

	2014/15		2013/14	
	Group	Council	Group	Council
Future Repayment Period	£000	£000	£000	£000
Not later than one year	2,146	2,081	4,831	4,554
Later than one year and not later than five years	6,096	5,823	6,633	5,993
Later than five years	6,640	6,164	7,442	7,091
	14,882	**14,068**	**18,906**	**17,638**
Value at 31 March				
Other land and buildings	13,355	13,355	16,750	16,669
Vehicles, plant, equipment and furniture	1,730	713	2,156	969
	15,085	**14,068**	**18,906**	**17,638**
Recognised as an expense during the year	2,675	2,454	5,196	4,899

40.3 Assets Leased Out by the Council - Operating Leases

The Council leases out property and equipment under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's length companies for the provision of services such as sport and leisure and theatres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2014/15	2013/14
	£000	£000
Not later than one year	14,116	12,599
Later than one year and not later than five years	41,346	34,356
Later than five years	157,676	164,926
	213,138	211,881

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

41. Public Private Partnerships and Similar Contracts

41.1 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to a high standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespies High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. Construction of the new facility is phased, with the initial phase (comprising the main teaching block) due for completion in April 2015, and final phases (including sports hall, social / assembly buildings) due for completion in July 2016. The concession is due to terminate in July 2041.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2015/16	15,874	7,920	18,327	42,121
Payable within two to five years	73,035	32,126	73,767	178,928
Payable within six to ten years	113,175	40,677	84,187	238,039
Payable within eleven to fifteen years	131,071	49,200	74,386	254,657
Payable within sixteen to twenty years	125,875	56,493	58,087	240,455
Payable within twenty one to twenty five years	61,670	37,452	26,747	125,869
Payable within twenty six to thirty years	808	3,934	617	5,359
	521,508	227,802	336,118	1,085,428

Payments due under the PPP1 scheme have been inflated by 1.11% per annum and those due under the PPP2 scheme have been inflated by 1.67% per annum, reflecting the terms of the separate contracts.

The amounts disclosed as reimbursement of capital expenditure are included in other long-term liabilities on the Balance Sheet.

The unitary charges paid to the service providers include amounts to compensate the providers for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2014/15 £000	2013/14 £000
Balance at 1 April	200,831	207,625
PPP unitary charge restatement adjustment	64	0
Additions during the year	33,847	0
Repayments during the year	(6,940)	(6,794)
Balance at 31 March	227,802	200,831

41. Public Private Partnerships and Similar Contracts - continued

41.2 Provision of Information Technology services

In 2001 the Council entered into a ten year Public Private Partnership for the provision of information technology services. This contract has now been extended for another five years.

The Council is in the process of tendering a new Information Technology contract, this is expected to be in place by 2016/17.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown):

Future Repayment Period	£000	Inflationary Uplift
2015/16	28,222	0.9%

The equipment assessed as a finance lease within this contract is included in note 40.1. The above payment includes the elements relating to the finance lease for the equipment.

The cost of information technology is included in overheads and is re-allocated to services.

41.3 Provision of Parking Enforcement

The Council has entered into a five year contract with NSL for the provision of parking enforcement. The contract commenced on 1 October 2014 and ends on 30 September 2019. There is also a five year extension clause at the end of this period.

Under the agreement the Council is committed to paying the following sums in cash terms:

Future Repayment Period	£000
2015/16	5,670
2016/17 - 2019/20	19,845
	25,515

41.4 Waste Disposal

The Council entered into a twenty year contract with Viridor in 2000 to supply waste to their landfill site in Dunbar. The contract requires the Council to supply an agreed tonnage to the landfill site each calendar year. Fees are subject to review twice a year, based on civil engineering indices.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an increase of 2% per annum):

Future Repayment Period	£000
2015/16	3,099
2016/17 - 2019/20	13,030
2020/21	1,418
	17,547

41.5 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £23.573m.

42. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2014/15		2013/14	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	18,335		18,002	
As a percentage of teachers' pensionable pay		14.90		14.90
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2013/14	21,123		20,949	

At 31 March 2015, creditors include £2.487m (2013/14 £2.653m) in respect of teachers' superannuation.

43. Defined Pension Schemes

43.1 Participation in Pension Scheme

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

In terms of this scheme, in 2014/15 the Council paid an employer's contribution of £54.843m (2013/14 £53.537m) into the Lothian Pension Fund, representing 21.3% (2013/14 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The latest review was in March 2014.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

43.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

43. Defined Pension Schemes - continued
43.2 Transactions Relating to Post-Employment Benefits - continued

	2014/15		2013/14	
Comprehensive Income and Expenditure Statement	**£000**	**£000**	**£000**	**£000**
Cost of services:				
Service cost, comprising:				
Current service costs	72,084		62,924	
Past service costs	744		1,159	
		72,828		64,083
Financing and investment income:				
Net interest expense		23,254		20,364
Total post employee benefit charged to the surplus on the provision of services		96,082		84,447
Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(204,649)		(25,871)	
Actuarial gains and (losses) arising on changes in financial assumptions	284,632		86,569	
Actuarial gains and (losses) arising on changes in demographic assumptions	103,126		0	
Other experience	(26,361)		(77)	
		156,748		60,621
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		252,830		145,068
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.		(191,471)		(84,913)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		55,002		53,957
Contributions in respect of unfunded benefits		6,357		6,198
		61,359		60,155

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

	2014/15 £000	2013/14 £000
Fair value of employer assets	2,144,897	1,862,816
Present value of funded liabilities	(2,782,482)	(2,311,390)
Present value of unfunded liabilities	(89,384)	(86,924)
Net liability arising from defined benefit obligation	(726,969)	(535,498)

43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	1,862,816	1,755,330
Interest income	79,991	79,047
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	204,649	25,871
Contributions from employer	55,002	53,957
Contributions from employees into the scheme	16,416	16,055
Contributions in respect of unfunded benefits	6,357	6,198
Benefits paid	(73,977)	(67,444)
Unfunded benefits paid	(6,357)	(6,198)
Closing fair value of scheme assets	2,144,897	1,862,816

Reconciliation of Present Value of the Scheme Liabilities	2014/15 £000	2013/14 £000
Present value of funded liabilities	(2,311,390)	(2,118,412)
Present value of unfunded liabilities	(86,924)	(87,503)
Opening balance at 1 April	(2,398,314)	(2,205,915)
Current service cost	(72,084)	(62,924)
Interest cost	(103,245)	(99,411)
Contributions from employees into the scheme	(16,416)	(16,055)
Re-measurement gain / (loss):		
Change in financial assumptions	(284,632)	(86,569)
Change in demographic assumptions	(103,126)	0
Other experience	26,361	77
Past service cost	(744)	(1,159)
Benefits paid	73,977	67,444
Unfunded benefits paid	6,357	6,198
Closing balance at 31 March	(2,871,866)	(2,398,314)

43. Defined Pension Schemes - continued

43.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2014/15 £000	%	2013/14 £000	%
Consumer *	300,827	14	282,290	15
Manufacturing *	252,298	12	254,278	14
Energy and Utilities *	214,314	10	207,286	11
Financial Institutions *	176,717	8	129,756	7
Health and Care *	146,156	7	127,092	7
Information technology *	134,141	6	121,181	7
Other *	96,065	4	82,308	4
Sub-total Equity Securities	1,320,518		1,204,191	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	60,222	3
Corporate Bonds (non-investment grade) *	0	0	9,058	1
UK Government *	124,200	6	63,394	3
Other *	52,894	3	1,590	0
Sub-total Debt Securities	177,094		134,264	
Private Equity				
All *	0	0	15,180	1
All	248,710	12	210,795	11
Sub-total Private Equity	248,710		225,975	
Real Estate:				
UK Property	140,297	7	129,788	7
Overseas Property	21,751	1	15,092	1
Sub-total Real Estate	162,048		144,880	
Investment Funds and Unit Trusts:				
Equities *	23,272	1	19,329	1
Equities	0	0	6,922	0
Bonds *	6,161	0	0	0
Bonds	0	0	7,956	1
Commodities *	6,854	0	0	0
Commodities	0	0	6,329	0
Infrastructure *	12,898	1	0	0
Other *	6,933	0	0	0
Other	7,662	0	6,055	0
Sub-total Investment Funds and Unit Trusts	63,780		46,591	
Derivatives:				
Foreign Exchange *	3,289	0	0	0
Other *	0	0	196	0
Sub-total Derivatives	3,289		196	
Cash and Cash Equivalents				
All *	169,458	8	106,719	6
Sub-total Cash and Cash Equivalents	169,458		106,719	
Total Fair Value of Employer Assets	2,144,897	100	1,862,816	100

Scheme assets marked with an asterisk (*) have quoted prices in active markets.

43. Defined Pension Schemes - continued

43.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2015 were those from the beginning of the year (i.e. 31 March 2014) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 1 April 2014 to 31 December 2014	10.10%
Estimated return for period from 1 April 2014 to 31 March 2015	17.20%

Average future life expectancies at age 65:		**31.03.15**	**31.03.14**
Current pensioners	male	22.1 years	20.4 years
Current pensioners	female	23.7 years	22.8 years
Future pensioners	male	24.2 years	22.6 years
Future pensioners	female	26.3 years	25.4 years

	Weighted Average Duration			
	Short	**Medium**	**Long**	
Period ended	**31.03.15**	**31.03.15**	**31.03.15**	**31.03.14**
Pension increase rate	2.1%	2.4%	2.5%	2.8%
Salary increase rate (see below)	4.0%	4.3%	4.4%	5.1%
Discount rate	3.1%	3.2%	3.3%	4.3%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2015 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2015	**Approximate % Increase to Employer**	**Approximate Monetary Amount £000**
0.5% decrease in Real Discount Rate	10%	286,599
1 year increase in member life expectancy	3%	86,156
0.5% increase in the Salary Increase Rate	3%	98,188
0.5% increase in the Pension Increase Rate	6%	181,425

43.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. Thereafter, for the next actuarial valuation period of three years, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

43. Defined Pension Schemes - continued

43.8 Information about the defined benefit obligation

	Liability Split £000	%	Duration
Active members	1,482,169	53.3	23.1
Deferred members	335,701	12.1	22.4
Pensioner members	964,612	34.6	11.9
Total	2,782,482	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 2015 comprises approximately £68.261m in respect of LGPS unfunded pensions and £21.123m in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2015, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

43.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Valuation Joint Board are included in unusable reserves. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

Unusable Reserves	**2014/15 Pension Reserve (Injuries) £000**	**2013/14 Pension Reserve (Injuries) £000**
Council	(726,969)	(535,498)
Lothian Valuation Joint Board	(7,267)	(4,942)
	(734,236)	(540,440)

Usable Reserves	**2014/15 £000**	**2013/14 £000**
CEC Holdings	(1,289)	(1,289)
Festival City Theatres Trust	(122)	(100)
Edinburgh Leisure	(2,169)	(2,169)
Transport for Edinburgh Ltd	(10,497)	10,488
	(14,077)	6,930

43. Defined Pension Schemes - continued

43.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2016

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Current service cost	0	(81,608)	(81,608)	(31.2%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(81,608)	(81,608)	(31.2%)
Interest income on plan assets	68,446	0	68,446	26.2%
Interest cost on defined benefit obligation	0	(92,020)	(92,020)	(35.2%)
Total Net Interest Cost	68,446	(92,020)	(23,574)	(9.0%)
Total included in Profit or Loss	68,446	(173,628)	(105,182)	(40.2%)

The Council's estimated contribution to Lothian Pension Fund for 2015/16 is £55.638m.

43.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £2.705m, including accrued payments (2013/14 £2.936m).

43.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Investments and Pensions Service Manager, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

44. Contingent Liabilities

44.1 Contingent Liabilities

- There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

- The provision for equal pay claims includes an estimate of the costs for all staff with unsettled equal pay claims against the Council as at 31 March 2015. Additional equal pay liabilities may arise if further eligible claims are made. This potential additional liability will be confirmed only by further eligible claims being lodged and its amount cannot be estimated with reasonable accuracy. Consequently, no provision has been made in the financial statements in respect of this.

- Whilst the Council has made an impairment provision for statutory repairs debtors, there may also be further liability claims against the Council in relation to works carried out under statutory repair notices served by the Council. The actual cost of these claims cannot be estimated with reasonable accuracy. It is also not possible to estimate precisely when these claims could become due.

- There may be claims submitted against the Council in relation to a decision by the European Court of Justice under the Working Time Directive. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

45. Nature and Extent of Risks Arising from Financial Instruments

45.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:

  the Council's overall borrowing;

  its maximum and minimum exposures to fixed and variable rates;

  its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 12 March 2015 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2015/16 has been set at £1.771bn. This is the maximum limit for external borrowings and other long term liabilities.
- The operational boundary for 2015/16 has been set at £1.750bn. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% of the Council's net debt respectively.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

45.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

45.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund, the Forth Estuary Transport Authority and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31st March 2015, the Council had no short term investments. Of the net Cash and Cash Equivalents, 2.6% were UK Government Treasury Bills, and a further 29.3% was held in two AAA rated Money Market Funds. All of the monies held on deposit at 31 March 2015 was in call or near call accounts with banks, with the exception of £2.5m held in the form of a Certificate of Deposit from Rabobank, a £2.5m fixed deposit with an Australian Bank and £2.5m held in two fixed term deposits with a UK building society.

The Council has reviewed its investment arrangements in light of the changes to the creditor hierarchy in the event of the insolvency of a bank. The Council has amended its cash Treasury Policy Statement to allow greater investment in collateralised instruments, such as covered bonds, which provide the Council with a greater level of protection in the event of an insolvency.

Excluding loans and receivables of £2.88m which are also shown in Creditors, the Council's own cash holding under its treasury management arrangements at 31 March 2015 was £96.4 million (31 March 2014: £38.3m). This was held with the following institutions:

Summary	Standard and Poors Rating	Principal Outstanding 31.03.15 £000	Carry Value 31.03.15 £000	Fair Value 31.03.15 £000	Carry Value 31.03.14 £000
Money Market Funds					
Deutsche Bank AG, London	AAA	14,146	14,152	14,152	5,043
Goldman Sachs	AAA	14,130	14,135	14,135	2,823
Bank Call Accounts					
Bank of Scotland	A	9,105	9,108	9,108	3,483
Royal Bank of Scotland	A-	1,278	1,278	1,278	1,313
Santander UK	A	8,836	8,839	8,839	3,603
Barclays Bank	A	9,226	9,238	9,238	3,514
Svenska Handelsbanken	AA-	14,368	14,373	14,373	5,415
Clydesdale Bank	AA-	3,736	3,736	3,736	0
HSBC Bank Plc	AA-	14,057	14,061	14,061	5,224
Floating Rate Note					
Rabobank	A+	2,491	2,509	2,509	0
Building Society Fixed Term Deposits					
Nationwide Building Society	A	2,490	2,491	2,491	1,743
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see Note 1)	n/a	0	0	0	4,381
UK Government Treasury Bills	AAA	2,490	2,490	2,490	1,742
		96,353	96,410	96,410	38,284

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £65.6m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. Despite continuing concerns over the European Sovereign Debt crisis and the effects that this might have on the banking system, there was no evidence at 31 March 2015 that this risk was likely to crystallise.

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council has never had any exposure to Icelandic banks and had no investment in the sector at that time.

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2015 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2015 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2015. This is available on request from the Council's Treasury Section - Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

All Council invoices become due for payment on issue. Excluding pre-payments of £1.767m (2013/14 £2.634m), trade debtors past due date can be analysed by age as follows:

	2014/15 £000	2013/14 £000
Less than two months	18,283	14,108
Two to four months	2,008	1,312
Four to six months	2,066	507
Six months to one year	2,849	2,040
More than one year	11,093	11,925
Total	36,299	29,892

Collateral – During the reporting period the Council held no collateral as security.

45.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs. It is anticipated that some short to medium term borrowing is likely to be required within the next financial year to meet cashflow and working capital requirements. This will be managed as part of the Council's short- and medium-term cashflow monitoring as required.

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

45.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 45.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.5 Re-financing and Maturity Risk - continued

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. However, with the increase in borrowing rates announced in the Government's Comprehensive Spending Review in October 2010, it is now unlikely that there will be much scope for any substantial debt rescheduling.

The maturity analysis of the principal outstanding on the Council's financial liabilities is as follows:

	2014/15 £000	2013/14 £000
Less than one year	(75,077)	(50,315)
Between one and two years	(65,227)	(58,204)
Between two and five years	(188,310)	(182,328)
Between five and ten years	(260,587)	(274,586)
More than ten years	(1,063,998)	(1,079,491)
Financial Liabilities	(1,653,199)	(1,644,924)

All trade and other payables are due to be paid in less than one year and trade creditors of £18.597m (2013/14 £11.141m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £17.854m (2013/14 £18.293m) nor net equivalent interest rate (EIR) adjustments of £9.041m (2013/14 £9.196m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investments which the Council has with a maturity of greater than one year is £3.5m in EDI loan stock.

45.6 Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

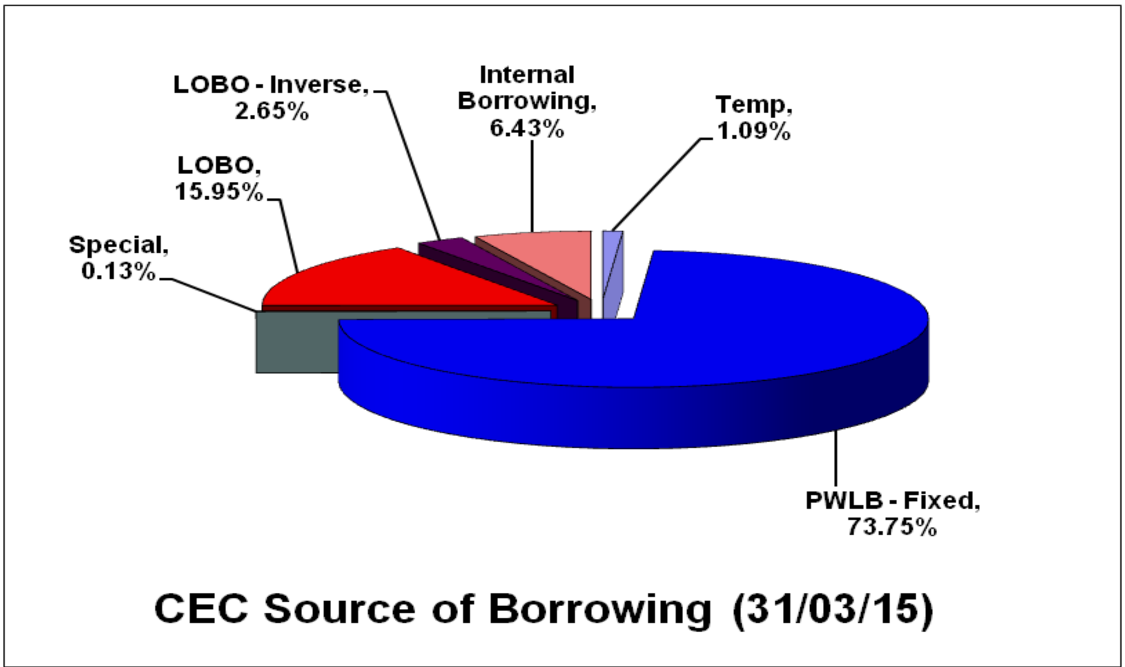
The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Any such strategy is run within the short and medium term liquidity requirements of the Council.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.6 Market risk - continued

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the PWLB borrowing was variable rate.



Price Risk

The Council does not generally invest in equity shares but does have shareholdings to a value of £23.335m (2013/14 £23.335m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

46. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BID). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Greater Grassmarket and Queensferry Ambition.

	2014/15 £000	2013/14 £000
Monies to be recovered from ratepayers at 1 April	29	5
BID Levy Income	2,389	1,147
Less: Payments made / due to schemes	(2,228)	(1,123)
Monies still to be recovered from ratepayers at 31 March	190	29

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:	**31.03.15**	**(re-stated) 31.03.14**
	£000	**£000**
Income	(25)	(21)
Expenditure	1	0
Assets	6,198	4,805
Liabilities	0	0

- **Surplus Fire Fund (Scottish Charity Reg. No. SC018967)**

The purposes of the fund are to offer relief to persons that have suffered as the result of a fire and to recognise meritorious service in connection with fires. In both cases the fire must have occurred in the Edinburgh area.

A decision was made to transfer the Surplus Fire Fund (SFF) to the Edinburgh Voluntary Organisations Trust (EVOT) by the Pension and Trusts Committee on 6 December 2011. The transfer was agreed subject to a safeguard in the deed of appointment which ensures that the Surplus Fire Fund operates as a restricted fund within EVOT and that the Fire Brigades Union will have the right to send up to two representatives to meetings where Surplus Fire Fund business is considered. The transfer required new legislation to be passed which successfully progressed through the Scottish Parliament in April 2014. As a result, the transfer was successfully completed in 2014/15.

The financial results of the fund are as follows:	**31.03.15**	**31.03.14**
	£000	**£000**
Income	(10)	(30)
Expenditure	1	38
Assets	0	1,289
Liabilities	0	(6)

- **Lauriston Castle (Scottish Charity Reg. No. SC020737)**

The purpose of the fund is for the advancement of arts, heritage and culture linked to Lauriston Castle.

The financial results of the fund are as follows:	**31.03.15**	**31.03.14**
	£000	**£000**
Income	(1)	(1)
Expenditure	1	1
Assets	7,041	7,038
Liabilities	0	0

- **Edinburgh Education Trust (Scottish Charity Reg No SC042754)**

The purposes of the Trust include the advancement of education, citizenship and community development, and the organisation of recreational activities.

The financial results of the fund are as follows:	**31.03.15**	**(re-stated) 31.03.14**
	£000	**£000**
Income	(21)	(14)
Expenditure	5	9
Assets	886	815
Liabilities	0	0

47. The City of Edinburgh Council Charitable Funds - continued

47.2 The main funds are:

Scottish Registered Charities	Scottish Charity Registration Number	Market Value 31.03.15 £000	(re-stated) Market Value 31.03.14 £000
Lauriston Castle	SC020737	7,041	7,038
Jean F. Watson	SC018971	6,198	4,805
Surplus Fire Fund	SC018967	n/a	1,283
Edinburgh Education Trust	SC042754	886	815
Nelson Halls	SC018946	224	209
Boyd Anderson	SC025067	120	123
Usher Hall Appeal	SC030180	70	72
Royal Scots Memorial Trust	SC018945	33	29
Total market value		14,572	14,374

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

47.3 Financial Position of the Scottish Registered Charity Funds

2013/14 £000	Income and Expenditure Account	Note	2014/15 £000
	Income		
(72)	Investment income		(64)
0	Other non-investment income		0
(72)			(64)
	Expenditure		
(14)	Prizes, awards and other expenses	1.	10
14	Governance Costs		9
0			19
(72)	Surplus for the year		(45)

Notes

1. The negative expenditure shown against Prizes, Awards and Other Expenses in 2013/14 relates to the reversal of accruals made in respect of awards agreed by the Boyd Anderson Trust. The potential creditors were not able to meet the conditions set for payment of the awards.

47. The City of Edinburgh Council Charitable Funds - continued
47.3 Financial Position of the Scottish Registered Charity Funds - continued

2013/14 £000	Balance Sheet	2014/15 £000
	Long-Term Assets	
3,008	Investments	1,940
3,928	Artworks - Jean Watson Trust	5,232
7,020	Heritable property	7,020
13,956	**Total Long-Term Assets**	14,192
	Current Assets	
478	Cash and bank	413
478		413
	Current Liabilities	
(60)	Creditors	(33)
(60)		(33)
14,374	**Total Assets less Liabilities**	14,572
	Funds at 1 April 2014	
4,160	Capital at 1 April 2014	4,301
72	Surplus for the year	45
69	Realised and unrealised gains on investments	140
(1)	Realised and unrealised losses on investments	0
0	Surplus Fire Fund Transfer to EVOT	(1,292)
4,300		3,194
10,074	Revaluation reserve	11,378
14,374	**Funds at 31 March 2015**	14,572

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained from the Council's Finance Division - Business Centre 2.6, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

47. The City of Edinburgh Council Charitable Funds - continued
47.4 Financial Position of Other Funds

2013/14	Income and Expenditure Account	2014/15
£000	**Income**	£000
(1)	Investment income	0
(1)		0
	Expenditure	
1	Administrative expenses	1
1		1
0	(Surplus) / Deficit for the year	1

2013/14	Balance Sheet	2014/15
£000	**Current Assets**	£000
48	Cash and bank	48
48		48
	Current Liabilities	
(1)	Balance with City of Edinburgh Council	(2)
(1)		(2)
47	**Total Assets less Liabilities**	46
47	**Capital at 1 April**	47
0	Deficit for the year	(1)
0	Compensation fund paid	0
47	**Capital at 31 March**	46

48. Scottish Cities Alliance

The Scottish Cities Alliance was created in 2012 to promote collaboration between Scotland's cities and the Scottish Government to grow city economies, create jobs and deliver benefits across the country. Total Scottish Government investment funding of £7m has been provided to take forward a range of relevant initiatives. The Council undertakes, on an agency basis, the associated financial administration. During the year, £1.337m was paid out to the respective lead authorities of the projects concerned.

	2014/15		2013/14	
	£000	£000	£000	£000
Balance as at 1 April		6,045		6,909
Contribution from Scottish Government		90		0
Investment income		21		25
Less: Payments made:				
Aberdeen City Council	(64)		(42)	
City of Edinburgh Council	(749)		(340)	
Dundee City Council	(140)		(49)	
Glasgow City Council	(367)		(280)	
Highland Council	(15)		(148)	
Perth and Kinross Council	(2)		(10)	
Stirling Council	0		(20)	
		(1,337)		(889)
Balance as at 31 March		**4,819**		**6,045**

As of April 2015, the Alliance had approved total project funding allocations of £3.96m (£2.65m April 2014), covering a range of initiatives spanning the areas of sustainability, digital connectivity and city promotion.
The funding to the Scottish Council for Development and Industry will be paid on receipt of authorisation from the Scottish Government.

49. Prior Period Adjustments

49.1 The following prior period adjustments have been made. The changes are adopted retrospectively for the prior period 2013/14, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

Group Account Changes

- The 2013/14 Group Accounts included the results of Lothian Buses. The Council's major shareholding in Lothian Buses was transferred to Transport for Edinburgh Limited in 2014. The comparative figures have been restated to show the results of Transport for Edinburgh.
- Lothian Valuation Joint Board audit adjustment in 2013/14 audited accounts for losses on disposal of non-current assets.
- CEC Holdings Ltd has restated the 2013/14 accounts to reclassify land.

49.2 Impact on Financial Statements

Movement in Reserves Statement	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Balance at 31 March 2013					
Group usable reserves	1,347	5,227	2,113	0	8,687
Group unusable reserves	1,311,895	(5,457)	68	0	1,306,506
Surplus on the provision of services					
Group usable reserves	5,247	(2)	(735)	(5)	4,505
Other comprehensive income and expenditure					
Group usable reserves	17,896	2	(4)	0	17,894
Group unusable reserves	698	0	(1)	0	697
Adjustments between accounting basis and funding basis under regulations					
Group usable reserves	247	0	0	5	252
Group unusable reserves	(247)	0	0	(5)	(252)
Transfer to / (from) other statutory reserves					
Group usable reserves	142	(8,288)	0	0	(8,146)
Group unusable reserves	(142)	8,288	0	0	8,146
Minority interest and other consolidation adjustments					
Group usable reserves	(2,475)	2,475	0	0	0
Group unusable reserves	12	(5,836)	0	0	(5,824)
Balance at 31 March 2014					
Group usable reserves	22,404	(588)	1,376	0	23,192
Group unusable reserves	101,114	7,907	(67)	(5)	108,949

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Comprehensive Income and Expenditure Statement

	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Planning and Development Services	31,690	0	1,499	0	33,189
Other Operating Income and Expenditure	111	0	93	0	204
Associates and joint ventures	1,719	0	0	5	1,724
Cost of Services	953,729	0	1,592	5	955,326
Financing and Investment Income / Expenditure					
- Net (surplus) / deficit from trading activities	(148)	0	(94)	0	(242)
Taxation and Non-Specific Grant Income					
- Taxation expenses	2,669	2	(763)	0	1,908
Deficit on Provision of Services	41,228	2	735	5	41,970
Other unrealised losses	(16,961)	0	3	0	(16,958)
Total Comprehensive Expenditure	35,676	2	738	5	36,421

Group Balance Sheet	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Long-term assets					
- Long-term investments	5,125	0	2	0	5,127
Current assets					
- Assets held for sale	7,389	0	(4,500)	0	2,889
- Inventories	14,220	0	3,000	0	17,220
- Short-term debtors (net of impairment)	122,809	31	760	0	123,600
- Cash and cash equivalents	37,270	197	0	0	37,467
Current liabilities					
- Short-term creditors	(175,592)	(230)	2,047	0	(173,775)
- Provisions	(19,577)	0	0	0	(19,577)
Long-term liabilities					
- Liabilities in associates and joint ventures	(5,918)	0	0	(5)	(5,923)
Net assets	1,916,379	(2)	1,309	(5)	1,917,681
Group unusable reserves	101,114	7,907	(67)	(5)	108,949
Group usable reserves	22,404	(588)	1,376	0	23,192
Total group reserves	1,909,058	7,319	1,309	(5)	1,917,681
Minority interests	7,321	(7,321)	0	0	0
Total reserves	1,916,379	(2)	1,309	(5)	1,917,681

49. Prior Period Adjustments - continued
49.2 Impact on Financial Statements - continued

Group Cash Flow Statement	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	2013/14 Re-stated £000
Operating activities				
- Taxation	(213,050)		258	(212,792)
- Sales of goods and rendering of services	(512,304)	(631)	107	(512,828)
Cash inflows from operating activities	(1,878,042)	(631)	365	(1,878,308)
- Cash paid to suppliers of good and services	746,329	434	(537)	746,226
- Interest paid	96,786	0	20	96,806
Cash outflows from operating activities	1,662,675	434	(517)	1,662,592
Net Cash flows from operating activities	(215,367)	(197)	(152)	(215,716)
Investing activities				
Purchase of property, plant and equipment, investment property and intangible assets	225,525	0	77	225,602
Other payments for investing activities	48,919	0	24	48,943
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(17,617)	0	51	(17,566)
Cash equivalents at 1 April	(94,532)	0	0	(94,532)
Cash equivalents at 31 March	(37,270)	(197)	0	(37,467)

49.3 Presentational Adjustments

The presentation of the current and prior year reserves has been amended throughout the financial statements to aid understanding. The figures have been inverted to present increases and balances held as positive values and reductions as negative values.

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT
for the year ended 31 March 2015

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

2013/14		2014/15	
£000	EXPENDITURE	£000	£000
24,713	Repairs and maintenance	27,256	
20,012	Supervision and management	21,453	
52,082	Depreciation and impairment of non-current assets	18,266	
4,406	Other expenditure	5,719	
1,210	Impairment of debtors *	1,325	
102,423			74,019
	INCOME		
(85,504)	Dwelling rents	(90,840)	
(457)	Non-Dwelling rents (gross)	(377)	
(15,197)	Other income *	(15,632)	
(101,158)			(106,849)
1,265	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(32,830)
533	HRA share of corporate and democratic core		319
137	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		72
1,935	Net expenditure / (income) for HRA Services		(32,439)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
534	Loss on sale of HRA fixed assets	307	
18,940	Interest payable and similar charges	18,936	
2,556	Interest cost on defined benefit obligation *(pension-related)*	2,434	
(87)	Interest and investment income	(81)	
(2,032)	Interest income on plan assets *(pension-related)*	(1,886)	
(3,301)	Capital grants and contributions	(4,747)	
16,610			14,963
18,545	Deficit / (surplus) for the year on HRA services		(17,476)

* See HRA Note 2 on Page 124

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2013/14 £000		2014/15 £000
0	Balance on the HRA at the end of the previous year	0
(18,545)	Surplus / (deficit) for the year on the HRA Income and Exp Account	17,476
22,843	Adjustments between accounting basis and funding basis under statute	(14,973)
4,298	**Net increase before transfers to reserves**	2,503
(4,298)	Contribution to renewal and repairs fund, via the General Fund	(2,503)
0	**Balance on the HRA at the end of the current year**	0

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
52,082	Charges for depreciation and impairment of non-current assets	18,266
(3,301)	Capital grants and contributions applied	(4,747)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(23,163)	Statutory provision for the financing of capital investment	(23,123)
(3,575)	Capital funded from revenue	(5,649)
	Adjustments primarily involving the Capital Receipts Reserve	
534	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	307
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(397)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(460)
	Adjustments primarily involving the Pensions Reserve	
1,009	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	1,081
(450)	Employer's pension contributions and direct payments to pensioners payable in the year	(426)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
104	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(222)
22,843		(14,973)

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2015 are as follows:

	2015		2014	
Types of Houses	**Number**	**Annual Average Rent (£)**	**Number**	**Annual Average Rent (£)**
Main provision Council dwellings				
1 Apartment	302	3,653.00	302	3,446.00
2 Apartment	5,473	4,100.00	5,470	3,868.00
3 Apartment	10,184	4,752.00	10,245	4,483.00
4 Apartment	3,458	5,473.00	3,456	5,163.00
5 Apartment	521	5,891.00	525	5,558.00
6 Apartment	9	5,924.00	9	5,589.00
7 Apartment	4	5,739.00	4	5,414.00
8 Apartment	1	5,739.00	1	5,414.00
Mid-market rent dwellings				
2 Apartment	6	5,337.00	6	5,337.00
3 Apartment	39	6,878.00	39	6,878.00
4 Apartment	7	7,924.00	7	7,924.00
	20,004		20,064	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

2. The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £4.327m (£3.967m 2013/14) against which a provision amounting to £4.326m (£3.002m 2013/14), has been created in respect of non collectable debts.

* Presentational amendment to reflect movement in bad debt providing enhanced disclosure.

3. Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.

4. The total value of uncollectable void rents for main provision properties was £0.545m (2013/14 £0.644m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

for the year ended 31 March 2015

2013/14 £000			2014/15 £000	£000
(295,075)	Gross council tax levied and contributions in lieu			(297,767)
48,500	Less:	- Exemptions and other discounts	48,938	
8,602		- Provision for bad debts	8,333	
27,021		- Council Tax Reduction Scheme	25,785	
2,866		- Other reductions	2,107	
86,989				85,163
(208,086)				(212,604)
189	Previous years' adjustments			(307)
(207,897)	**Total transferred to General Fund**			**(212,911)**

Notes to the Council Tax Income Account
The in-year collection rate for Council Tax was 95.4% (2013/14 94.7%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation.

A Council Tax bill is reduced by 25% where a dwelling has only one occupant or, with certain exceptions, 10% where the property is a second home. Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted for physically disabled people.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

Calculation of the Council Tax Base 2014/15

Band		Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A	Up to £27,000	23,160	81	(3,172)	(3,273)	16,796	6/9	11,197	£779.33
B	£27,001 - £35,000	46,915	69	(3,712)	(6,475)	36,797	7/9	28,620	£909.22
C	£35,001 - £45,000	43,716	(30)	(3,220)	(5,070)	35,396	8/9	31,463	£1,039.11
D	£45,001 - £58,000	37,534	67	(2,911)	(3,778)	30,912	9/9	30,912	£1,169.00
E	£58,001 - £80,000	39,700	(30)	(3,412)	(3,311)	32,947	11/9	40,269	£1,428.78
F	£80,001 - £106,000	24,003	(29)	(1,265)	(1,788)	20,921	13/9	30,219	£1,688.56
G	£106,001 - £212,000	20,650	(101)	(554)	(1,142)	18,853	15/9	31,422	£1,948.33
H	Over £212,000	3,847	(27)	(134)	(164)	3,522	18/9	7,044	£2,338.00
					Total			211,146	
				Add:	Contributions in Lieu			533	
				Less:	Provision for Non-Payment			-7,112	
					Council Tax Base			**204,567**	

NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

for the year ended 31 March 2015

Re-stated 2013/14 £000		**2014/15 £000**	**2014/15 £000**
(427,839)	Gross rates levied and contributions in lieu		(439,173)
77,969	Less: - Reliefs and other deductions	82,712	
4,859	- Uncollectable debt written off and provision for impairment	4,588	
82,828			87,300
(345,011)			(351,873)
19,901	Previous years' adjustments		7,684
(325,110)	**Net Non-Domestic Rates Income**		**(344,189)**
	Allocated to:		
(325,563)	Contribution to National Non-Domestic Rates Pool		(344,628)
453	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		439
(325,110)			**(344,189)**

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2014	**Number**	**Rateable Value £000**
Shops, offices and other commercial subjects	13,905	644,941
Industrial and freight transport	2,717	75,054
Telecommunications	8	15
Public service subjects	345	47,219
Miscellaneous	2,741	142,389
	19,716	909,618

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £344.628m (2013/14 £325.563m) is the non-domestic rates contributed by the Council through pooling arrangements for government grant purposes. The amount distributed to the Council under these arrangements was £364.108m (2013/14 £334.630m).

With effect from 2011/12, authorities retain in full the income raised locally up to the baseline level assumed in the Local Government Financial Settlement. Any variation from this assumed level is then met by means of a corresponding transfer of funds to or from the Scottish Government.

Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 47.1 per £ in 2014/15 (2013/14 46.2p per £).

Properties with a rateable value greater than £35,000 (2013/14 £35,000) had their rate charges calculated using the poundage of 48.2p per £ (2013/14 47.1p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less may have received relief as set out below:

100% Relief	below		£10,000
50% Relief	£10,001	to	£12,000
25% Relief	£12,001	to	£18,000
Upper limit for combined rateable value			£35,000

The 2013/14 figures have been restated for specific reliefs which had been netted off against gross rates.

COMMON GOOD FUND

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh ..... maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

During 2014/15, the Council generated two capital receipts for the Common Good. Air rights above Common Good land in the Grassmarket were sold for £35,000 which was credited to the Common Good Fund. There has been no reduction in the value of the Common Good assets.

The sale of East Market Street garage as part of package of properties was also completed in 2014/15. The Common Good account was credited with a receipt of £1,182,950. The receipt, net of costs associated with the disposal, was transferred to an earmarked reserve pending reconsideration by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of the rationalisation of office accommodation.

During 2014-15 HM Treasury advised of their intention to redeem the War Stock and Conversion Stock bonds held by the Common Good Fund at face value. The redemption of the War Stock bond was completed in March 2015. The market value of the remaining bond was restated in the accounts at its face value of £340 as at 31 March 2015.

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

2014/15 Movements	**Common Good Fund £000**	**FFF Earmarked Fund £000**	**Capital Adjust. Account £000**	**Reval. Reserve £000**	**Total Reserves £000**
Balance at 31 March 2014	1,650	0	(20)	23,928	25,558
Movement in reserves during 2014/15					
Surplus on the provision of services	1,186	0	0	0	1,186
Revaluation Reserve	0	0	0	(885)	(885)
Total Comprehensive Income and Expenditure	1,186	0	0	(885)	301
Adjustments between accounting basis and funding basis under regulations:	0	0	(2)	(1,183)	(1,185)
Net increase / decrease before transfers to earmarked reserves	1,186	0	(2)	(2,068)	(884)
Transfer to / from earmarked reserves	(1,182)	1,182	0	0	0
Increase / decrease in year	4	1,182	(2)	(2,068)	(884)
Balance at 31 March 2015	1,654	1,182	(22)	21,860	24,674

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

2013/14 Comparative Data	Common Good Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
Balance at 31 March 2013	1,615	(20)	24,085	25,680
Movement in reserves during 2013/14				
Surplus on the provision of services	35	0	0	35
Revaluation Reserve	0	0	(157)	(157)
Total Comprehensive Income and Expenditure	35	0	(157)	(122)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	35	0	(157)	(122)
Transfer to / from earmarked reserves	0	0	0	0
Increase / decrease in year	35	0	(157)	(122)
Balance at 31 March 2014	1,650	(20)	23,928	25,558

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Re-stated 2013/14 £000		2014/15 £000	£000
11	Common Good Fund	44	
(38)	Income from Sale of Fixed Assets	(1,218)	
(27)	**COST OF SERVICES**	(1,174)	
	Financing and Investment Income		
0	Income from redemption of investment bonds	(2)	
(8)	Interest and investment income	(10)	
(35)	**SURPLUS ON PROVISION OF SERVICES**		(1,186)
157	Deficit on revaluation of non-current assets	885	
0	Other unrealised gains	0	
157	Other Comprehensive Income and Expenditure		885
122	**TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE**		(301)

The 2013/14 figures have been restated to include an omission of the deficit on revaluation of non-current assets.

COMMON GOOD FUND - BALANCE SHEET

31 March 2014 £000		31 March 2015 £000	£000
23,824	Community Assets	21,757	
23,824	**Property, Plant and Equipment**		21,757
104	Heritage Assets	103	
2	Long-term Investments	0	
106	**Long-term Assets**		103
183	Short-Term Investments	2,756	
1,445	Cash and Cash Equivalents	58	
1,628	**Current Assets**		2,814
25,558	**Net Assets**		**24,674**
23,928	Revaluation Reserve	21,860	
(20)	Capital Adjustment Account	(22)	
23,908	**Unusable Reserves**		21,838
1,650	Common Good Fund	1,654	
0	Earmarked Reserve	1,182	
1,650	**Usable Reserves**		2,836
25,558	**Total Reserves**		**24,674**

The unaudited accounts were issued on 19 June 2015. The audited accounts were authorised for issue on 24 September 2015.

HUGH DUNN, CPFA
Head of Finance
24 September 2015

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2014	23,824	23,824	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,067)	(2,067)	(1)
At 31 March 2015	21,757	21,757	103
Accumulated Depreciation			
At 1 April 2014	0	0	0
At 31 March 2015	0	0	0
Net Book Value			
At 31 March 2015	21,757	21,757	103
At 31 March 2014	23,824	23,824	104
Cost or Valuation			
At 1 April 2013	23,981	23,981	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(157)	(157)	0
At 31 March 2014	23,824	23,824	104
Accumulated Depreciation			
At 1 April 2013	0	0	0
At 31 March 2014	0	0	0
Net Book Value			
At 31 March 2014	23,824	23,824	104
At 31 March 2013	23,981	23,981	104

1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2015 include:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	17

2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 128).

3. Unusable Reserves

3.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Common Good Fund arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2014/15		2013/14	
	£000	£000	£000	£000
Balance at 1 April		23,928		24,085
Upward revaluation of assets	412		0	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(1,297)		(157)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		(885)		(157)
Derecognition of asset disposals		(1,183)		0
Balance at 31 March		21,860		23,928

3.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2014/15	2013/14
	£000	£000
Balance at 1 April	(20)	(20)
Adjustment for revaluation of Government investment bonds	(2)	0
Balance at 31 March	(22)	(20)

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility
The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CiPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. This statement explains how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 37 of the Accounts.

The Group's Governance Framework
The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads its communities. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk & Best Value Committee. The rest of the Group observes the principles of the code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Strategy and Governance manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. The framework meets the principles of effective governance.

The key elements of the Council's corporate governance framework are set out below:

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2015-2018.
- The Edinburgh Partnership Community Plan 2015-2018 sets out the shared objectives of the Council and its community planning partners and details their vision, strategic priorities and intended outcomes for the Edinburgh area, its citizens and service users. The Edinburgh Partnership Community Plan 2015-2018 has been agreed by the Council and community planning partners.
- Governance arrangements for the Edinburgh Partnership Community Plan include the Edinburgh Partnership Board to lead the Partnership and be responsible for its effectiveness; a Partnership Executive to act as a vehicle for wider advice, consultation, involvement and communication; and designated strategic partnerships for delivery of intervention and prevention areas.
- Formal local community planning arrangements to support and engage with community planning groups and Community Councils; ensuring that service needs and priorities of local communities are identified and can influence Council policy and services.
- The Council's long term financial plan underpins the revenue budget and strategic planning frameworks, enabling it to manage expected future costs and service demands, aligning service delivery to the Council's Transformation and Improvement Plan to address these demands and deliver best value from available resources.

ANNUAL GOVERNANCE STATEMENT

The key elements of the Council's corporate governance framework - continued

- The Corporate Programme Office provides a single and central structure with oversight of all significant Council projects.
- A performance management framework, incorporating internal and public performance reporting, enables the Council to regularly report performance in achieving its key corporate objectives.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Group, Governance, Risk and Best Value Committee and Council, where appropriate, supports effective scrutiny and service improvement activities.
- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.
- The Chief Executive has overall responsibility to Council, as head of paid service, for all aspects of operational management.
- The Director of Corporate Governance has overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.
- The Chief Finance Officer has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control.
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.
- The Council's Strategy and Governance Manager has responsibility for advising the Council on corporate governance arrangements.
- The Governance, Risk and Best Value Committee provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides independent scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk based plan, and monitors performance of the internal audit service.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Community Risk Register, Council Risk Register and Service area risk registers identify risks and proposed treatment or actions. These registers are regularly reviewed, updated and reported to the Corporate Leadership Group and Governance, Risk and Best Value Committee for scrutiny and challenge.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate chief officer. Officers have personal work objectives, and receive feedback on their performance through the Council-wide performance review and development process.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of Elected Members' salaries, allowances and expenses is published on the Council's website.
- The Council's Strategy and Governance Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.

The key elements of the Council's corporate governance framework - continued

- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' interests are maintained and available for public inspection.

A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to indentify and prioritise risks to the achievement of the Group's objectives.

Review of Effectiveness
The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Strategy and Governance Manager has reviewed the effectiveness of the Code and reported the result to the Governance, Risk and Best Value Committee in August 2015.

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal, Risk and Compliance but had free access to the Chief Executive, all directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee.

The Chief Internal Auditor and Council's Strategy and Governance Manager have provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- The work of the Corporate Leadership Group which develops and maintains the governance environment;
- The certified annual assurance statements provided by all directors;
- The certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies.
- Council officers' management activities;
- The Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- An annual review by the Council's Strategy and Governance Manager of the Council's compliance with the Local Code of Corporate Governance, reported to the Governance, Risk and Best Value Committee;
- Reports from the Council's external auditor; and
- reports by external, statutory inspection agencies.

In compliance with standard accounting practice, the Head of Finance has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2015. It is the Head of Finance's opinion that reasonable assurance can be placed upon its effectiveness.

Each service director has reviewed the arrangements in his / her service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered any relevant third party reviews and recommendations. Reliance has also been placed on each organisation's most recent audited accounts together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement with these companies.

These reviews have identified that we need to continue to develop:

By the Council:

- mitigating risks associated with the Council's transformation process, including structural and operating model changes;
- the Best Value audit actions: transformational change, corporate working, workforce, ICT, risk and scrutiny, staff engagement and budget;
- the Council's asset management strategy;
- the processes to ensure compliance with policies and procedures;
- the processes to ensure compliance with health and safety legislation, regulations and guidance;
- the implementation of action plans agreed with external inspection agencies;
- the implementation of all other actions identified by service directors in statements of assurance; and
- the planning for and implementation of health and social care integration.

By the Group:

- long-term financial planning and links to outcomes; and
- embedding and building on recent structural changes and improvements in governance arrangements to take advantage, as appropriate, of the emerging signs of economic recovery.

  The proposed improvements do not indicate any significant gaps or weaknesses in the existing governance framework.

Certification
It is our opinion that in light of the foregoing, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

ANDREW KERR	ANDREW BURNS	ALASTAIR MACLEAN
Chief Executive	Council Leader	Deputy Chief Executive
24 September 2015	24 September 2015	24 September 2015

REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration is over £150,000 per annum. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 per annum.

All information disclosed in the tables on pages 136 to 146 in this remuneration report has been audited by Audit Scotland. The other sections of the remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

Remuneration Arrangements

Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for Councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory non-departmental public body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority Councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014/15, the remuneration for the Leader of the City of Edinburgh Council was £49,683. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2014/15 this was £37,262. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of Senior Councillors shall not exceed £645,873. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below. Posts in italics were remunerated until the dates shown.

	Number of Posts	**% of amount payable to Leader of the Council**
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	65%
Convener of Licensing Board	1	60%
Convener of Governance, Risk and Best Value	1	50%
Convener of Communities and Neighbourhoods	1	45%
Convener of Police and Fire Scrutiny	1	40%
Vice-Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	45%
Opposition Group Leaders - Conservative and Green Groups	2	50%

Councillors - continued
In addition, the Council remunerated the Conveners and Vice Conveners of Joint Boards. The Council has an arrangement with the Joint Boards to reimburse the Council for the additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

Senior Employees
The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/146 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2013 to March 2015. Circular CO/147 provides a revised Scheme of Salaries and Conditions of Service for Chief Officials.

There is no formal percentage relationship for salaries between the Chief Executive and other chief officers. The national salary points to be applied to Corporate Directors and Head of Service posts are determined using the Hay job evaluation method. The decision on whether there is to be an annual pay increase applied to the national salary points, and at what level, for Chief Executive and Chief Officer posts is made by the SJNC for local authority services and thereafter applied locally by the Council.

The Director of Health and Social Care is a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employ the post holder directly.

The Council's role in determining the remuneration policies for its companies is currently under review.

Remuneration Paid
The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Details on roles held by Councillors are set out on pages 137 and 138. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, regardless of whether a senior Councillor role was held for the full year.

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits--in-kind £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
A. Burns, Leader of the Council	49,683	0	214	49,897	49,371
D. Wilson, Lord Provost	37,262	0	620	37,882	41,715
S. Cardownie, Depute Leader of the Council *(until 12.03.15)*	36,149	0	127	36,276	37,033
S. Howat, Depute Leader of the Council *(from 12.03.15)* and Vice Convener Planning *(until 12.03.15)*	23,158	0	715	23,873	23,071
D. Brock, Depute Convener	24,841	0	394	25,235	25,658
R. Lewis, Convener of Culture and Sport	32,294	168	1,665	34,127	32,330
F. Ross, Convener of Economy	32,294	0	2,266	34,560	33,859
P. Godzik, Convener Education, Children and Families	32,294	0	267	32,561	32,710
A. Rankin, Convener Finance and Resources	32,294	0	710	33,004	32,699
R. Henderson, Convener Health, Social Care and Housing	32,294	0	708	33,002	33,283
I. Perry, Convener Planning	32,294	0	187	32,481	32,252
G. Barrie, Convener Regulatory	32,294	0	708	33,002	32,705

REMUNERATION REPORT

Remuneration Paid - continued

Council's Leader, Civic Head and Senior Councillors	**Salary, Fees and Allowances £**	**Taxable Expenses £**	**Non-Cash Expenses / Benefits--in-kind £**	**Total Remun. 2014/15 £**	**Total Remun. 2013/14 £**
L. Hinds, Convener Transport and Environment	32,294	0	1,263	33,557	32,895
E. Milligan, Convener Licensing Board	29,809	655	18	30,482	30,310
M. Child, Convener Communities and Neighbourhoods	22,357	0	95	22,452	22,485
J. Balfour, Convener Governance, Risk and Best Value	24,841	0	441	25,282	25,030
M. Chapman, *(remunerated as Petitions Convener until 01.05.13)*	n/a	n/a	n/a	n/a	17,614
M. Bridgman, Convener Police and Fire Scrutiny	19,873	555	139	20,567	19,347
<u>Vice-Conveners</u>					
N. Austin-Hart, Vice Convener of Culture and Sport	22,357	0	0	22,357	22,135
G. Munro, Vice Convener of Economy	22,357	0	708	23,065	22,388
C. Fullerton, Vice Convener Education, Children and Families	22,357	0	144	22,501	22,292
B. Cook, Vice Convener Finance and Resources	22,357	0	0	22,357	22,135
C. Day, Vice Convener Health, Social Care and Housing	22,357	13	481	22,851	22,360
A. Blacklock, Vice Convener Regulatory	22,357	0	758	23,115	22,866
A. McVey, Vice Convener Transport and Environment *(from 14.03.14)*	22,357	0	708	23,065	17,413
D. Dixon, Vice Convener Planning *(from 12.03.15)*	16,872	314	200	17,386	n/a
<u>Former Vice-Conveners</u>					
J. Orr *(from 02.05.13 to 04.03.14)*	n/a	n/a	n/a	n/a	22,645
W. Henderson *(until 24.11.13)*	n/a	n/a	n/a	n/a	19,267
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader	24,841	0	99	24,940	24,596
S. Burgess, Green Group Leader	24,841	0	933	25,774	25,435
P. Edie, *(remunerated as Liberal Democrat Group Leader until 01.05.13)*	n/a	n/a	n/a	n/a	16,792
Councillors					
N Work, Convener Lothian Valuation Joint Board *(Note 1)*	20,702	0	968	21,670	20,496

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2014/15 was £4,142 (2013/14 £4,101). Expenses relate to Councillor role.

Remuneration Paid - continued
Members' Salaries and Expenses
The Council paid the following amounts to members of the Council during the year (these sums include the totals shown above):

	2014/15 £	2013/14 £
Salaries	1,266,880	1,252,631
Expenses		
Claimed by councillors	2,486	2,062
Paid directly by the Council	28,732	33,925
Total	1,298,098	1,288,618

Remuneration paid to Senior Officers

Council's Senior Officers	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
S. Bruce, Chief Executive	161,741	0	161,741	160,207
G. Tee, Director Children and Families	143,505	0	143,505	142,083
A. Maclean, Director Corporate Governance	134,760	0	134,760	133,425
P. Gabbitas, Director Health and Social Care	65,202	0	65,202	63,431
M. Turley, Director Services for Communities *(until 30.06.14)*	39,118	30,000	69,118	135,570
(full year equivalent)			*134,760*	
J. Bury, Acting Director Services for Communities *(from 08.05.14)*	120,994	0	120,994	n/a
(full year equivalent)			*134,760*	
G. Ward, Director of Economic Development *(from 24.10.13)*	99,747	0	99,747	43,275
(full year equivalent)				*97,782*
M. Miller, Chief Social Work Officer	99,747	0	99,747	98,760
H. Dunn, Head of Finance	105,003	0	105,003	103,962
Total	969,817	30,000	999,817	880,713

Notes:
1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. S. Bruce waived all fees in respect of 2014/15 for returning officer duties - the authorised amount was £16,423 for returning officer duties relating to the European Parliamentary Election and £16,777 for counting officer duties relating to the Scottish Independence Referendum.
2. J. Bury was appointed Acting Director in May 2014. Salaries shown for J. Bury and M.Turley relate to the responsibilities as shown.
3. P. Gabbitas is employed by NHS Lothian and 50% of his salary costs are recharged to the Council. The above figures therefore show the Council's share.

Remuneration Paid - continued
Remuneration paid to Senior Officers - continued
Council Subsidiary Companies
EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2014 and 2013 respectively.

Council's Subsidiary Companies	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Compensation for Loss of Office £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
E. Adair, Operations and Finance Director, EDI Group	102,513	0	1,616	0	104,129	102,974
H. Rissmann, Chief Executive, EICC *(until 31.03.15)*	158,034	0	0	0	158,034	156,884
M. Dallas, Chief Executive, EICC *(from 01.10.14)*	32,500	0	0	0	32,500	0
(full year equivalent)					*130,000*	0
Marketing Edinburgh Ltd.						
J Donnelly, Chief Executive *(Note 2)*	116,600	0	0	0	116,600	88,100
J. Rafferty, Chief Executive, Capital City Partnership	71,720	0	0	0	71,720	71,015
Lothian Buses Ltd.						
I Craig, Managing Director	186,349	0	13,177	0	199,526	269,388
W. Campbell, Operations Director	154,045	0	1,179	0	155,224	197,755
W. Devlin, Engineering Director	154,045	0	2,128	0	156,173	199,078
N. Strachan, Finance Director	154,045	0	672	0	154,717	197,793
G.Hughes, HR Director *(Note 3)*	103,530	0	9,000	85,779	198,309	143,064
Edinburgh Trams Ltd.						
T Norris, Director and General Manager *(from 01.09.13)*	80,000	11,100	735	0	91,835	36,735
(full year equivalent)						89,602
	1,313,381	11,100	28,507	85,779	1,438,767	1,462,786

Notes:
1. Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. and personal healthcare within Edinburgh Trams Ltd.

2. Marketing Edinburgh Limited entered into two contracts with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive. The cost of these contracts is £116,600 in 2014/15, of which £6,600 is VAT (2013/14 £88,100).

3. The exit package for G Hughes of £85,779 was paid in February 2015.

REMUNERATION REPORT

Remuneration Paid - continued
Number of Employees by Pay Band
The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2014/15	2013/14		2014/15	2013/14
£50,000 - £54,999	203	170	£105,000 - £109,999	1	0
£55,000 - £59,999	94	88	£110,000 - £114,999	0	1
£60,000 - £64,999	31	30	£115,000 - £119,999	0	0
£65,000 - £69,999	32	27	£120,000 - £124,999	0	0
£70,000 - £74,999	37	30	£125,000 - £129,999	0	0
£75,000 - £79,999	4	8	£130,000 - £134,999	2	1
£80,000 - £84,999	2	5	£135,000 - £139,999	0	1
£85,000 - £89,999	3	3	£140,000 - £144,999	1	1
£90,000 - £94,999	1	1	£145,000 - £149,999	0	0
£95,000 - £99,999	15	13	£150,000 - £154,999	0	0
£100,000 - £104,999	1	4	£155,000 - £159,999	0	0
			£160,000 - £164,999	1	1
			Total No. of Employees	**428**	**384**

Exit Packages
The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000							£000	£000
- Council	0	0	32	41	32	41	267	480
- Group companies	2	0	0	0	2	0	6	0
£20,001 - £40,000								
- Council	0	0	29	58	29	58	915	1,662
- Group companies	0	0	0	2	0	2	0	70
£40,001 - £60,000								
- Council	0	0	9	19	9	19	419	955
- Group companies	0	0	0	1	0	1	0	40
£60,001 - £80,000								
- Council	0	0	3	14	3	14	210	1,012
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	2	9	2	9	181	828
- Group companies	0	0	1	0	1	0	86	0
£100,001 - £150,000								
- Council	0	0	6	9	6	9	702	1,035
- Group companies	0	0	0	0	0	0	0	0
	2	0	82	153	84	153	2,786	6,082

Pension Rights
Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees a final salary pension scheme is operated. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2014/15 were as follows:

Whole Time Pay	**Contribution rate**
On earnings up to and including £20,235 (2014 £19,800)	5.50%
On earnings above £20,235 and up to £24,853 (2014 £19,800 to £24,200)	7.25%
On earnings above £24,853 and up to £34,096 (2014 £24,200 to £33,200)	8.50%
On earnings above £34,096 and up to £45,393 (2014 £33,200 to £44,200)	9.50%
On earnings above £45,393 (2014 £44,200)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Pension Benefits - continued
Pension Rights - continued
Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		**Accrued Pension Benefits**		
	For year to 31.03.15 £	**For year to 31.03.14 £**		**As at 31.03.15 £000**	**Difference from 31.03.14 £000**
Council's Leader, Civic Head and Senior Councillors					
A. Burns, Leader of the Council	10,582	10,477	Pension	4	1
			Lump Sum	2	0
D. Wilson, Lord Provost	7,937	7,858	Pension	3	0
			Lump Sum	2	0
<u>Conveners</u>					
R. Lewis	6,879	6,810	Pension	2	2
			Lump Sum	0	0
F. Ross	6,879	6,810	Pension	1	1
			Lump Sum	0	0
P. Godzik	6,879	6,810	Pension	3	1
			Lump Sum	2	0
A. Rankin	6,879	6,810	Pension	2	1
			Lump Sum	0	0
R. Henderson	6,879	6,810	Pension	3	1
			Lump Sum	2	1
I. Perry	6,879	6,810	Pension	3	1
			Lump Sum	2	0
G. Barrie	6,879	6,810	Pension	2	2
			Lump Sum	0	0
L. Hinds	6,879	6,810	Pension	4	0
			Lump Sum	6	0
E. Milligan	6,463	6,286	Pension	3	1
			Lump Sum	2	0
M. Child	4,762	4,759	Pension	7	1
			Lump Sum	15	0
M. Bridgman	4,280	4,095	Pension	4	0
			Lump Sum	2	0

Pension Benefits - continued
Pension Rights - continued
Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
Vice-Conveners					
N. Austin Hart	4,762	4,714	Pension	2	0
			Lump Sum	1	0
G. Munro	4,763	4,610	Pension	2	0
			Lump Sum	1	0
D. Dixon	3,594	0	Pension	1	1
			Lump Sum	0	0
S. Howat	4,933	4,714	Pension	1	1
			Lump Sum	0	0
A. Blacklock	4,762	4,714	Pension	2	0
			Lump Sum	1	0
A. McVey	4,762	3,553	Pension	1	1
			Lump Sum	0	0
Former Vice-Conveners					
J. Orr	n/a	4,577	Pension	n/a	n/a
			Lump Sum	n/a	n/a
W. Henderson	n/a	3,948	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Opposition Group Leaders					
C. Rose	5,291	5,238	Pension	3	1
			Lump Sum	1	0
P. Edie	n/a	3,551	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Councillors					
N. Work *(including role as Convener of Lothian Valuation Joint Board)*	4,410	4,366	Pension	3	1
			Lump Sum	2	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

Pension Benefits - continued
Pension Rights - continued
Senior Employees

The pension entitlements of senior employees for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.		**Accrued Pension Benefits**		
	For year to 31.03.15 £	**For year to 31.03.14 £**		**As at 31.03.15 £000**	**Difference from 31.03.14 £000**
S. Bruce, Chief Executive *(including returning officer role)*	34,450	34,110	Pension	80	4
			Lump Sum	191	2
G. Tee, Director Children and Families	30,567	30,264	Pension	75	3
			Lump Sum	181	2
A. Maclean, Director Corporate Governance	28,704	28,240	Pension	15	3
			Lump Sum	0	0
P. Gabbitas, Director Health and Social Care *(Council proportion)*	8,859	8,563	Pension	25	2
			Lump Sum	75	5
M. Turley, Director Services for Communities *(until 30.06.14)*	99,521	28,876	Pension	58	1
			Lump Sum	139	0
J. Bury, Acting Director Services for Communities *(from 08.05.14)*	25,772	17,283	Pension	58	12
			Lump Sum	139	26
G. Ward, Director Economic Development	21,141	21,036	Pension	27	2
			Lump Sum	51	2
M. Miller, Chief Social Work Officer	21,246	21,036	Pension	37	2
			Lump Sum	80	1
H. Dunn, Head of Finance	22,366	22,144	Pension	44	2
			Lump Sum	101	1
Total	292,626	211,552			

All senior employees shown in the previous table above, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas is a member of the National Health Service Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2015, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 142. The contribution rate for P. Gabbitas is 14.7% (2013/14 13.3%).

Pension Benefits - continued

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2015 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
E. Adair, Operations and Finance Director, EDI Group	19,753	19,558	Pension	23	2
			Lump Sum	40	0
H. Rissmann, Chief Executive, EICC *(until 31.03.15)*	20,813	20,630	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M Dallas, Chief Executive, EICC *(from 01.10.14)*	3,737	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Lothian Buses Ltd.					
I. Craig, Managing Director	38,201	36,311	Pension	24	3
			Lump Sum	19	1
W. Campbell, Operations Director	31,579	30,017	Pension	33	3
			Lump Sum	55	1
W. Devlin, Engineering Director	31,579	30,017	Pension	42	3
			Lump Sum	83	2
N. Strachan, Finance Director	31,579	30,017	Pension	38	3
			Lump Sum	70	2
G.Hughes, HR Director	10,353	10,150	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Edinburgh Trams Ltd.					
T Norris, Director and General Manager *(from 01.09.13)*	7,400	2,467	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Capital City Partnership					
J. Rafferty, Chief Executive	16,280	16,027	Pension	29	2
			Lump Sum	65	1
Total	211,274	195,194			

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2014 and 31 December 2013 respectively.

E. Adair and J. Rafferty are the only members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

ANDREW KERR Chief Executive	ANDREW BURNS Council Leader	ALASTAIR MACLEAN Deputy Chief Executive
24 September 2015	24 September 2015	24 September 2015

INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of City of Edinburgh Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statement, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash Flow Statements, the authority-only Housing Revenue Account, Council Tax Income Account, Non-Domestic Rates Income Account, the Common Good Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

INDEPENDENT AUDITOR'S REPORT

Opinion on other prescribed matters

In my opinion;

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

Matters on which I required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

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

Failure to achieve a prescribed financial objective

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

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2015 in respect of their Edinburgh Catering Services - Other Catering significant trading operation.

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

September 2015

Appendix 4

Reconciliation of Outturn Position

	£m	£m
Outturn position as shown in the Revenue monitoring 2014/15 outturn report		(0.519)
Changes arising from the audit of the Financial Statements:		
- Increase in accrual for supplier services	0.014	
- Financing adjustments under IAS 39	(0.176)	
		(0.162)
Revised surplus		(0.681)

Governance, Risk and Best Value Committee

2.00pm, Wednesday 23 September 2015

CEC Transformation: Progress Update - referral report from the Finance and Resources Committee

Item number	7.2
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered a report on the Council Transformation Programme, aimed at delivering a lean and agile Council, centred on customers, services and communities. The report has been referred to the Governance, Risk and Best Value Committee for further consideration.

Links

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

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Terms of Referral

CEC Transformation Programme: Progress Update

Terms of referral

1.1 A significant portion of transformation savings were associated with management de-layering and the implementation of the new operating model. Good progress had been made, however, the programme had a number of key challenges which were constraining delivery and these had to be addressed in order to accelerate and simplify the implementation of the plan.

1.2 There was an urgent and pressing need to take the following actions:

- Accelerate the Core Transformation Programme.
- Integrate the stop/reduce and service prioritisation activity into the Core Transformation Programme to create one cost reduction plan which would be guided by the Council's agreed strategic priorities and would be simpler to execute.
- Alignment and integration of the Health and Social Care Integration Plans with the work within the Citizen and Localities workstream to ensure operational efficiencies were maximised.
- Immediately simplify the Programme governance arrangements.

1.3 The Finance and Resources Committee agreed to:

1.3.1 Welcome the accelerated programme plan and savings profile for the core Transformation Plan, as set out in Appendix 1 of the report by the Chief Operating Officer and Deputy Chief Executive.

1.3.2 Note that the stop/reduce and service prioritisation proposals would now be integrated within the Core Programme in order to create one cohesive cost reduction and Transformation Programme, which would be designed to align with the Council's strategic planning framework and simplify the execution of the plan.

1.3.3 Note the alignment of the Health and Social Care Integration work with the Transformation Programme to ensure savings in both support and front line service provision would be maximised and operation efficiencies were achieved.

1.3.4 Note the revised governance arrangements as set out from paragraph 3.18 of the report by the Chief Operating Officer and Deputy Chief

Executive and agree that future bi-monthly reporting would be through the Finance and Resources Committee.

1.3.5 Note that the Asset Management Strategy business case had been finalised and would be presented to the Finance and Resources Committee on 24 September 2015.

1.3.6 Note the progress across the programme as set out in the workstream updates and the Activity Analysis report in Appendix 2 of the report by the Chief Operating Officer and Deputy Chief Executive.

1.3.7 Refer the report by the Chief Operating Officer and Deputy Chief Executive to the Governance, Risk and Best Value Committee for its further consideration.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee for further consideration.

Background reading / external references

CEC Transformation Programme: Progress Report

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

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

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

CEC 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. The progress update highlights key challenges and the associated mitigations to simplify the reporting, management information and implementation of the plan.

Links

Coalition pledges

Council outcomes

Single Outcome Agreement

Report

CEC Transformation Programme: Progress Update

Recommendations

1.1 Note the accelerated programme plan and savings profile for the core Transformation plan, as set out in Appendix 1.

1.2 Note that stop/reduce and service prioritisation proposals will now be integrated within the core programme in order to create one cohesive cost reduction and Transformation Programme, which will be designed to align with the Councils strategic planning framework and simplify the execution of the plan.

1.3 Note the alignment of the Health and Social Care Integration work with the Transformation Programme to ensure savings in both support and front line service provision are maximised and operational efficiencies are achieved.

1.4 Note the revised governance arrangements as set out from paragraph 3.18 and approve that future bi-monthly reporting will be through a single committee the Finance and Resources Committee.

1.5 Note that the Asset Management Strategy business case has been finalised and this will be presented to this Committee on 24 September 2015.

1.6 Note the progress across the programme as set out in the workstream updates and the Activity Analysis Report attached as Appendix 2.

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. This report highlights the key challenges to the programme and mitigating actions to continue to progress implementation.

2.3 This report also provides an update on progress since made then, including status reports on the following workstreams:

- Citizens and Localities Services (CLS);
- Business and Support Services (BSS);

- Third Party Payments;
- Channel Shift;
- Asset Management Strategy; and
- Workforce Strategy and Management.

Main report

Programme Update – Key Challenges and Proposed changes

3.1 A significant portion of transformation savings are associated with management de-layering and the implementation of the new operating model. Since the meeting of Council, good progress has been made, however the programme has a number of key challenges which are constraining delivery and these must be addressed in order to accelerate and simplify the implementation of the plan.

3.2 In view of the above there is an urgent and pressing need to take the following actions:

3.2.1 Acceleration of the Core Transformation Programme;

3.2.2 Integration of the stop/reduce and service prioritisation activity into the core Transformation Programme creating one cost reduction plan which is guided by the Councils agreed strategic priorities and simpler to execute;

3.2.3 Alignment and integration of the Health and Social Care Integration plans with the work within the Citizens and Localities workstream to ensure operational efficiencies are maximised;

3.2.4 Immediately simplify the Programme governance arrangements.

Core Programme Acceleration

3.3 The five year period originally set out in the business cases approved by Council in January 2015 is widely considered to be too slow, and likely to create uncertainty over a longer period of time than is necessary. The revised programme plan with key milestones is attached at Appendix 1; programming from quarter 1 of 2015/16 to quarter 1 of 2016/17 and also separately laying out a high level accelerated 3 year plan. The programme plan for 2015/16 is now targeting to complete the tier 4 - 6 levels in the structure on a functional/cluster bases rather than on a tier by tier basis for both the CLS and BSS workstreams.

3.4 An initial analysis of accelerating the plan highlights an improved savings profile associated with management de-layering within CLS and BSS, as savings will be realised more quickly than first assumed.

3.5 Other savings which are projected for the later years 4 and 5 (2018/19 and 2019/20) include £2.7 million for Channel Shift and £4 million of assumed savings within the CLS workstream associated with demand reduction through prevention measures, will be re-programmed once there is sufficient visibility of the detail around these savings.

3.6 Further work is now underway to update the project business cases to profile accelerated savings and further opportunities for additional savings are being investigated.

3.7 It should be noted that this acceleration of the programme will not mitigate against the immediate need to bring forward additional stop/reduce and service prioritisation proposals. The current unresolved pressures in Corporate Property and Health and Social Care will mean that, even with an accelerated core programme, a significant gap will remain and additional service prioritisation proposals will be essential to deliver the financial targets set out by the Head of Finance and agreed by the Council.

Service Prioritisation (Stop/Reduce Proposals)

3.8 £51 million of savings are being targeted through service prioritisation over the next 4 years. In order both to provide an element of flexibility in the management of risks and pressures and to allow for a degree of political prioritisation, Directors were asked to develop proposals, capable of full implementation by April 2016, to a total value of at least £34 million.

3.9 A more consolidated approach needs to be progressed and it is been agreed that all service prioritisation proposals should be brought into the Transformation Programme, requiring the integration of the two programmes. This will now ensure that savings are realistic, deliverable, in line with transformation objectives and are not double counted.

3.10 However more strategic service prioritisation options will need to be considered if the funding gap is to be bridged. Corporate Leadership Group (CLG) is developing a set of strategic principles which will clearly define where service prioritisation should focus on going forward enabling the integrated programme to drive forward proposals which are truly stop or reduce in their nature and not a continued slicing of Directorate budgets which will not achieve the overall savings required.

3.11 The Council will be required to look at areas such as non-statutory spend, delivery by others, ineffective spend where outcomes are poor in relation to the Councils strategic objectives.

3.12 The Corporate Leadership Group have begun work to progress the integration of these elements into one cost reduction plan and a revised plan will be produced to be considered as part of the Council budget process and will be brought back to the Committee for approval.

Health and Social Care Integration

3.13 There are significant risks surrounding the Health and Social Care Integration Programme. Currently, the governance for the two programmes is managed through two separate routes with no agreed financial parameters or cost reduction plans.

3.14 There are significant dependencies between the two programmes, particularly in relation to the development of the localities model, the success of which depends on strong integration of services. The current arrangements do not allow for sufficient integration between the two.

3.15 Moving forward, it has been agreed to build stronger links between the programmes and a formal relationship will be developed between the Health & Social Care Integration Programme and the CLS workstream. This will enable the coordination of planning, resource and key budget decisions between the two programmes.

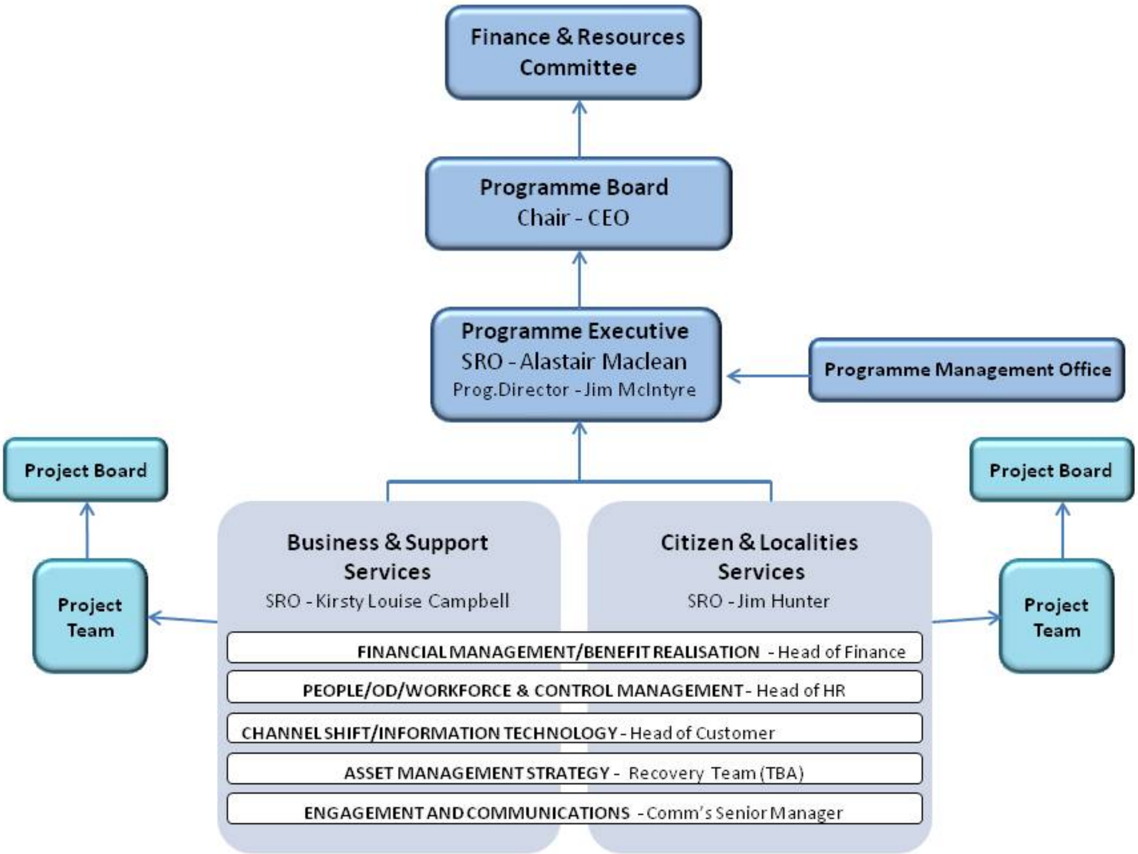
3.16 Accordingly a report titled 'Delivering the Health and Social Care Locality Model' was made to the Joint Integration Leadership Group on 28 July 2015. This report updated the Joint Leadership Group on work to progress the delivery of a Health and Social Care locality model of working, undertaken in partnership with the Citizens and Localities team (of the Council Transformation Programme). It also sought approval to progress work jointly across a number of key issues identified in the report, in order to enable key operational arrangements to 'go live' by April 2016. The Group (chaired by Councillor Burns) agreed the proposed approach and to progressing the 'next steps' in the report jointly to deliver locality operating model arrangements and structure by April 2016.

Governance Arrangements

3.17 The governance arrangements for the programme are currently complex and time consuming. Reports are required by the dedicated Transformation Board, CLG, Finance and Resources Committee, Corporate Policy and Strategy Committee, Governance, Risk and Best Value Committee, the Checkpoint Group and the Budget Core Group. These arrangements need to be streamlined to ensure swift and effective decision making and to allow the programme team to focus on delivery.

3.18 Moving forward, it is suggested that governance needs to be streamlined in order to ensure that decisions can be made quickly and effectively. The Transformation Programme Board is to be dissolved and replaced by a dedicated 2 hour monthly meeting of the CLG focused solely on the Transformation and chaired by the CEO. It is also suggested that the main political oversight for the Programme comes through bi-monthly reports submitted to the Finance and Resources Committee and that the current arrangements of also reporting on a quarterly basis to the Corporate Policy and Strategy Committee cease.

The overall governance arrangements moving forward are outlined in the diagram below:



Programme - Workstream Status Updates

Citizens and Localities

3.19 The Citizens and Localities Services Project is progressing development of the organisational structure and operating model agreed by Council on 25 June 2015.

3.20 Design of the senior management structure (tiers 1 and 2) is complete and consultation with trade unions and relevant staff is in process in accordance with the Council's agreed policies and procedures. Tier 3 design is almost complete and consultation will begin by early September. Appointments to this structure are scheduled to be complete by the end of November 2015. The design and implementation of management structures at tiers 4 and below is being taken forward on a phased basis, with the structure fully designed by December 2015 with implementation as soon as possible there after.

3.21 The localities operating model is also being developed. This sets out the overarching service approach, principles and governance frameworks that support the locality model, as well as defining the priorities, demand profile and resourcing at locality level. It is intended to pilot the new localities operating model from December 2015, including testing with Community Planning Partners, ahead of wider implementation in April 2016. A detailed Implementation Plan and Project Plan are now finalised to ensure clear actions are owned to progress this work within the desired timescales.

3.22 In addition, actions are underway to redesign key processes, and realise associated improvements to the customer experience, as set out in the agreed business case. These actions include the analysis of case studies, customer journey mapping and the development of project opportunities emerging from the activity analysis and other initiatives. Delivery of these actions will be undertaken through ongoing engagement with staff and partners to actively manage the change process.

3.23 The summary report on the findings of the activity analysis is attached as Appendix 2.

Business and Support Services

3.24 The BSS project has continued to progress well and the focus has been on two main areas:

- Completion of Phase 1 – the current state assessment and high level design phase.
- Commencement of phase 2 – the detailed design and consolidation phase.

3.25 The activity analysis has been completed and the current state assessment report has been finalised and communicated to Union representatives and Council staff. Concurrently the information/data collected during the review is being used to support the ongoing delivery of the project. This includes refining the project scope, incorporation of improvement opportunities into the future service structures and delivery plan, as well as refining the savings profile and updating the business case to reflect the greater depth of information that is now available. The summary report on the findings of the activity analysis is attached as Appendix 2.

3.26 High level design of the senior management structures (tiers 1 and 2) is complete and consultation with trade unions and staff is underway in accordance with the Council's agreed policies and procedures. Tier 3 design is almost complete and consultation will begin by early September. Appointments to this structure are scheduled to be complete by the end of November 2015.

3.27 The BSS project implementation plan for the consolidation phase has been updated to align with the appropriate HR processes and timescales and builds in delivery of potential service prioritisation initiatives identified by Finance.

3.28 Implementation of the first consolidation phase of the project will continue to be in a staged approach, aligning to the approved tier 2 and future tier 3 structures. It will be delivered in the following four waves from July to December 2015:

1. Strategy, BI and Performance and Communication/Marketing
2. HR, Commercial and Democratic Services
3. Finance, Risk, Legal and Digital/ICT
4. Customer Services and Business Support

Third Party Payments

3.29 The Payments to Third Parties workstream continues to progress, with new co-produced grant programmes on schedule for implementation by April 2016 (with the exception of the Cultural Grant Programme, which was reported to the Culture and Leisure Committee on 18 August 2015 and will be implemented in 2016/17).

3.30 Work is also being progressed on a contract renewal schedule and associated savings to ensure visibility and achievement of workstream reduction targets.

3.31 The Council-wide project team for Payments to Third Parties, which oversees and ensures the coordination of new grant and contract programmes, is also undertaking work to ensure alignment with the emerging service prioritisation proposals, and the development of the localities model through Citizens and Localities Services workstream.

Asset Management Strategy

3.32 The business case for Asset Management Strategy (AMS) in relation to the Investment Portfolio; Estate Rationalisation; and Asset and Service Delivery Optimisation provides financial projections over a 10 year period and concludes that despite existing savings initiatives, property expenditure is likely to exceed the Affordability Baseline by a total of £124M throughout the 10 year period unless radical steps are taken to reconfigure the existing Council estate and fundamentally change the way asset and facilities management is delivered by the Council.

3.33 The business case has been finalised and will be presented to the Finance and Resources Committee at the end of September. In parallel with the development of the business case plans to establish a business recovery team to support the existing corporate property function have been developed and these will also be presented in September.

Channel Shift

3.34 The Channel Shift project aims to reduce the cost of delivery of a wide range of Council services by shifting the channel used for customer contact to the most efficient and appropriate and developing end to end process automation where possible.

3.35 This is based on a transaction-by-transaction change and has already seen significant benefits in delivering channel shift. To date, over 40,500 citizens have registered for a Mygovscot account and over 2,500 transactions are carried out each week with citizens viewing their accounts over 25,000 times a week (figures based on June 2015).

3.36 The Channel Shift project has already delivered £355,000 of savings through a reduction of 17 FTE posts in 2015/16. This represents 100% of the Channel Shift savings which were assumed in the 2015/16 budget.

3.37 Work is being carried out to prepare for collaboration with the Council's new ICT provider (when appointed) to develop more online, end to end transactions to add to the 37 already live and accessible through our responsive website, on any device.

3.38 Strategies are in development to provide a basis on which to enable all channels to deliver a standardised level of customer service across the Council. This will include direct assistance to both staff and citizens in localities to deal with enquiries in the most appropriate and efficient way possible, centred around the needs of the citizen.

Workforce Strategy and Management

3.39 Committee previously agreed that proposals on a revised Voluntary Service Scheme would be subject to consultation with unions. The proposals have now been consulted upon and a further report on the outcome will be presented to Committee in September.

3.40 Senior leadership 'learning sets' have been launched and delivery scheduled for early September 2016 remains on track. These sets will assist senior leadership in managing the culture changes that will need to take place to ensure that the Transformation Programme can achieve its aims.

3.41 It will be crucial to ensure we track our progress as we create the engagement levels, climate and conditions needed for change and transformation to happen. Therefore an initial exercise to capture insight and data at the start of the change process was undertaken and progress will be tracked on a four-monthly basis. Our baseline has now been established and initial survey feedback indicated that staff understand the need for change and feel committed to helping the Council deliver the changes but don't have confidence in our ability to achieve it and don't feel that change is being managed well. The Corporate Leadership Group (CLG) has set ambitious targets for improvement and strategies are being agreed to secure the improvements. A second tracker survey is due to be undertaken at the end of August.

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 are developing a clear financial and non-financial benefits framework which will form the basis of bi-monthly reporting to Committee.

Financial impact

5.1 £34 million of additional recurring savings are being targeted through the Council's Transformation Programme over the period to 2019/20, including £11 million to be delivered in 2016/17. Work is ongoing to develop further proposals and update business cases.

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 programme board.

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.

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 customer and employee engagement plan will be developed for each of the workstreams, with a dedicated overarching change plan involving staff, elected members, partners and trade unions.

Background reading/external references

Item 8.2 - Council Transformation Programme: Status Report - 25th June, City of Edinburgh Council

Alastair Maclean

Chief Operating Officer

Deputy Chief Executive

Contact: Jim McIntyre, Programme Director

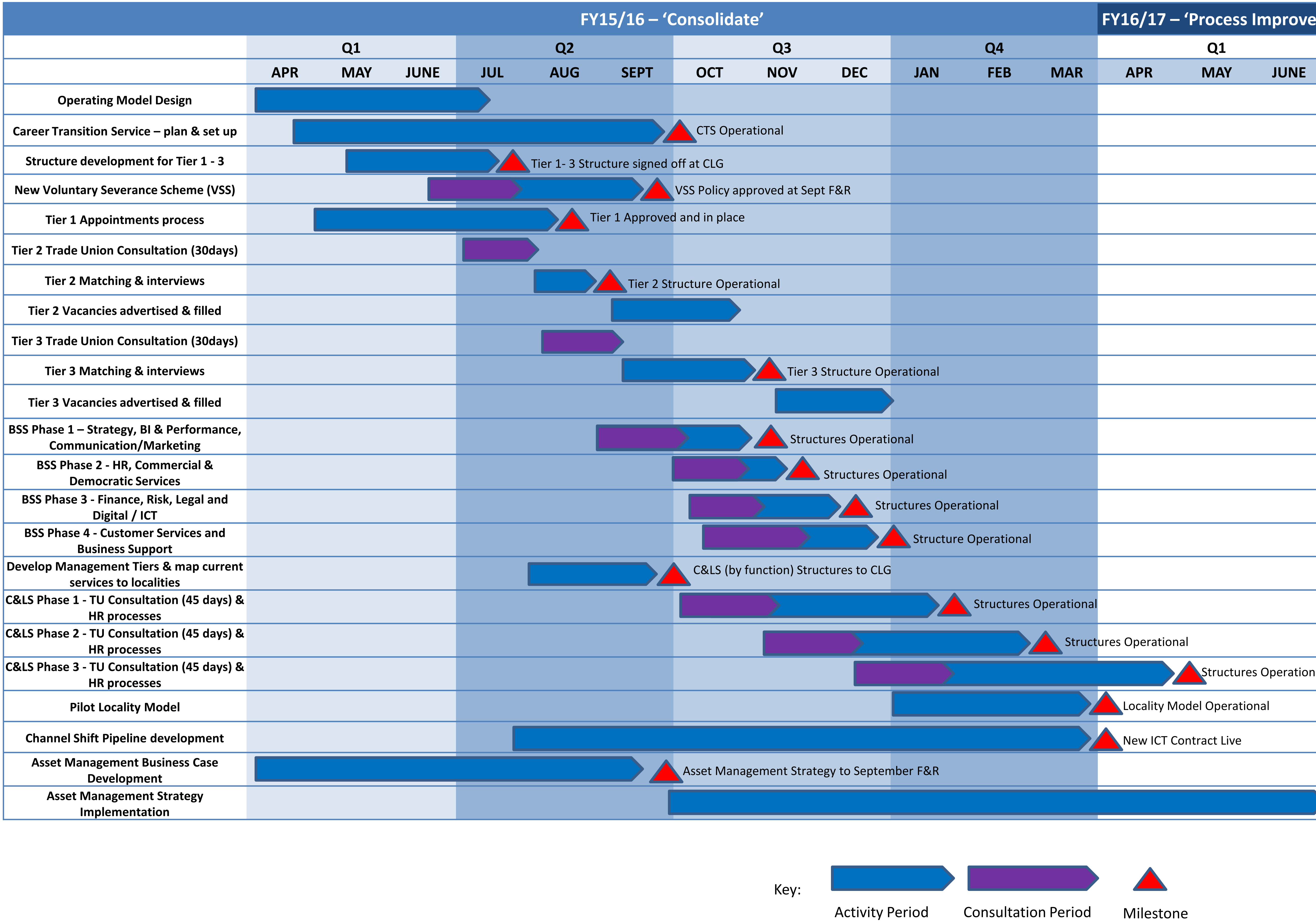
E-mail: jim.mcintrye@edinburgh.gov.uk | Tel: 0131 469 3006

Links

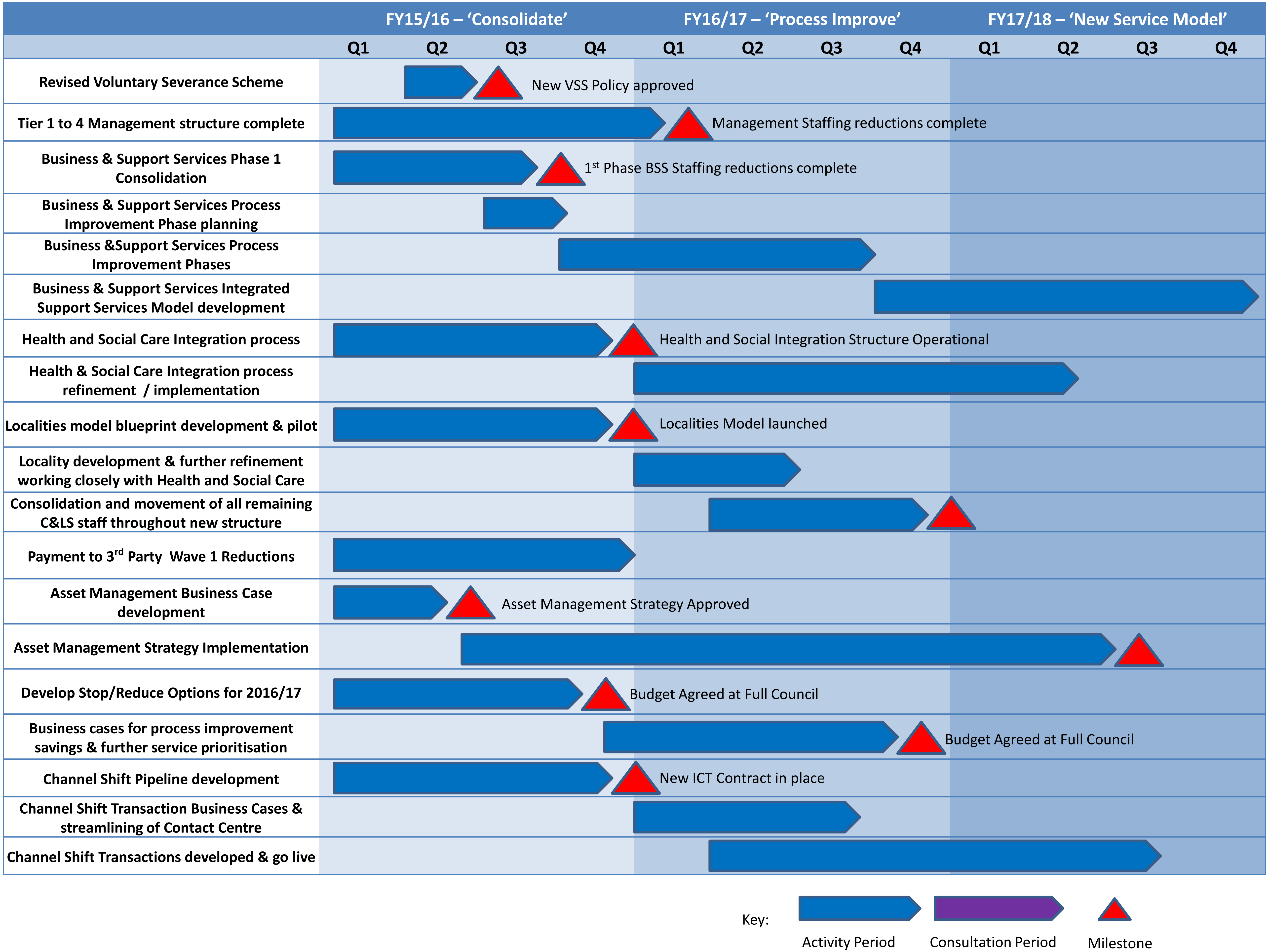
Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and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

APPENDIX 1

Implementation plan for organisation restructure - 2015/16



Accelerated 3 year plan - 2015 to 2018



APPENDIX 2

TRANSFORMATION PROGRAMME

City of Edinburgh Council Transformation Programme

Current State Assessment Summary Report

July 2015

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

DOCUMENT PURPOSE

Objective of the current state assessment

The Current State Assessment of the City of Edinburgh Council (CEC) summarises what permanent staff do, how their time is spent, the cost of that time as well as highlighting opportunities for performance improvement or savings delivery.

Data gathering and analyses

The report utilises data and information gathered relating to both business support services and communities and local services. The data gathered captured the activity of over 12,000 staff members. Over a 100 workshops were attended by staff to identify additional opportunities and strengths. The information and analyses is based on data gathered at a point in time only, with final data completion on 9th June 2015. The output and analyses should be regarded as time sensitive.

Purpose of the summary report

The report summary provides an overview of the Transformation Programme explaining why and how the Current State Assessment was completed,. It gives the key observations and opportunities identified by staff members during the review and summaries how the data collected will be used to support the delivery of the transformation programme. The analyses is drawn from information provided by Council staff only and has not been altered to perform the analyses.

The data collected during the assessment will be used to inform the design stage for Citizens and Localities Services (CLS) and the overarching blueprint for the Council, and is currently being used to inform the design and subsequent stages for Business Support Services (BSS).

The summary report, its contents and associated datasets are for City of Edinburgh Council use only and are confidential.

TRANSFORMATION PROGRAMME AND ASSESSMENT PROCESS OVERVIEW

TRANSFORMATION PROGRAMME OVERVIEW - DRIVERS FOR TRANSFORMATION

The Council operates within a challenging environment, with rising demand for services, regulatory change, budget pressures and an increasing population. The cumulative impact of these changes mean the Council needs to reduce current expenditure by £107million over five years and requires the Council to change how services are delivered through transformational change. The key drivers and challenges are summaries below:

External Drivers
- Local Government budget cuts
- Public sector reform
- Increasing service demands
- Population change and growth
- Rising customer expectations
- Changing skills requirements
- New ways of working

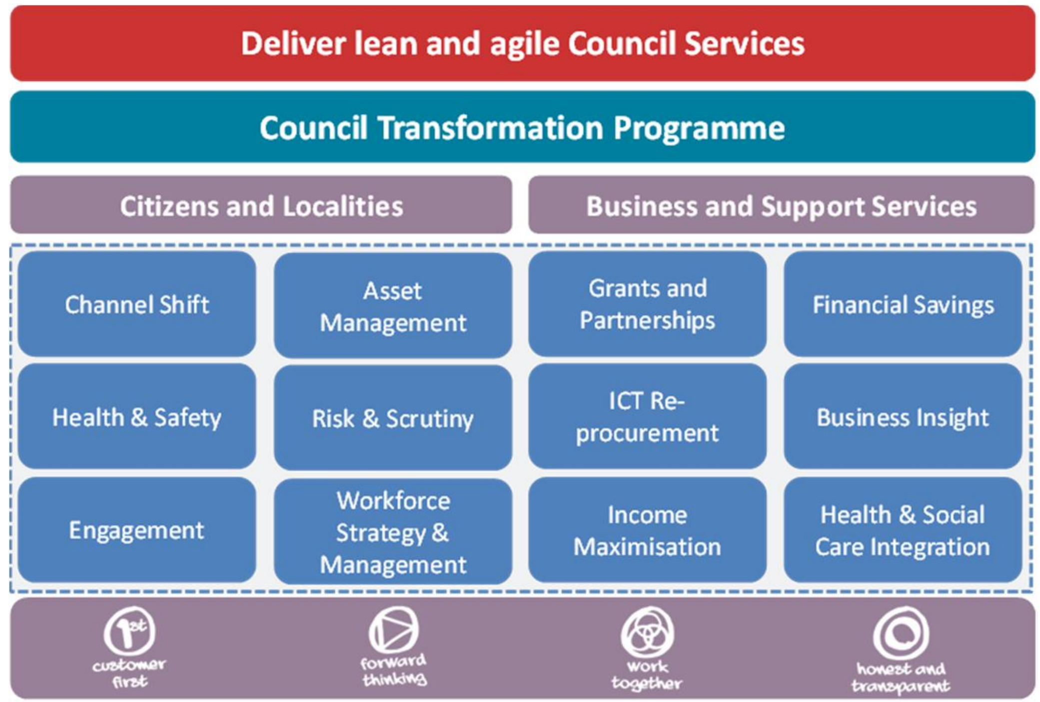
Internal Challenges
- Meet savings requirements
- Improve customer outcomes
- Improve performance
- Improve Council reputation
- Deliver a lean and agile Council

There are a number of change activities underway, which aim to help achieve the Council's vision to deliver lean and agile council services, contribute to the Council's the target savings, and reshape the structure. These activities have been brought together under a single transformation programme to make sure the overall effect of these changes is understood, dependencies are managed and there is clarity about the scope to avoid issues such as double counting of benefits. The Transformation Programme has a delivery target in excess of £48.8 million of recurring savings over the period to 2019/20

TRANSFORMATION PROGRAMME OVERVIEW – PROGRAMME STRUCTURE

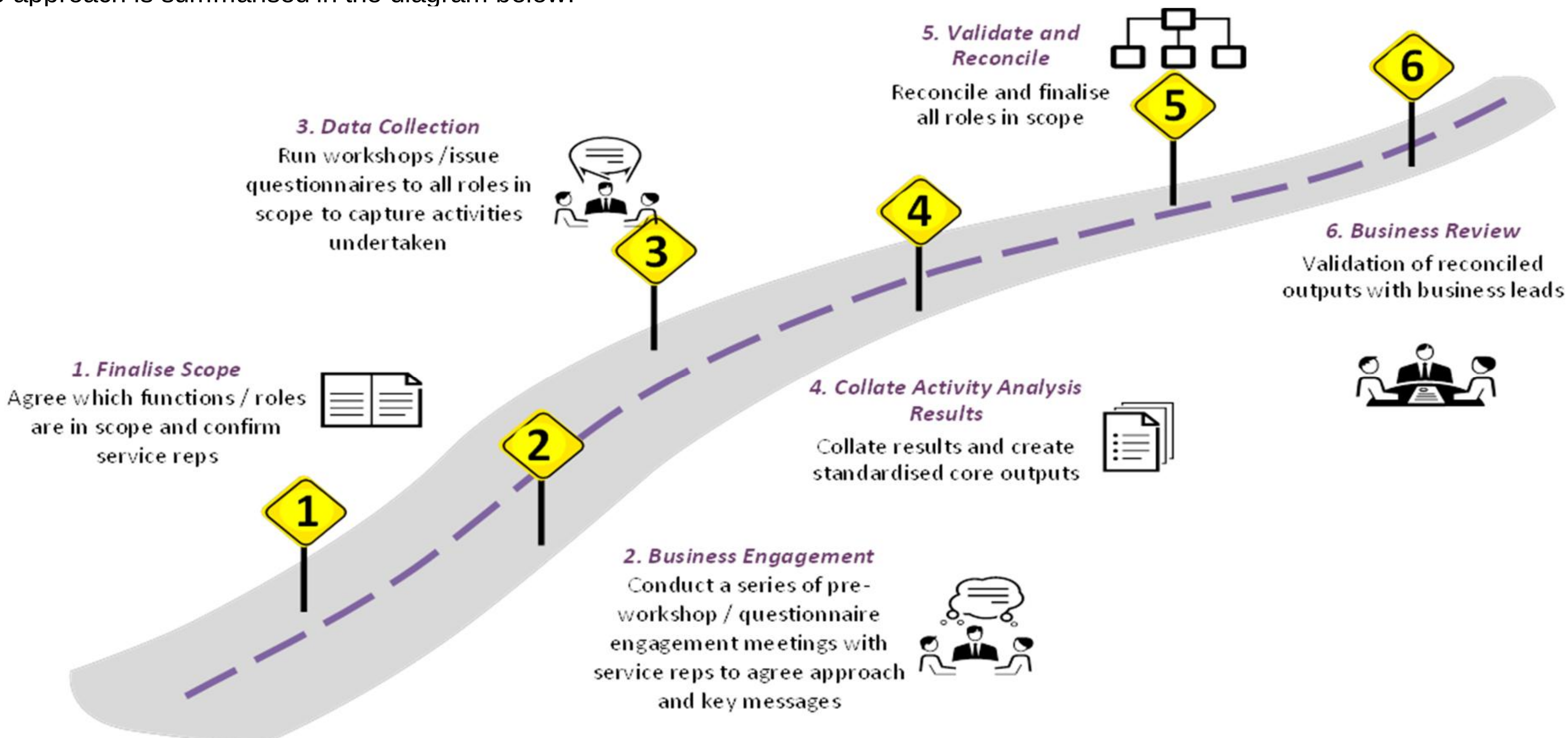
The Transformation Programme comprises of two core projects supported by a number of cross cutting work streams. The structure and a overview of the core projects are shown below:

- **Citizens and Localities (CLS):** This project will deliver a new operating model for the Council in which services have an enhanced focus on local communities. The project will improve local control over services and priorities, reduce bureaucracy and deliver more resources to the frontline
- **Business and Support Services (BSS):** This project will deliver a new model for the provision of central support for Council services. The project will provide a strong strategic centre to support frontline delivery, streamline processes and help move towards a 'right first time', customer focussed approach



CURRENT STATE ASSESSMENT APPROACH

The current State analyses has the objective of better understanding service delivery. A data collection exercise was completed to capture current services, FTE's, strengths and opportunities, and IT systems used . The data collection was lead by a core project team and delivered through over 40 Council Change Representatives from across the organisation. A consistent data gathering approach has been applied across the whole organisation. The approach is summarised in the diagram below:



For the purpose of the data gathering and analysis all the staff in scope were divided into 'clusters' and 'sub clusters'. The staff members within each cluster area were engaged through 1:1 meetings, focus groups and workshops. Standard templates were used to capture the percentage of staff time spent on 34 generic activities and workshops to capture the qualitative data regarding wider opportunities and strengths. All outputs were validated with functional areas Change Representatives

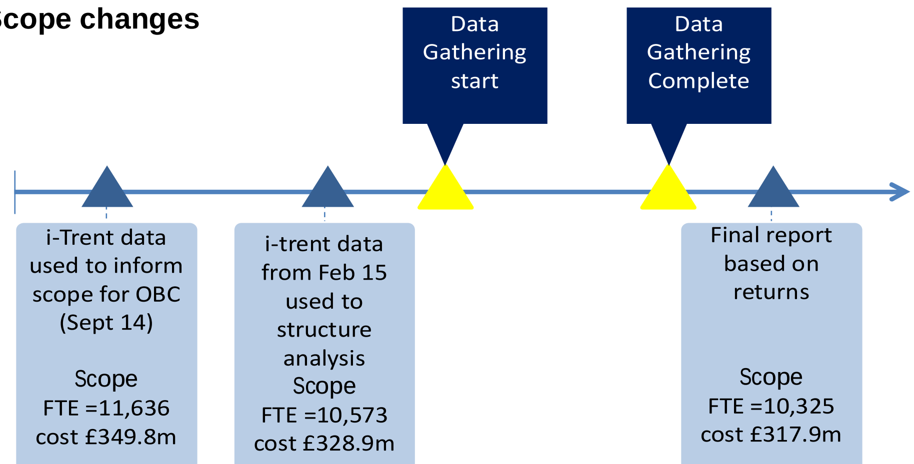
CURRENT STATE ASSESSMENT APPROACH - SCOPE, KEY FACTS AND ASSUMPTIONS

Timeline

The data gathering was completed over a six week period using staff data taken from i-Trent in February 2015. In scope job roles were then allocated to a cluster structure, by CEC, to enable the data gathering process to begin on April 20th.

- Initial figures relate to November 2014 Business Cases
- February 2015 figure relates to the dataset at the start of Activity Analysis data collection
- The final figure relates to the Activity Analysis data that was returned and used in the Current State Assessment

Scope changes



Key Facts regarding data gathering

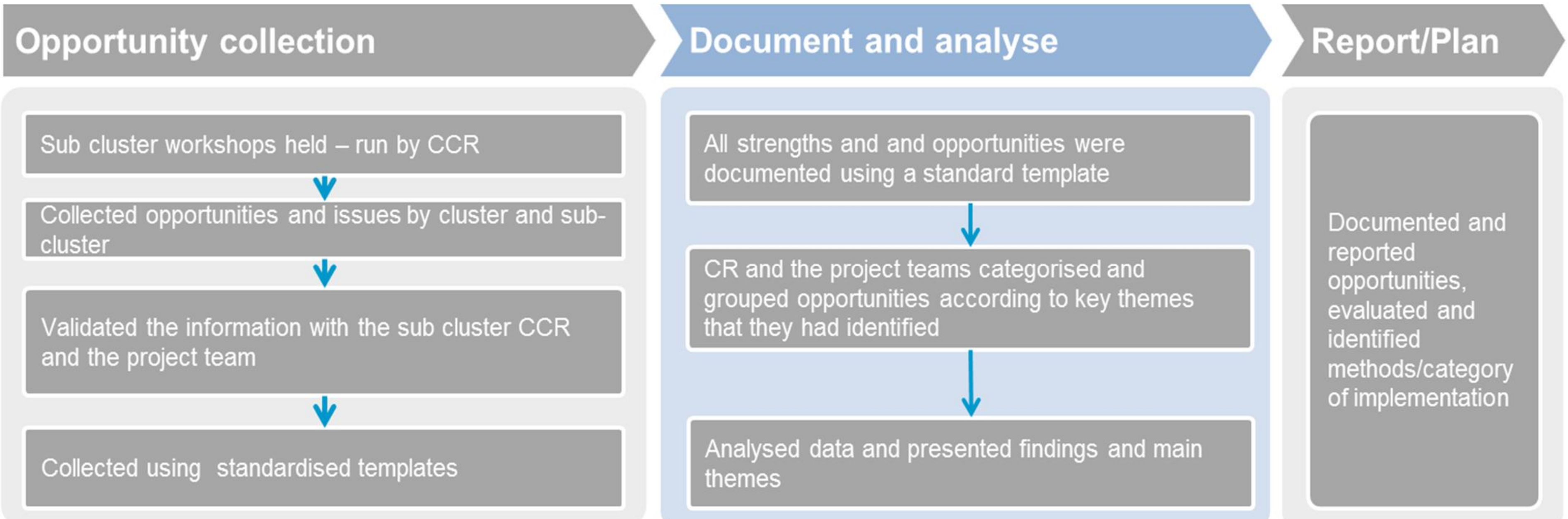
- Activity data has been gathered covering 12,000 staff roles
- Over 100 workshops were held with staff groups across the organisation to identify strengths and opportunities
- Over 800 opportunities were captured for both BSS and CLS with evidence of service strengths

Notes on Scope

- The scope for BSS and CLS shown in the diagram includes all CEC staff, excluding Lothian Pensions staff and Teachers. Asset Management was later removed from scope
- Final scope was agreed with Finance on 21 May 2015. Any future scope changes will require a change request. Changes from the original scope used in the January business cases has been captured within change logs
- During the data gathering 50 leavers were identified. No new joiners were added to scope
- The data is gathered on the basis staff roles as defined in i-Trent, FTE values is applied to the roles
- Costs for the individuals in the data were calculated using actual salary for their grade pro rata to their FTE. On costs of 27% are added for National Insurance and pension contributions
- Only CEC staff members were in scope (agency staff were not included)
- Data collection was from individuals in a role or managers providing a sample of people for that role
- Activity analysis data has been collected for the roles that individuals currently perform, any seconded individuals completed analysis for their seconded post
- Data collected was verified by the Council Change Representative and/or Head of Services
- The analyses is drawn from information provided by Council staff only and has not been altered in any way to perform the analyses

CURRENT STATE ASSESSMENT APPROACH - OPPORTUNITY GATHERING AND DEVELOPMENT

- The process for collecting opportunities and strengths was managed by the Council Change Representatives (CCR) through engagement with staff from their respective areas
- Engagement in the area during these sessions has been high. Staff have seen these sessions as opportunities to share ideas and issues
- Over 800 opportunities have been identified, categorised and analysed
- Opportunities require further development to determine priority and implementation plan in line with the Transformation Programme



- **Categories** = identify how relatively easy it is to implement the opportunities and the need for transformation. Incremental/Quick win - these could be implemented without major transformation, however, they would benefit from being implemented as part of Transformation. Transformational - these require Transformation to be implemented as they encompass the whole of CEC and not just specific areas. Aspirational are potential opportunities but have not been prioritised for implementation at the current time
- **Themes** = key themes are the common subjects running through the collected opportunities, and opportunities have been grouped accordingly

KEY OBSERVATIONS

KEY OBSERVATIONS

Common Observations Across Projects

1. There is evidence of duplication of some activity that has already been centralised, such as procurement, ICT and finance which may indicate duplication of activity and roles, inefficiency of support provision and ultimately potential to improve processes that cut across centralised and locally delivered support activity
2. The grade analysis shows certain activity being completed by staff at grades higher than would be expected, which may be a result of poor processes for decision making or a way of working where decision making is referred upwards for approval
3. There are a high number of job roles when compared to staff numbers, although more prevalent in BSS, this does indicate that there is not a consistent view of skills and activity which may mean grades are inconsistent and, ultimately lead to poor workforce flexibility across functions
4. There is evidence of ICT systems used having overlapping functionality, which may lead to duplication of inputting between systems, a number of different means of reporting and additional cost in licences and support requirements

Citizens and Localities specific observations

- Service delivery is below the desired level and staff engagement has shown a strong desire to refocus time on frontline delivery
- Customer contact and asses and decide totalled over 16% of time and over £40m spend. Although seen as adding value to customers, the processes are reported as inefficient by staff due to the number of contact points, hand offs and the proliferation of supporting IT systems
- The percentage of time and associated cost related to managing people is significant at over £19million and 8%. Staff engagement has suggested that there are inefficient processes and systems, as well as need for management training
- Travel time accounted for 6.3% of time and £15.3m in spend, staff supported a move toward more localised working and better planning and use of technology to reduce travel cost

Business and Support Services specific observations

- There appears to be a number of individual areas performing similar activities leading to teams working in silos e.g. multiple call handling teams
- The spread of General Administration and Procurement costs/activities indicate siloed working across the Council which could be leading to significant duplication
- Savings could be made streamlining customer service as this appears across all sub clusters within BSS
- When combining Managing People and Work Planning and Scheduling it makes for the third highest spend, saving could be made in these areas
- Strategy, Policy, Quality Service Development requires more detailed analysis to understand where efficiencies can be made

SOME AREAS OF GOOD PRACTICE

Engagement with staff has highlighted a number of service strength or recent improvement. It is key that any future designs build on these areas of current good practice and that they form the basis of further service redesign

1

Locality based teams are in place to deliver certain services

Across the Council there are some services which are already aligned to Neighbourhoods. This experience will help support the implementation of the future Blueprint and focus the service to the needs of the communities. It has also highlighted challenges which need to be overcome, for example, teams having narrow spans of control and divergent processes and opportunities as wider integration of teams and consolidation of processes

2

Some functional teams have already been consolidated

Finance, ICT and Commercial/Procurement have already consolidated some key staff and standardised some processes to more effectively manage service delivery. This work can be built on. The data captured within the activity analysis will be used to identify fragmented areas/services, which can then be further consolidated

3

Some areas of good practice within Services

The Council is recognised for some areas of good service delivery, which are demonstrated by statics which show that 89% of residents are satisfied with Edinburgh as a place to live and 88% of residents are satisfied with their neighbourhood. Also, the CEC is recognised by the Scottish Government as leaders in Early Years expansion and the CPS team received the CIPFA award for innovation. However, building on these achievements need to be aligned to current financial constraints

4

New digital ICT partner and a drive towards self-service and channel shift

The Council is currently procuring a new ICT partner with the aim of improving the technology currently available. Aligned to this is a drive to move towards more self-service, both internally and externally, and to deliver more services digitally or through a more effective channel reducing non core customer contact

KEY OBSERVATIONS - COUNCIL SPEND BY ACTIVITY AND DIRECTORATE

The table below shows the total cost by activity broken down by directorate. The variances in spend have been noted and initial exploration with staff within workshops and meetings has identified duplication of activity and many activity areas

Activity groups	City Development	Corporate Governance and Corporate Services	Children & Families	Health and Social Care	Services for Communities	Total
Customer Contact	£505,360	£7,945,425	£11,178,786	£8,756,016	£14,464,196	£42,849,782
Assess and Decide	£153,769	£2,269,538	£5,558,631	£5,542,457	£4,399,988	£17,924,383
Service Delivery	£1,362,012	£6,070,570	£44,496,252	£36,780,580	£38,593,061	£127,302,475
Travelling	£99,974	£388,506	£2,721,880	£6,356,740	£6,293,932	£15,861,033
Work Planning and Scheduling	£284,532	£2,018,896	£5,534,348	£3,931,148	£5,181,770	£16,950,695
General administration	£313,703	£4,203,613	£8,572,362	£12,736,113	£8,231,628	£34,057,418
Strategic, policy, quality service development	£755,257	£3,880,592	£3,125,949	£2,861,472	£6,264,492	£16,887,761
Procurement	£153,740	£1,174,595	£1,474,541	£1,062,673	£2,906,872	£6,772,420
Managing people	£239,348	£2,702,395	£6,299,036	£8,347,066	£7,833,397	£25,421,242
Finance	£150,932	£4,319,836	£2,273,372	£1,050,814	£1,454,735	£9,249,690
ICT	£14,433	£1,159,561	£710,772	£389,103	£461,417	£2,735,286
Total	**£4,033,061**	**£36,133,528**	**£91,945,930**	**£87,814,179**	**£96,085,488**	**£316,012,185**

Key observations

- Savings could be made in key areas of General Administration, Customer Contact and Managing People. It appears across the Council that more streamlined management process, a Council wide approach to Customer Contact and more integrated systems and approach would improve efficiencies

- Further analysis into Workforce Planning and Scheduling, and Strategic, Policy, Quality Service Development to identify specific areas where improved processes, better data, integrated Council approach to collecting, recording and reporting data will improve Council performance, customer experience and make savings

KEY OBSERVATIONS - INDIVIDUAL JOB ROLE ANALYSIS

Across both BSS and CLS there are a high number of roles compared to people delivering the service. This would indicate potential inconsistency of roles and grades across directorates. The tables below show the number roles and staff within each cluster

BSS Sub Cluster	Role Count	People Count	Role to People Fraction
Business Support	154	1156	1/8
Commercial and Procurement	44	85	1/2
Committee Services	9	17	1/2
Customer Services	109	570	1/5
Digital and IT	59	78	3/4
Finance	18	76	1/4
Information Management	17	23	3/4
Internal Audit and Risk	6	13	1/2
Legal	7	29	1/4
Member Services	11	38	2/7
People and Organisation	42	79	1/2
Reputation and Communications	18	48	3/8
Strategy, BI and Performance	119	226	1/2
Transformation and Business Change	13	27	1/2

CLS Cluster	Role Count	People Count	Role to People Fraction
Community Safety	69	312	2/9
Learning	145	2706	3/56
Travel	106	371	2/7
Information Advice and Guidance	81	478	1/6
People in Need	272	4107	1/15
Economic Prosperity and Leisure	86	276	1/3
Housing Assets	102	518	1/5
Environment	84	902	4/43
Partnerships and Democracy	14	20	2/3

Key observations

- There are a high number of roles compared to the number of staff within those roles, particularly high examples include Digital and IT (59 roles to 78 people) and People and Organisation (42 roles to 79 people)
- Having such a large number of roles can reduce the flexibility within the workforce as transferable skills aren't easily identifiable and roles may be regarded as specialist reducing movement between functions
- Staff engagement has identified that responsibilities across roles are also inconsistent for example the responsibilities given to two individuals of the same grade may differ hugely, or there is a substantial grade difference for people doing similar roles
- Even though this ratio of roles to staff is high in both BSS and CLS areas, it is particularly prevalent in BSS

OPPORTUNITIES TO IMPROVE CURRENT WORKING PRACTICES

The data collected and the workshops with staff from across the Council highlighted the current working practices that could be improved and opportunities to make these improvements. Below are the key themes:

KEY COUNCIL WIDE OPPORTUNITY THEMES UNDERPINNED BY CULTURAL CHANGE

LEAN AND AGILE COUNCIL

More efficient and integrated systems and leaner more efficient processes focussing on outputs and outcomes across the Council

BUILDING ON INSIGHT

Improved data quality, analysis and sharing focussing on better data, improved analysis and useful management information

INTEGRATED COUNCIL

Reduce silos and duplication of work, improved job mobility which will increase flexible working and a Council working as one

Technology	Processes	Data	Fragmentation	Staff Development
System and support are duplicated across the council and in a number of cases could be enhanced to support more efficient delivery	The Council can deliver substantial efficiencies by simplifying, standardising and sharing business processes.	Customer can be providing data multiple times and stored on multiple systems. Better use of the CRM System to allow Data Sharing and improved analysis	Leads to duplication and poor overview of that activity, less opportunities for the Council to reduce processing cost and improve consistency of customer experience .	Limited opportunities for staff to move between directorates. restricts sharing good practice and ultimately limits career development for staff.

The areas identified above cross over both the Business and Support Services and Citizens and Localities project scopes and to properly deliver more efficient and resilient Council, the root causes need to be identified

APPLICATION OF THE REPORT AND DATA MOVING FORWARDS

1

Provides a foundation for moving into the future state design and implementation

Following the completion of the report it has now provided the council with a more accurate view of exactly what individuals are doing within their day to day roles. Prior to the current state assessment this was often unclear, from having a more precise understanding it will help ensure the most effective organisational design is implemented. The data gathered is being used as the base to inform the future Organisational Design, consolidation work and implementation of change.

2

Business cases development

Using the information from the current state assessment, there will be further development and update of the project business cases. In conjunction with the high level future organisation design it will allow the benefits identified to be refined to a greater degree of accuracy and additional opportunities incorporated.

3

Implementation of the opportunities identified

The specific opportunities identified within the data collection are being reviewed and where appropriate built into the transformation programme future designs. The transformation programme team will also work with the appropriate council operational teams to support the design and delivery of smaller incremental opportunities which can be delivered by individual council areas outside of the core programme.

Governance, Risk and Best Value Committee

2.00pm, Wednesday 23 September 2015

Internal Audit Quarterly Update Report: 1 April 2015 – 30 June 2015

Item number	7.3
Report number	
Executive/routine	
Wards	

Executive summary

Internal Audit has made reasonable progress in the first quarter of the audit year. This report provides details of the activity from 1 April 2015 – 30 June 2015.

Links

Coalition pledges	[PO30](#)
Council outcomes	[CO25](#)
Single Outcome Agreement	

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Report

Internal Audit Quarterly Update Report: 1 April 2015 – 30 June 2015

Recommendations

1.1 Committee is requested to note the progress of Internal Audit in issuing 10 internal audit reports during the quarter and to note the areas of higher priority findings for reviews issued in this quarter.

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 in the first quarter of the audit year with 10 reports being issued for the quarter.

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 April 2105 to 30 June 2015.

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 The Action Plans of these reports, when implemented, will demonstrate that the Council continues to strengthen its control framework and overall approach to risk management.

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

None.

Richard Bailes

Chief Internal Audit and Risk Officer

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 April 2015 – 30 June 2015. Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1April 2015 – 30 June 2015.

Appendix 1

Summary of Internal Audit reports issued for period 1 April 2015 – 30 June 2015

Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings
Personalisation and SDS – Stage 3 – HSC 1402	2	2	-
Welfare Reform – CG1412	1	3	-
Access Control for SEEMis – CF1406	-	4	-
Occupational Health/Sickness Absence – CG1415	-	3	2
Review of Management of HMO Licences – SFC1410*	-	2	4
Property Disposals – SFC1503	-	2	1
Swift Data Quality – HSC 1405	-	2	1
Impact of 2015/16 Savings Proposals – CW1401*	-	2	-
Complaints Handling Procedures – CG1402*	-	1	-
Online Customer Services – CG1416*	-	-	-

* Note: These reports which relate to the 2014/15 audit plan were completed and issued sufficiently early in the quarter to have been incorporated within the 2014/15 annual opinion.

City of Edinburgh Council

Internal Audit

Quarterly Summary of Critical/High Risk Findings and Management Actions

(1 April 2015 - 30 June 2015)

Contents

Section 1 – Personalisation and SDS – Stage 3

HSC 1402

Total number of findings

	Critical	High	Medium	Low
Personalisation and SDS – Stage 3	-	2	2	-

Background
The Social Care (Self-directed Support) (Scotland) Act came into effect on 1 April 2014, building on the National (ten-year) Strategy for Self-directed Support, published in 2010. The overall aim of the strategy and legislation is to enable people to live as independently as possible, exercising as much choice and control as they wish over the way in which their care and support needs are met, in order to achieve the outcomes that are important to them.

The Personalisation programme is one of the Council's transformational change projects; and Internal Audit elected to take a three stage approach to the overall audit review of Personalisation:

- Stage 1 - This review covered the governance arrangements and project planning for the delivery of the objectives noted within the paper "A Whole Systems Approach”. Issued May 2103.

- Stage 2 - This review covered the business processes which were affected by the Personalisation and Self Directed Support (SDS) programme. Issued February 2014.

- Stage 3 – This review looks at the design and operating effectiveness of controls which mitigate key risks in relation to ‘Option 2’ of SDS. Option 2 is where support is selected by the supported person, the making of arrangements for the provision of support is undertaken by the local authority on behalf of the supported person and, where it is provided by someone other than the authority, the payment by the local authority of the relevant amount in respect of the cost of that provision.

Scope

The scope of the review was to assess the design and operational effectiveness of the Council's controls relating to the key risk areas in relation to 'Option 2' of SDS. The sub-processes examined were;

- Procedures;
- Contract management;
- Monitoring; and
- Management Information.

Summary of High Risk Findings

<u>Roles and Responsibilities</u>

At the time of the audit fieldwork, the roles and responsibilities of the 'Option 2' process had not been clearly defined. There was a lack of understanding of the roles within the process that the following teams are responsible for:

- Contracts and Commissioning Teams
- Sector Services
- Business Services

In addition, there is no overall owner of the 'Option 2' process.

<u>Effective Monitoring</u>

In order to ensure satisfactory outcomes, it is essential that monitoring at the 'operational' level is effective between each of the different business process units within Health and Social Care. This is particularly prevalent in respect of 'Option 2' where the process spans over a number of areas including:

- Contracts and Commissioning Teams - Monitoring of Providers through contract visits;
- Sector Services - Monitoring of the needs and outcomes of the Supported Person, through Assessment and Assessment Reviews; and
- Business Services - Monitoring of electronic returns to identify 'underspends' of funds.

While it is acknowledged that there are a number of monitoring processes in place, the audit review has highlighted that there are key control areas within the monitoring process which have still to be fully determined including:

- Ensuring that the ‘Provider’ is meeting the requirements of the ISF Agreement; for example in ensuring that staff are fully trained and meeting PVG Scheme requirements;.
- ‘Personal Plans’ agreed between the ‘Provider and the Supported Person’ are aligned to the needs and outcomes included within the ‘Support Plan’ agreed between the CEC Assessor and the ‘Supported Person’ and ensuring that the Care Manager approval is achieved within the 14 days noted within the agreement;
- That the ‘Individual Service’ will not commence until the criteria included within clause 25.3 of the agreement has been met; and
- Ensuring that ‘Individual Services Funds’ are appropriately managed by the ‘Provider’ on behalf of the ‘Supported Person’.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
Roles & responsibilities Roles and responsibilities are clearly defined and communicated to all relevant staff and management in order that they can obtain an understanding of what is expected of them.	Responsibility for this action will sit with the person nominated as the ‘Owner of the Option 2 process’ in accordance with recommendation 2 below. The owner will be agreed at the Personalisation Programme Board meeting to be held on 4 June 2015. It is envisaged that the actions taken would include: • a workshop involving key staff from the Teams identified to agree a clear and coherent business process detailing specific roles and responsibilities. • the agreed process will be documented for approval via the Health and Social Care Performance Improvement Meeting. • the agreed process will be communicated to all staff through the existing Health and Social Care Procedures Process. ***Responsible Officer:*** Contracts Manager	31 July 2015	Final roles and responsibilities within contracts, commissioning and business support services to be determined by future structure as affected by • H&SC Infrastructure Review • Health and Social Care Integration • Council-wide Transformation agenda

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
			Individual Service Fund Procedure is being developed by Business Services and input is required from Contracts Team. On completion, this will be communicated to all staff in H&SC. Current target October 2015.
Roles & responsibilities - continued An 'Owner' of the 'Option 2' process should be appointed.	The Contracts Manager has agreed to undertake this role. The Personalisation Programme Board will be asked to agree this proposal at the meeting to be held on 4 June 2015. ***Responsible Officer:*** Strategic Commissioning Manager	30 June 2015	Closed
Effective Monitoring The monitoring requirements of the 'Option 2' process require to be fully ascertained for each of the service areas. A mechanism be introduced to ensure that a co-ordinated approach is developed between each of the services areas to ensure that the monitoring requirements of the 'Option 2' process (both through the SDS legislation and the Individual Services Fund Agreements) are	Operational monitoring takes place through the social work review process. Any issues identified in relation to the standard of care or financial probity are referred back to Business Services and/or the Contract and Commissioning Teams as appropriate. Probity issues or concerns identified by the Contracts, Commissioning and/or Business Services Teams would be referred to the relevant Head of Service and an agreement on how these	31 July 2015	Effective Monitoring will be the joint responsibility of Business Services Manager and Contracts with the Business Services as the lead: • Contracts will be responsible for

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
met.	concerns were to be managed, including communication to operational staff agreed and documented Existing procedures will be amended to explicitly include the appropriateness and operation of the SDS option in place and include controls to ensure: • Providers are meeting the requirements of the ISF agreement. • Personal plans agreed between the provider and Supported Person reflect the needs and outcomes agreed through the assessment process. • Care manager agreement to the Personal Plan is made within the 14 day time limit. • The Individual Service Fund does not commence until the criteria within clause 25.3 of the agreement has been met. • Individual Service Funds are appropriately managed by the Provider on behalf of the Supported Person'. ***Responsible Officer:*** Business Services Manager		monitoring the quality of services provided ➢ Providers are meeting the requirements of the ISF agreement ➢ Personal plans agreed between the provider and supported person reflect the needs and outcomes agreed through the assessment process ➢ Care manager agreement to the Personal Plan is made within the 14 day time limit • Business Services will be responsible for monitoring financial returns ➢ The ISF does not commence

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
			until the criteria within clause 25.3 of agreement has been met ➢ ISF are appropriately managed by the provider on behalf of the supported person ➢ Sector Manager has agreed that the personal plan and risk assessment should be in place prior to payment commencement Current target December 2015

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Section 2 – Welfare Reform

CG1412

Total number of findings

	Critical	High	Medium	Low
Total	-	1	-	-

Background

The UK Welfare Reform Act 2012 was enacted to make provision for Universal Credit and Personal Independence Payments, the function of registrations services, child support maintenance and the use of job centres. It also intended to establish the Social Mobility and Child Poverty Commission and amend the Child Poverty Act 2010.

Since the introduction of the Act, City of Edinburgh Council (CEC) has been working towards introducing changes in the way financial support is offered to those identified as being eligible.

In May 2014 The Corporate Policy and Strategy Committee approved a strategic framework document for Welfare Reform entitled Delivering Social Security in Edinburgh

The Scottish Government has provided funding for discretionary housing payments to compensate qualifying individuals who are facing over occupancy rent charges, CEC have also been given funding to make emergency payments through the Scottish Welfare Fund. This is split into the Crisis Care and Community Care grant payments. Crisis care involving one off cash and voucher payments for essentials like food and fuel. The second element of the fund is for providing those individuals leaving institutions with basic white goods when setting up their own home.

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Scope

The scope was to review the extent to which the following objectives were being met;

- Controls and procedures are in place to ensure the Council is working towards compliance with the Public Records (Scotland) Act 2011;
- Each Service Area has a nominated responsible officer; and
- Service Areas have clarity over their responsibilities in relation to the RMP and compliance with the PRSA.

Summary of High Risk Findings

Welfare reform delivery plan

The Welfare Reform delivery plan has been created, approved and issued but the plan contains design weaknesses:

- The proposed approach is based on the existing structures and may not provide the customer centric or friendly pathway for delivering the amended welfare services that the Council are seeking to achieve; and
- It does not facilitate efficient working between service provision teams and risks teams working in silos rather than in an integrated manner.

It also lacks

- Designation of ownership, responsible officers and implementation dates;
- Programmes of communication; and
- Timetables for review and updating.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
For the desired outcome to be reached, the impact on CEC and Claimants needs to be fully understood. Customer journey mapping should be carried out and the results should inform any required process redesign. Following this development and roll out, procedures will be required to developed which should include; • A communication plan;	**Customer Journey mapping;** A Corporate cross council operational team have, and are continuing to meet regularly and work collaboratively with DWP, RSLs, Partners providers and private landlords. This is to ensure consistency from all Council areas; emerging issues are discussed and follow customer journeys through the process. The team will have direct escalation processes in place. This work stream commenced in December 2014 and has sub groups focussed on the following areas:		

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
• Definition of Roles and Responsibilities; and • Timetable.	• Communications; • Learning and Development; • Job Shadowing; and • Delivery Partnership Agreement. To determine Customer Journeys job shadowing activity between DWP staff and Council staff has taken place to ensure an understanding of roles and approach to the customer, and the impact cross organisation activity has on these individuals.	30 June 2015	Closed
	Changes to service delivery – specifically for Universal Credit (UC) will be monitored to assess the impact per area of the city and allow a demographic picture of hardship and the UC customer journey to be tracked, with customers being supported from the very outset of the journey.	Ongoing	Monitoring has now commenced.
	<u>Communications</u> A communication plan will be developed to share the work of the joint group mentioned above across the city groups representing all citizens. The welfare reform team will control communications through various methods such as: • A weekly city wide bulletin issued through the SHAW group; • Inside Letting Publications to private sector landlords; and • Advice agencies and voluntary sectors	First report due for 30 September 2015	The communication plan has now been developed.

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
	communication sharing All agencies engaging with CEC have been asked to raise emerging risks and issues with the Council's Welfare Reform Team to ensure appropriate escalation within DWP and the sharing of information amongst all representative groups, as well as publication for customers seeking support via the Council Website. A full plan reflective of the coming year will be produced. **Roles and Responsibilities** The Council has entered into a Delivery Partnership Agreement with effect 9 March 2015. It has been approached from a customer centric stance. The operational activity will be delivered from the Customer Hub at 249 High Street. The centralisation of these roles will fulfil the following responsibilities: • consistent customer approaches; • data gathering on actual resource implications for delivery of this support; • single points of contact ; • MI gathering to influence the future shape of Welfare Reform work; and • Recording of emerging issues for citizens, resulting mitigation and supportive measures taken. Elected Members have been offered e-learning	Ongoing	Closed

Recommendations	Agreed Management Action	Target Date	Status of Actions Due
	training, which will commence shortly, covering; • General Welfare Reform; • Universal Credit specifics;. and • As well as this, they will be offered classroom type training using the same package as used across the city. The corporate Welfare Reform Team will collate management information and data to share with DWP and partners to measure the impact of the transition and roll out. ***Responsible Officers***: Welfare reform manager		

Governance, Risk and Best Value Committee

2.00pm, Wednesday 23 September 2015

Internal Audit follow-up arrangements: status report from 1 April 2015 to 30 September 2015

Item number	7.4
Report number	
Executive/routine	
Wards	None

Executive summary

This report provides an overview of the process adopted by Internal Audit for following up the status of audit recommendations. It also identifies all the open audit recommendations at 30 June 2015 that are past their initial estimated closure date.

Links

Coalition pledges	
Council outcomes	
Single Outcome Agreement	

•EDINBVRGH•
THE CITY OF EDINBURGH COUNCIL

Report

Internal Audit follow-up arrangements: status report from 1 April 2015 to 30 September 2015

Recommendations

1.1 It is recommended that the Committee notes the status of follow-up actions and determine with which, if any, officers they want to discuss the status.

Background

2.1 Where follow-up actions in response to Internal Audit recommendations have not been taken by management in relation to critical, high and medium risks, escalation is to the Corporate Leadership Group (CLG) and GRBV.

Main report

3.1 At the end of each calendar quarter, Internal Audit prepares a complete listing of all open recommendations and shares these with Management on a divisional or line of service basis. Internal Audit then invites management to identify which recommendations they consider to have been addressed or which are no longer relevant.

3.2 Internal Audit will review Management's supporting evidence for recommendations that Management consider to be closed and feedback their view on whether this is the case. Recommendations that are agreed as closed; have their status updated in Internal Audit's records.

3.3 There are 3 high recommendations and 14 medium recommendations that remain open past their due date at 30 June 2015. These are split as follows:

Grading	***Reported to GRBV in Jun 2015***	***Closed***	***Management now tolerating risk***	***Newly overdue***	***Total***
High	3	-	(3)	3	3
Medium	10	(6)		8	12
Total	***13***	***(6)***	***(3)***	***11***	***15***

The details of these recommendations are shown in Appendix 1, with the 5 items previously reported to GRBV separately identified.

3.4 Management have taken the decision to tolerate the risks identified in 3 high internal audit findings reported as 'overdue' at the June GRBV Committee. These findings all relate to the ICT environment and will resolve with the implementation of the new ICT contract. Management have taken the decision not to undertake any ameliorative action to cover the interim period and tolerate the risks identified. These are set out in Appendix 2.

Measures of success

4.1 The implementation and closure of Internal Audit recommendations within their initial estimated closure date. Where recommendations are not closed within this time period, the Committee can determine whether action to date is acceptable or if further action is required.

Financial impact

5.1 Not applicable.

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 status of overdue recommendations presented and challenge responsible officers where there is concern that limited or no action has been taken.

Equalities impact

7.1 Not applicable.

Sustainability impact

8.1 Not applicable.

Consultation and engagement

9.1 An overview was provided at the Corporate Leadership Group (CLG) and each Director was made aware of responsibilities to implement and agreed internal audit recommendations.

Background reading/external references

Not applicable.

Richard Bailes

Chief Internal Audit and Risk Officer

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 – Status report: Outstanding Recommendations Detailed Analysis Appendix 2 – Outstanding Recommendations previously reported to the Governance Risk & Best Value Committee where management have now decided to tolerate the risk identified by Internal Audit

No	Review and Risk Level	Initial Finding & ***Recommendation***	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
Children and Families					
1	Access Controls for SEEMIS CF1406 ISS.2 Medium	The testing of the 2014 revalidation of SEEMiS users performed by schools has not been completed. This was due to be completed in August 2014 but was still in progress in February 2015. ***Sufficient time and resources should be made available to complete the monitoring of school revalidations of Seemis users*** .	This is now under way for the current school year. We have put in place a process to select 17 schools at random each year (within given sector parameters) and to make contact with each of these schools individually requesting that they check and confirm all their users' profiles. In future years this activity will be scheduled for the end of August or the beginning September, to coordinate with the HR leavers' list being distributed for checking and action at that time.	ICT Development Manager 30 May 2015	Instructions to schools covered by this exercise will be included with the normal SEEMiS update and news communication which is issued to schools at the beginning of term or early September.
2	Access Controls for SEEMIS CF1406 ISS.3 Medium	38 out of the 604 members of staff at schools who left in 2014 have not been removed from SEEMiS. This equates to 6% of all leavers covering a total of 24 schools. ***Training should be given on the importance of ensuring that users have appropriate access and changes to access rights are made in a timely manner. It should also be ensured that the appropriate individuals know how to generate a listing of users and can remove their access.***	The audit has identified that the 6% of staff leavers not marked as such on SEEMiS comes from just 24 schools. To address this we will contact those schools individually, remind them of the process required to remove staff leavers and the importance of so doing. In addition, we will make guidance available for all schools on the Orb. We don't consider a training course as such is required or appropriate – the information needed on marking staff leavers is minimal and can be communicated specifically to offending schools and in general by placing guidance on the Orb and within relevant other mailings (for example ScotXed).	ICT Development Manager 30 June 2015	As a result of the 2015 SEEMiS audit recommendations and our subsequent investigations into how schools record staff in SEEMiS, a number of unexpected scenarios have come to light. For example, some schools are creating generic staff accounts – they can only do this if they create made up NI numbers. Also, there are some staff records that are clearly non-CEC staff – Police Officers (presumably school based community police officers), nuns (in RC schools), duplicate staff records for the same person (with the same name, date of birth, postal address etc.) but with two different NI numbers recorded against each. We need to consider these anomalies and develop policy guidance for schools. Also, there are a number of SEEMIS records where the employee number does not match that contained in their HR records. There are a number of possible reasons for such mismatches and some work is needed to correct them.
Health & Social Care					

No	Review and Risk Level	Initial Finding & ***Recommendation***	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
3	Personalisation & SDS - Stage 2 RS1245 ISS.2 High	The Swift system has the capability to support authorisation controls, however, the cost threshold is currently set at £20K per week, potentially equating to £1.04M a year. This is such a high level that in effect, there is no authorisation process operating within the Swift system to prevent a service being attached to a client without approval. ***A control mechanism be introduced within the Swift system (or the new Adult Integration System) which ensures that no package of care service can proceed to conclusion within the Swift system without the appropriate approval being met.*** ***Exception Reports should be produced which highlight any services that have been attached to the system, which do not have the appropriate approval.***	A new Financial Approval Procedure will be produced which will ensure that all requests for care and support are approved before progressing to Business Services to be input to SWIFT. The Procedure will detail: 1 who can authorise what placement/ service/budget and their level of authorisation; 2 the mechanism through which authorisation will take place; 3 the monitoring and quality assurance measures to be put in place to ensure compliance with the procedure; and 4 Reports will be developed and tested to ensure staff comply with the procedure. 4-weekly automated payment reports will also be updated to include details of the Budget that has been approved on SWIFT and who authorised the spend along with the payment amount.	Business Services Manager 30 June 2015	A review of the business requirements for the SWIFT system has been undertaken; following which it has been agreed that full use should be made of the budget management facilities within SWIFT. This work is being taken forward through the transformation programme put in place as a result of the work undertaken with KPMG. The SWIIFT element of this work is expected to be complete by June 2016 and is being overseen by the SWIFT Governance Group which was established in July 2015.
4	Personalisation & SDS - Stage 2 RS1245 ISS.4 High	Our audit testing sample was extracted from the report titled "Services 1 – All Open Services (AB) 19.09.13". Analysis of this report highlighted that a number of the fields within a number of client records were either noted as 'Not recorded' or had the following entered ", ()". Additional analysis of the 'Service Actual Start Date' showed that: - 1 The earliest 'Service Actual Start Date' entered was 26 April 1963. This particular service was classified as 'Older People with Support Needs', however the client's date of birth is 12-Apr-1947 suggesting that the client was 16 when the service commenced; and 2 The latest 'Service Actual Start Date' noted was 16 April 2016, roughly two years seven months from the date of the 'open services' report. ***Data should be classified in order to establish information which is 'critical' to each stage of the process. All essential data should be cleansed. Data quality control checks should be established and undertaken on a regular basis. Highlighted issues should be incorporated into the service area's training and awareness programme.***	The need to identify critical data items and agree how these will be recorded has already been identified. A key part of this work will also be determining the quality assurance measures required in relation to key data. As part of this exercise the wide range of data quality reports that already exist will be reviewed with a view to removing reports that are no longer required, developing new reports if necessary and amending others. At the completion of this exercise a document will be produced detailing all data quality reports available and in respect of each report: 1 the purpose of the report; 2 where the report is located; 3 how the report is accessed; 4 who is responsible for maintaining the report; 5 who is responsible for running the report and at what frequency; 6 who is responsible for actioning the report and at what frequency; and 7 quality assurance arrangements in terms of monitoring that the report has been actioned and escalation arrangements if it has not.	Business Services Manager 30 June 2015	Work to identify essential data and means of ensuring data accuracy, via reports or SWIFT functionality, is being taken forward through the review of SWIFT overseen by the SWIFT Governance Group. The key action is to produce and implement a data quality strategy and implementation plan. The Data Quality Strategy is expected to be complete by December 2015; development of supporting procedures re identification and resolution of data anomalies is expected to be complete by January 2016.

No	Review and Risk Level	Initial Finding & ***Recommendation***	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
5*	Care Plan Reviews HSC1302 ISS.7 Medium	A review should be scheduled for all open case files. Initial reviews occurring 4 to 6 weeks after service commencement should be followed up 6 months later. All cases should be reviewed at least once a year. We tested a sample of 30 cases with a service start date of June 2013. We found that no future review date was recorded for 15 of the cases tested. Review was overdue for 6 of those 15 cases. ***A future review should be recorded on Swift when the previous review is closed off.***	The Business Development manager will take responsibility for checking the 30 cases that Internal Audit have identified and investigate why 15 of these cases did not have a future review date recorded.	Senior Manager Assessment & Care Management North 31 March 2015	Information on reviews will be part of the essential data set being identified through actions taking place in response to item 5 above.
6	Care Plan Reviews HSC1302 ISS.8 Medium	The service start date, assessment date, review date, and future reviews should be documented on Swift, along with client and care details. We tested a sample of 30 case files with a service start date of June 2013. We found that records were variously recorded on Swift, the G: drive and e-Assess. We understand further case notes may also be stored in hard copy. Due to incomplete and inaccurate data on Swift, we were unable to complete our planned testing of case review documentation. ***All care events should be documented accurately and completely on Swift.***	The implementation of the AIS assessment tool should bring about standard recording of reviews on SWIFT. It is also planned that all clients will only have one assessment recorded on SWIFT with all subsequent re-assessments being recorded as reviews.	Business Development Manager (Sector Services) 31 March 2015	Following the implementation of the new outcome focused assessment tool on SWIFT/AIS in April 2014, all new assessments and reviews are recorded on SWIFT/AIS only. The process for recording is documented in SWIFT processes. No new records are recorded on eAssess. Until a Corporate electronic document management system is implemented (time-scale currently unknown), documents relating to case records will have to be retained on the G drive.
7	Procurement RS1225 ISS.1 Medium	The relationship between the Contracts Team and Planning & Commissioning teams for monitoring is not formally defined. While the Contracts team and Planning & Commissioning teams work in conjunction to monitor service provision, separate responsibilities with regard specifically to the monitoring process are not clear. ***The roles and relationships between the separate teams covering contract monitoring and service provision monitoring should be clearly defined and communicated to all key staff.***	Scheduled for discussion/response at December 2013 Senior Management Team	Contracts Manager 30 June 15	This action point remains 'Ongoing' as the roles and the responsibilities will be defined as part of the current infrastructure review. The report on the Infrastructure review proposals have not yet been made available and require approval. It is expected that he proposals will be available by the end of August 2015
8	Personalisation & SDS - Stage 2 RS1245 ISS.5 Medium	The audit review highlighted a lack of awareness of the type of management information and / or exception reports which are available to 'operational managers'. It was also established that there is no management information for some types of care packages which are 'spot' purchased. In addition, there is an inconsistency in approach for a number of the Swift reports which are produced in respect of the type and frequency of checks being carried out. ***Management Information / exception reports held within the Swift and Business Object systems are reviewed to ensure that the right people are receiving the right information at the right time to allow managers to make informed decisions over key controls / processes such as the monitoring of care package costs.***	Management information requirements will be reviewed in the light of the implementation of self-directed support and reporting requirements identified. As part of this exercise existing reports will be reviewed and a decision made in each case as to whether they should be retained, amended or dropped; any requirement for new reports to be developed will also be identified. At the completion of this exercise a document will be produced detailing all management information reports available.	Business Services Manager 30 June 2015	The lack of data in relation to spot purchased care will be addressed through budget management via the SWIFT workstream detailed in the response to action 4 above. As an interim measure, Finance colleagues have developed a suite of reports, which combine data from SWIFT with Oracle budget data which is provided to sector managers on a weekly basis, to support them in budget management. Training has been provided to relevant managers in how to interpret these reports.

No	Review and Risk Level	Initial Finding & ***Recommendation***	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
9	Personalisation & SDS - Stage 2 RS1245 ISS.6 Medium	Packages of care are currently not checked against the relevant financial budgets during the approval process. ***Financial budgets should be considered at authorisation stage for packages of care. Any costs which will exceed approved budget levels should be agreed by senior management prior to approval.***	A new budget structure is currently being developed in response to the changes required by the Self-directed Support Legislation. Work around the implementation of this structure will include a review of authorisation levels, responsibilities and process.	Head of Older People & Disability Services 30 June 2015	A review of the business requirements for the SWIFT system has been undertaken. Following which it has been agreed that full use should be made of the budget management facilities within SWIFT, including budget authorisation with the ability to view impact on overall budget. This work is being taken forward through the transformation programme put in place as a result of the work undertaken with KPMG. The SWIFT element of this work is being overseen by the SWIFT Governance Group established in July 2015 and is expected to be complete by April 2016. As an interim measure, Finance colleagues have developed a suite of reports, which combine data from SWIFT with Oracle budget data which is provided to sector managers on a weekly basis, to support them in budget management. Training has been provided to relevant managers in how to interpret these reports.
Services for Communities					
10	Key IT Systems Access Control CG1307 ISS.16 High	No logging is carried out for Northgate. Whilst it is possible to establish if a specific record has been accessed it is not possible to determine if any updates/changes have been made or by whom. This applies to both normal user and super user activity. The system privileges afforded super users make this of particular concern for these users. ***1. Clarification is sought from the system vendor (Northgate) on what logging functionality is available.*** ***2. Clarification is sought from BT as to what logging functionality is currently enabled and if any review thereof is carried out.*** ***3. A risk based assessment of Northgate system access and activity be conducted and aligned with the logging functionality required to address the identified risks. With the resulting logs requiring to be appropriately reviewed.***	We agree with these recommendations and will seek to establish what logging processes can be put in place.	Operational ICT Programme Manager, Business Improvement Team, Services for Communities 30 June 2015	Clarification is currently being sought from BT and Northgate as to what activities are logged and auditable.

No	Review and Risk Level	Initial Finding & ***Recommendation***	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
11	School Meals CF1402 ISS.4 Medium	For the in-house service, the full cost of provision of all meal types is agreed between Services for Communities (SfC) and Children & Families (C&F). Historically, an annual inflationary increase has been applied based on RPI, however for 2013/14 and 2014/15, no agreement has been reached, therefore current costs recharged are still per charges in place as at April 2012. ***Senior Management within SfC and C&F need to formalise the budget and recharge arrangements going forward to allow future planning.***	The Head of Corporate Property, Finance Managers from SfC and C&F will seek to formalise the recharge process going forward.	Acting Head of Corporate Property 30 April 2015	This action remains open.
12*	Review of Controls Around Fuel Storage at Depots RS1246 ISS.5 Medium	City Fleet and Road Services do not have clearly defined roles and responsibilities for Council fuel resilience. Roads Services and Fleet Maintenance are not aware of any policy, procedure or strategy documentation in relation to fuel resilience. The Roads Manager stated that the fuel storage level which triggers the ordering of fuel has been significantly increased since the last fuel crisis. Fleet Maintenance are currently undergoing a rationalisation review which will consider fuel supplies and are working on a new Fleet Strategy which will include the provision of fuel supplies. ***A fuel resilience procedure should be drawn up by the division in liaison with the Corporate Resilience Unit.***	City Fleet and Roads Services will seek to work with the Corporate Resilience Unit to develop a central approach to fuel resilience.	Fleet Services Admin & Finance Controller 31 March 2015	Work has concluded to incorporate the fuel management system in Bankhead Roads Depot, into Fleet Services existing system and then the Fleet inspection regimes. Work is still ongoing between Fleet services, Business Continuity and the Emergency Planning Officer on the development of a policy to ensure resilience of fuel stocks. Estimated completion 31 August 15.
13*	Property Rationalisation SFC1306 ISS.2 Medium	From a review of the IPD report and controls discussions, it was noted that the quality of information which is presented to the Property Rationalisation Unit is not always adequate to make informed decisions about property rationalisation. The data from each asset varies in quality, meaning that the council cannot fully assess the expenditure and income from revenue streams operating within each property. The reports which are received require further work before information is of sufficient quality for decision making. This makes it hard to track performance and to get reliable data for all assets held by the council. ***We recommend that the method of reporting on asset usage be updated to ensure that a clear Property Rationalisation Strategy can be developed. This will support better data sharing and more efficient performance reporting on buildings.*** ***Where required, the systems should be updated or reporting methods changed to ensure that the same information can be presented for all properties to allow direct comparisons to be made, ensuring that the strategic plan is correct and making best use of the Council's properties.***	The Council's new Computer Aided Facilities Management (CAFM) system for property data is currently being introduced to improve access to data at individual property level. This will enable us to capture all data required to report real time for all KPI's. The CAFM solution will also provide asset management, asset tracking and trend analysis functionality and the ability to report on historical data	Asset Strategy Manager 31 October 2014	Phase 1 of CAFM is now expected to be completed by 31 August 2015.

No	Review and Risk Level	Initial Finding & ***Recommendation***	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
14*	CAFM - Corporate Property SFC1406 ISS.2 Medium	There are only two buildings from the Council's estate currently using CAFM meaning that for majority of the buildings within the Council, the AS400 system is still being use. The intention is to migrate the remaining property assets into the CAFM system as part of Phase 2 along with the implementation of new modules. The delivery of the CAFM solution is behind schedule, however, the implementation team anticipate that given the correct resource requirements and investment, the CAFM will progress and be delivered within the revised timelines ***The Council should ensure that Phase 1 of the CAFM project is completed within the revised timetable.***	We will close out all outstanding issues relating to Phase 1 and ensure Head of Service signs off phase 1 as complete.	Management Information Officer 31 March 2015	The timetable has slipped further and it is now expected that phase 1 will be completed by 31 August 2015
15	CAFM - Corporate Property SFC1406 ISS.3 Medium	Although the Facilities Management (FM) Managers have been trained to use CAFM, update training is required before CAFM is implemented for all buildings managed by FM. This update training has been prepared, but does not include any specific written guidance on areas where there are likely risks of errors, or specifically what the FM manager is to look at when reviewing a works order. ***FM managers training should include information on risky areas and common errors, as well as giving them guidance on what they should look for when approving a works order. Some form of checklist or lessons learned document should be used to advise them on likely errors.***	We will produce an agreed training plan for all Corporate Property staff and ensure that the correct resource is made available to roll out the training, including areas of risk, governance and reporting.	Management Information Officer 30 May 2015	Systems Administration training has been provided. The Training plan for the overall roll out has still to be drafted.

No	Review and Risk Level	Initial Finding & ***Recommendation***	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
1	ICT - Disaster Recovery CG1301 ISS.1 High	The Corporate Business Continuity Plan (BCP), covers all identified essential services which the Council requires to be resume within 72 hours. The Service BCPs details the critical ICT systems and services that underpin the delivery of these services. However the Council does not have an ICT Disaster Recovery Plan (DRP) which could be invoked in the event of the existing ICT infrastructure becoming un-available. ***A formal ICT DRP is developed and approved which includes coverage of the following:-*** ***- Clearly identifies all the critical ICT requiring to be recovered.*** ***- Prioritisation of critical systems to enable the most critical to be recovered first and the timescales involved in doing so.*** ***- The roles and responsibilities for plan implementation.*** ***- Incident Management procedures.*** ***- Contact details in case of emergency.***	The ICT Contract with BT does include elements of disaster recovery. These are expressed in terms of particular desired outcomes for each system under BT's management. A formal ICT DRP will be created covering the areas highlighted. This information already exists in different locations, but it will be amalgamated into one document that will be signed off by all relevant parties.	Chief Information Officer 31 January 2015	Given that the BT contract is coming to an end, the costs and benefits are not considered to be proportionate. This risk will be addressed for the future ICT solution being provided by the new ICT contract / provider
2	ICT - Disaster Recovery CG1301 ISS.3 High	It is not centrally known what user data and systems software back-up arrangements or Disaster Recovery (DR) provisions are in place for services or applications sourced outwith the contract with BT. ***The DR contingency arrangements of all critical services and applications sourced outwith the BT contract are identified and included in the Information Asset Register (IAR).***	The IAR will be refreshed to include any newly identified 'critical' systems.	Chief Information Officer Governance Manager 31 January 2015	Given that the BT contract is coming to an end, the costs and benefits are not considered to be proportionate. This risk will be addressed for the future ICT solution being provided by the new ICT contract / provider
3	Key IT Systems Access Control CG1307 ISS.12 High	The Northgate Suite of applications includes Council Tax, Council Tax Benefit, Housing Benefit and Non-Domestic Rates (NDR). A shared database sits behind two different versions of the applications, with Corporate Governance currently using V6 and Services for Communities (SfC) using V5 with plans to upgrade to V6 later this year. Corporate Governance and SfC run separate Helpdesk Services, each administering system access independently of each other through different helpdesk software packages which do not interface with each other (Corporate Governance utilise 'Kayako', with SfC having adopted the 'JITBIT' system). This approach has given rise to control weaknesses in relation to the overall management of the user population and system access control. There is also a disparity of good practice between the two Helpdesk Services, for example, in the way access requests are processed and recorded. ***Consideration is given to unifying the Helpdesk Services into one operation with standard processes and clearly defined responsibility in relation to user administration and control.***	As part of the restructuring initiative, an Internal Shared Services Centre is expected to be created. It is anticipated that these two helpdesks will be merged into the shared service centre.	Director of Corporate Governance 30 June 2015	This action has not been undertaken and will now be addressed as part of the implementation of the new ICT contract.

Governance, Risk and Best Value Committee

2.00pm, Wednesday 23 September 2015

Internal Audit Report: Integrated Health & Social Care

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

In order to comply with the Public Bodies (Joint Working) Scotland Act 2014, the Council and NHS Lothian have created an Integrated Joint Board to plan and oversee the provision of adult care within the city.

Guidance issued by the Scottish Government calls for internal audit to be used to provide assurance during the integration phase of the project. In order to provide that assurance, the Council's Internal Audit and the NHS Lothian internal audit function met to discuss scopes and agreed to perform similar reviews on the integration project.

This report presents a summary of the outcome of the review conducted by Internal Audit on the progress made in setting up and transitioning oversight of care to the Integrated Joint Board.

Internal Audit have identified concerns over the current state of the project in relation to Governance & Finance which we consider merit attention from management.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Internal Audit Report: Integrated Health & Social Care

Recommendations

1.1 It is recommended that the Committee note the concerns identified on the integration project at its current stage and the creation of the Integrated Joint Board contained within this report.

Background

2.1 The Public Bodies (Joint Working) Scotland Act 2014 was designed to ensure better connected and co-ordinated services for adults through the integration of health and social care services currently provided separately by local authorities and health boards.

2.2 The City of Edinburgh Council (CEC) and NHS Lothian (NHSL) will create an Integration Joint Board, the Edinburgh Integrated Joint Board (EIJB), to plan for and oversee the provision of adult care within the city. A shadow board was in place at the time of the audit. The new EIJB was established in law on 27 June 2015 and its first meeting took place on 17 July 2015. Functions, services and resources will be fully delegated by 1 April 2016.

2.3 The creation of the Integration Joint Board means that a single legal entity will have responsibility for the strategic planning, resourcing and operational oversight of a number of health and social care services.

2.4 The planned Integration Scheme details how the Board intends to operate, covering key areas such as delivery arrangements, clinical care, governance and finance.

2.5 The Scottish Government issued the “Guidance for Integration Financial Assurance” in December 2014. This guidance provides advice for bodies involved in integration on how to use assurance to ensure that Integration can occur successfully. It is recommended that during the integration process, internal audit is used to provide assurance on:

- The plans for financial governance, risk and financial assurance;
- Whether lessons learned from other integration projects have been used;
- The financial provisions to be included in the Integration Scheme; and

- That the financial measures which will be used by officers to assess whether integration has met its objectives have been identified and that there is a process for obtaining data which can be used for base lining.

2.6 This review has been completed as a part of the assurance work required for the EIJB, with NHS Lothian performing a similar review in line with their requirements. The scope of the NHS Lothian report specifically did not include finance.

2.7 The full Internal Audit Report (Appendix 1) adopts a different format from the normal Council format. This format change was adopted by Internal Audit to match the format used by NHS Lothian's internal audit function to ensure consistency for all members of the EIJB.

Main report

3.1 The audit focussed on 4 areas and we have identified significant concerns over the current state of the project in relation to Governance & Finance:

Control Area	Risk Rating
Governance	**High**
Finance (includes 1'critical' rated finding)	**High**
Project Management	**Medium**
Risk Management	**Low**

The key findings identified during the audit based on position at time of the audit can be summarised as follows:

Governance

3.2 There is no Chief Officer or Chief Financial Officer in place for the EIJB, meaning that no officer has overall ownership for the project; and

3.3 There is not clarity around what will replace the current Integrated Board Joint Leadership Group, and in what format this group will meet.

Finance

3.4 There is no clarity around whether the funding provided by the partners in the EIJB is aligned with the functions /services they assess as being required;

3.5 The Health & Social care budget is under significant strain with the most recent predicted over spend (net savings) being £9.4m; and

3.6 Once established, should the EIJB experience an overspend, it may request further funding from CEC and/or the NHS. There is no clarity over CEC's responsibilities in such an event.

Project Management

3.7 There is not yet clarity over how the integrated management structure which is to be put in place will operate, or how this will report to the Chief Officer. There is also no agreement over how functions that will not be delegated to the EIJB will support it, or how these will be split between the Partner bodies.

Management response

3.8 The Council management have accepted the findings identified in the report and are seeking to address these findings in conjunction with NHS Lothian in the period remaining before the EIJB takes responsibility for adult care on 1 April 2016.

Measures of success

4.1 The efficient and effective operation of the EIJB.

Financial impact

5.1 See section 3.5 above.

Risk, policy, compliance and governance impact

6.1 Internal Audit is of the view that failure to address these findings increases the risk of operational inefficiencies, sub-optimal care and cost overruns by the EIJB.

Equalities impact

7.1 No direct impact.

Sustainability impact

8.1 No direct impact.

Consultation and engagement

9.1 None

Background reading/external references

None.

Richard Bailes

Chief Internal Audit and Risk Officer

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	SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	Appendix 1: Integrated Health & Social Care Internal Audit

The City of Edinburgh Council

Internal Audit

Integrated Health and Social Care

Final Report

August 2015

Contents

Although there are a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility.

Executive summary

Conclusion

The implementation of the Edinburgh Integration Joint Board (EIJB) is ongoing, with the board being legally established on 27 June 2015 and meeting for the first time on 17 July. After this initial meeting, the EIJB will work with the Council and NHS Lothian (NHSL) to ensure that all agreed functions can be delegated to the EIJB by the statutory deadline of 1 April 2016.

Through this audit, we have identified several areas where there is significant scope for improvement, in particular relating to financial management and governance. Failure to implement improvements to the current structure and governance could result in delays to implementation of the integration scheme and failure to meet the 1 April 2016 transition deadline with an effective EIJB in place.

Summary of Findings

The four areas which were investigated during the audit work can be summarised in the following table:

Control Area	Overall Risk Rating
Governance	High
Risk Management	Low
Project Management	Medium
Finance (includes one 'critical' rated finding)	High

Our detailed findings and recommendations are laid out within Section 3: Detailed Findings.

1. Background and scope

Introduction

The Public Bodies (Joint Working) Scotland Act 2014 was designed to ensure better connected and co-ordinated services for adults through the integration of health and social care services currently provided separately by local authorities and health boards.

The City of Edinburgh Council (CEC) and NHS Lothian (NHSL) will create an Integration Joint Board, the EIJB, to plan for and oversee the provision of adult care within the city. A shadow board was in place at the time of the audit. The new EIJB was established in law on 27 June 2015 and its first meeting took place on 17 July 2015. Functions, services and resources will be fully delegated by 1 April 2016.

The creation of the Integration Joint Board means that a single legal entity will have responsibility for the strategic planning, resourcing and operational oversight of a number of health and social care services. This will require strategies to be in place to ensure that there is an effective relationship between the three bodies, and that any items which require further discussion within either CEC or NHSL can be considered within the appropriate area, whilst still being under the ultimate remit of the EIJB.

In March 2015, the Draft Integration Scheme was submitted to the Scottish Government. It was reviewed and an update made. This update was approved, leading to the establishment in law of the EIJB. This scheme details how the Board intends to operate, covering key areas such as delivery arrangements, clinical care, governance and finance. Prior to 1 April 2016, more detailed governance arrangements will need to be put in place, clearly defining which responsibilities each of the stakeholders will have, as well as how they will work together to support the EIJB and to achieve full integration.

The Scottish Government issued the "Guidance for Integration Financial Assurance" in December 2014. This guidance provides advice for bodies involved in integration on how to use assurance to ensure that Integration can occur successfully. It is recommended that during the integration process, internal audit is used to provide assurance on:

- The plans for financial governance, risk and financial assurance;
- Whether lessons learned from other integration projects have been used;
- The financial provisions to be included in the Integration Scheme; and
- That the financial measures which will be used by officers to assess whether integration has met its objectives have been identified and that there is a process for obtaining data which can be used for base lining.

This review has been completed as a part of the assurance work required for the EIJB, with NHS Lothian performing a similar review in line with their requirements. The scope of the NHS Lothian report specifically did not include finance.

The Corporate Programme Office (CPO) within CEC has performed a Health Check on Health and Social Care (H&SC) Integration to provide guidance and recommend areas of best practice which could be beneficial to CEC at the current stage in the process. We would also note that CEC commissioned KPMG to prepare a report on the achievability of the H&SC budget for 2015/16. As part of phase II of their work, KPMG is working with H&SC to create business cases and plans for a transformational programme to address the opportunities identified in their earlier report to build on existing work and create a sustainable Adult Social Care service.

Scope

This review was designed to assess the development of Governance, Risk Management and Project Management for the Integrated Board and consider the approach used to allocate finances from the Council to the EIJB. The sub-processes and related control objectives included in this review were agreed within the Terms of Reference (Appendix One).

The approach taken was:

- Obtain an understanding of the processes and controls in place through discussions with key personnel, review of systems documentation and walkthrough tests; and
- Evaluate the design and maturity of the controls and processes in place.

This work was performed using the checklist shown within the Terms of Reference and does not cover clinical governance.

To avoid any overlap with the KPMG report, we have not considered the feasibility of planned savings for 15/16 within the Adult Social Care budget, or the deliverability of this budget.

2. Main Findings

The EIJB draft Integration Scheme was agreed by the Scottish Government following a 12 week approval process in May 2015. This scheme takes into consideration that the EIJB is not planned to be fully operational until 1 April 2016, therefore acknowledging that there are still many considerations to be made and many areas to be worked on prior to implementation, as is the case across Scotland.

Through our testing, we noted a total of 9 control weaknesses. These have been assessed as 1 critical risk, 3 high, 2 medium and 3 low.

The key risks identified can be summarised as follows:

Governance

- There is no Chief Officer or Chief Financial Officer in place, meaning that no officer has overall ownership for the project; and
- There is not clarity around what will replace the current Joint Leadership Group (which is due to stand down), and in what format this group will meet;

Project Management

- There is not yet clarity over how the integrated management structure which is to be put in place will operate, or how this will report to the Chief Officer. In addition to this, there is not yet agreement over how functions that will not be delegated to the EIJB will support it, or how these will be split between the partner bodies

Risk Management

- The EIJB's risk management function and risk appetite have not yet been developed.

Finance

- There is no clarity around whether the funding provided by the partners in the EIJB is aligned with the functions /services they assess as being required;
- As the EIJB has not yet been formed, CEC is meeting the costs that they are incurring in connection with establishing the EIJB. The costs of this are included within the Health and Social Care budget, currently running with a predicted overspend net of current savings planned of £9.5m; and
- Once established, should the EIJB have an overspend, it may request further funding from CEC or the NHS. There is no clarity over CEC's responsibilities in such an event.

3. Detailed findings

Governance	
1.1: An integration Joint Board is in place and attended by all relevant stakeholders	**High**
Observation and Risk It has been agreed that during the transition year (1 April 2015 to 1 April 2016), once the EIJB is fully established and ready to have functions delegated to it, the leadership group will stand down in its current form. However, there is not yet clarity around what will replace the leadership group, what the format will be and which stakeholders will be included. The CEC Finance and Resources Committee, NHS Lothian and members of the shadow EIJB have supported and approved an outline structure of a future group "in principle" however the detailed structure remains to be agreed. The elements of the arrangements where agreement remains to be reached includes the extent of which administrative, technical and professional services will be delegated (or provided via a Service Level Agreement) to the EIJB.	
Recommendation A clear remit for the group to replace the current leadership group and how this will interact with the EIJB should be agreed. This should include the composition of the membership, as well as how the reporting structure will operate.	
Management Response The remit of the current Leadership Group is to establish a fully functioning EIJB in readiness for formal delegation of functions to it. It will not be stood down until this work is completed, which will not be before December 2015. Plans are underway to establish relevant groups to function after 1 April 2016. **Management Action** The role and membership of the replacement joint stakeholder group will be developed by December 2015. Work has started on this in relation to a 'Risk Sharing' stakeholder arrangement. This timeline fits with that for developing and approving the statutory Strategic Plan which is the pre-requisite for the delegation of functions to the EIJB.	
Responsibility: Chief Executives of City of Edinburgh Council and of NHS Lothian	**Target date:** 31 December 2015

1.2: The Board has clear terms of reference and the decision making processes are clear	**High**

Observation and Risk

There is no Chief Officer (CO) or Chief Finance Officer (CFO) appointed for the EIJB. The previous Joint Director left the Council/NHS in June 2015. The interim arrangements established involve an NHS lead for integration and the Chief Social Work Officer as the Council's SRO. The split interim arrangement mean that there is no single owner with overarching control and responsibility for the project. The split ownership for the project presents a risk that progress is not being made in an organised manner, with the two bodies not acting in concert to achieve the same aims.

A lack of CO and CFO results in a risk that there is insufficient oversight of the EIJB strategic plan and budget as a whole, which is particularly relevant at the current time given the overspend occurring within CEC H&SC budget. There is also no independent adjudicator in any financial disagreements between the NHS and CEC regarding funding.

The most up to date Strategic Business Case is dated 2 March 2015, and is already obsolete. This brought the project to a set position; however did not provide clarity around the future operations of the EIJB in the period up to 1 April 2016. The Statutory Integration Scheme set out the arrangements that must be put in place prior to delegation of functions.

The EIJB's draft strategic plan has been developed in partnership with a wide range of stakeholders. It was approved by the EIJB for public consultation on 17 July 2015 and this consultation launched on 3 August. The final draft plan, taking account of the consultation will be presented to the EIJB in December for approval and in readiness for 1 April 2016. We would expect the EIJB's CO and CFO to play a significant role in co-ordinating and formalising this process.

Recommendation

A Chief Officer and a Chief Financial Officer should be appointed as soon as possible to ensure that there is clear ownership of the project and the budget for the integrated services.

The relevant remits and documents demonstrating the aims of the EIJB in the coming periods should be written and used during the period to 1 April 2016.

Management Response

A recruitment process for the Chief Officer has started and a recruitment agency appointed. Options for an interim CFO are being considered by the CEC Head of Finance and NHS Lothian Director of Finance.

The split responsibility in the interim arrangements will be managed though the Joint Leadership Group, the associated Chief Officer Group and the Unscheduled Care Group which both interim lead officers will attend.

Strategic Business Cases are, by their very nature, a snap shot in time. The statutory Integration Scheme identified a range of additional arrangements, such as EIJB role, governance, performance and risk arrangements within the EIJB. This was consulted on in February and the final version published following approval by Scottish Government in May.

The statutory Strategic Plan will provide more detail on the strategic direction, blueprint and financial allocations across the delegated functions. This is currently in development in line with statutory requirements (started in December 2014) with the input of the EIJB. A draft was considered by the EIJB at its first meeting.

Implementation plan(s) will be devised to reflect the Strategic Plan which will include resourcing and milestones. Detailed business cases will be required by the EIJB for specific major service re-design proposals to justify any movements of resources across functions.

Management Action

1. Appoint CO and CFO
2. Implement content of Integration Scheme
3. Complete Strategic Plan
4. Develop business cases for implementation of relevant areas of Strategic Plan, including any changes to financial spend
5. Appoint interim CFO

Responsibility:	**Target date:**
1. Chief Executives of City of Edinburgh Council, NHS Lothian and Chair of EIJB. 2. Strategic Plan – Strategic Planning Manager 3. Implementation Plan – EIJB Chief Officer 4. Detailed Business Cases – relevant SROs for the service re-design. 5. Head Finance of City of Edinburgh Council and NHS Lothian Director of Finance.	1. 31 December 2015 2. 31 December 2015 3. 30 April 2016 4. During 2015/16 as advised by IJB 5. 31 August 15

1.3: The Board is receiving sufficient information to take informed decisions	Low

Observation and Risk

There is a set deadline within the Integration Scheme of 1 April 2016 for the EIJB to be fully formed. Although this does not include the strategic plan being implemented, nor the full re-design of service activities, specific items as disclosed within the scheme must be agreed by this date such as an approved Strategic Plan and financial assurance over the scheme.

The intention is that by 1 April, there will be a high level plan which will assist in agreeing the detail of how functions will be delegated, and how the Board will operate effectively, with the detail of this being agreed in the period after 1 April 2016. There is therefore a risk that the high level plan will not be in place by 1 April, or there will not be an effective plan due to this set deadline. This could then lead to inefficiencies, budgets to be stretched and staff to be performing work for which there are not yet sufficient resources in place.

Management within the Shadow Health and Social Care Partnership (the Shadow EIJB) receive information regarding progress of the project via reports made by the CEC programme team using information from the Work Programme. This demonstrates the key tasks which must be completed, as well as the lead CEC and NHS officer for each and the progress of each against its assigned deadline. This ensures that the decisions which are made are informed. Therefore, the risk identified is not relating to the reliability of the data, but around the requirement for key deadlines to be agreed and met.

Recommendation

The EIJB should agree fixed deadlines for key decisions to be made, and both partners should confirm that an outcome must be agreed by this point, to allow delegation to occur on 1 April 2016.

A detailed service redesign implementation plan should be prepared.

Management Response

The Integration Scheme identified all the major matters to be implemented prior to delegation of functions. A joint project plan is in place to deliver these actions. The Strategic Plan is the mechanism by which service redesign can occur.

Management Action

Monitor and maintain project plan

Develop Strategic Plan

Responsibility:	**Target date:**
SRO and Programme Manager	Ongoing
SRO and Strategic planning Manager	31 December 2015

Risk Management	
2.1: A risk process has been developed to monitor and assess risk facing the board	**Low**
There is a risk register in place which is used by the programme management to assess the risks within the project, and to understand which controls are in place to mitigate these risks. The EIJB was established in law on 27 June and therefore a risk appetite for the EIJB has yet to be determined. Deep dive investigations are performed in relation to Health and Social Care Integration and are reported to the shadow board. The risk process is been developed in line with CEC risk management methodology, and through discussion between the programme teams at CEC, the NHS and involving the current shadow board. The first draft of the risk management strategy, including proposals for addressing the risk appetite, for the EIJB will be reported to the first EIJB meeting in July 2015.	
Recommendation The EIJB should continue to develop its risk function as the shape of the strategic plan becomes clearer. The EIJB should also seek to establish its risk appetite to assist the continued development of its risk function.	
Management Response Agree with recommendations **Management Action** To support the EIJB to develop its Risk Strategy and risk appetite.	
Responsibility: Director of Strategic Planning NHS Lothian Director of Social Care	**Target date:** 1 April 2016

2.2: The risk process is embedded into the day to day activities of the Board	No issues noted
We identified no significant issues in relation to this control objective. The risk process has been developed in line with CEC Risk Management guidance and by staff who have experience in developing risk strategies and documentation. Risk is reported on a regular basis within the updates to the Finance and Resources Committee, as well as the Shadow Health and Social Care Partnership. Any significant matters are reported to CEC as required.	

Project Management	
3.1: The project plan is broken down into appropriate work streams and contains relevant milestones.	**Medium**

Observation and Risk

Although responsible officers have been assigned from both NHS Lothian and CEC for several processes, it is not clear how, in the final EIJB, functions will be split between the two parties. This includes, but is not limited to, how the EIJB will use the skills and resources of both partners effectively, and meet the demands for Health and Social care appropriately.

Staff who support the Integration Joint Board are employed by CEC or NHS Lothian independently, and this will continue to be the case following delegation. There is therefore a risk that there will be difficulty in managing resources jointly, for example it may take longer to agree changes in working times or structures, as these will have to go through both bodies. In addition, when forming the board it may take longer to make key decisions as some members of the management structure will not be directly employed by the EIJB, and must contact their home organisation prior to making key decisions.

An integrated management structure has not yet been agreed, which may take a significant amount of time to implement once the structure has been agreed.

Functions which are not delegated, for example business support roles, will be managed separately by CEC and NHSL. The operation of these functions will need to be agreed by both bodies, and the two must work co-operatively to agree how best to support the IJB. This will be made more difficult by the changes in management as internal secondments finish, and as the new management structure begins, therefore potentially losing continuity between the pre and post delegation management structures. .

Recommendation

NHS Lothian and CEC will need to work together to ensure that the staff being recruited have the right mix of skills and the correct number of people with these skills are being recruited. A formal programme should be set up which assesses the staffing levels and manages them on an EIJB level, rather than separately by the two organisations. This will ensure that the appropriate staff are employed and used in the right places, whilst ensuring that the operations of the two partners as separate entities does not suffer.

Management Response

The Integration Scheme outlines the proposals for determining Business Support Services, including programme/project management. An initial meeting took place with NHS Lothian colleagues in June to consider a joint approach. NHS Lothian Directors of business support functions are to lead on a Lothian approach and to engage with councils.

A series of focus groups is planned during summer 2015 with business support colleagues in the Council to discuss options for supporting the EIJB. This work will be undertaken with the

Project Manager responsible for the Council Business Support Project within the CEC Transformation programme. Proposals from this will impact on the management structure under the EIJB Chief Officer. This structure is currently in development for the integrated functions. Service level agreements will be required for any services provided out with this organisational structure **Management Action** 1. Undertake Focus groups for EIJB business support services and establish options 2. Implement integrated organisational management structure 3. Establish SLAs for business support outwith organisational management structure	
Responsibility: 1. Integration Programme Manager and BSS Project Manager 2. EIJB Chief Officer 3. EIJB Chief Officer	**Target date:** 1. 30 October 2015(or as defined by Council BSS Programme) 2. 30 April 2016 3. 1 April 2016

3.2: The Board receives regular updates as to progress against the project plan/milestones	**No issues noted**
We identified no significant issues in relation to this control objective. The Shadow Board and Council's Finance and Resources Committee receive reports from the CEC programme team using information which is filtered from management into the Work Programme. In addition, specific risks as well as any known delays in implementation of the project are discussed and reported. This includes progress against milestones and key project objectives.	

Finance	
4.1: There is clarity over the services which the Board will be responsible for and that the proposed CEC budget transfer is aligned to those services	**Medium**

Observation and Risk

The cost of services and how they will be allocated between CEC and NHS Lothian after the EIJB takes over responsibility for services has not yet been agreed. Therefore, the budget contribution which has been designated for the EIJB by CEC cannot be assessed to understand whether it is aligned to the services for which CEC will be responsible, or whether the funding is in line with what the EIJB considers will be required to provide an appropriate level of service provision.

CEC is in the process of putting detailed mapping in place (on the basis of a number of assumptions) as part of the preparation work for the Strategic Commissioning Plan, but this is currently being undertaken in isolation. We note that the Strategic Planning Group does include members from NHS Lothian, however the mapping is being undertaken by CEC.

Although the Integration Scheme states that both parties will "work together in the spirit of openness and transparency" in relation to finances, both are experiencing significant financial pressures, adding to the risk of insufficient funds being available for effective operation of the EIJB based on services assessed as being required..

Recommendation

The EIJB needs to complete the Strategic Commissioning Plan and identify the budget they believe is required to fulfil their remit.

The alignment of services with this plan should be clearly documented and a responsible party for each service agreed.

Management Response

Agree with recommendations.

Management Action

KPMG has been commissioned to support H&SC to prepare a transformational programme for adult social care services to address current budget pressures. A due diligence process will also be undertaken for the 2016/17 budget.

Responsibility:	**Target date**
Head of Finance	31 March 2016

Finance	
4.2.1 : The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge	**Critical**

Observation and Risk

The CEC budget has been determined in line with CEC's normal processes and procedures. This involves consideration of demographic and cost trends, consulting with stakeholders from throughout the business to form the initial budget, escalating it to Committees as appropriate and seeking approval from the Finance and Resources Committee. This budget has been prepared whilst being mindful of other cost pressures within the council.

There remain significant pressures on Adult Social Care. The funding gap net of £14m planned saving, is currently predicted to be £6m for 15/16.

As the EIJB has not yet been formed, any overspends on service delivery incurred before 1 April 2016 will fall to the party who incurs them. Therefore any overspend for 15/16 will have to be funded by CEC through reducing pressures and delivering mitigating actions as discussed at Committee level.

The KPMG report, which provides a financial assessment of Adult Services, has considered these expected savings. Using a risk rating over expected savings, the net funding gap is predicted to be £9.4m – an additional £3.4 million above the gap predicted by the Council. We believe that risk remains in the savings that KPMG expect to be delivered and consider that an inferior outcome on these savings remains possible.

The likely overall cost position for 2015/16 remains dynamic and management is continuing to seek additional savings.

Recommendation

Management should continue to monitor the current Adult Health & Social care spend closely, track progress on identified savings, seek further savings and escalate accordingly as the year progresses.

Management Response

Agree with recommendations.

Management Action

Monthly financial monitoring is being undertaken along with trend data on key cost drivers e.g. care at home hours, number of residential places.

The Corporate Leadership Group (CLG) is considering activities that can be taken to mitigate the financial impact on the Council of this predicted overspend. These will be considered by

F&R Committee which will examine how this overspend is being managed.	
Responsibility: Head of Finance	**Target date:** 30 September 2015

Finance	
4.2.2: The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge	**Low**
Observation and Risk The current level expenditure incurred by CEC to introduce the integration scheme is not transparent. This relates to the costs to establish the EIJB, as well as the full costs of implementing a re-designed service and associated support costs which will be required as implementation occurs. Costs are spread across a number of budget heads within Adult Health and Social Care. Therefore, overruns specifically relating to the costs of integration cannot easily be identified.	
Recommendation Action should be taken to identify the cost of the integration process to date, and how much this varies from the integration budget set aside by CEC. The costs of the integration process should then be monitored going forward.	
Management Response The cost of this transition is within existing budgets and is in the main, being undertaken by existing staff who have been budgeted for within the Health & Social Care budget. A fixed sum has been provided by Scottish Government for transitional costs which is substantially less than that requested. A protocol between the organisations will be put in place for the draw down of agreed expenditure against transition funding provided. As a consequence, management do not consider that it is cost effective to prepare detailed management accounts for this spend as it will have no impact on the level of funds received from the Scottish government. **Management Action** Establish protocol for draw down of transition funding.	
Responsibility: Head of Finance	**Target date:** 31 December 2015

4.3: The mechanisms for addressing any overspend by the Board are understood.	**High**

Observation and Risk

The process for addressing and reducing any overspend is as follows:

- The Chief Officer of the EIJB has to take action to prevent the overspend or minimise its effects
- Failing this, the Chief Financial Officer develops a recovery plan involving generating savings and moving resources. This plan is then presented to the EIJB for approval.
- If this does not reduce the overspend, then the two contributing parties (CEC and NHS Lothian) can be asked to provide further funding to the EIJB, either as a one-off payment or as a loan.

Therefore, a reduction in overspend relies upon savings being agreed between the EIJB, NHS and CEC. If this fails, then the EIJB may request that CEC and the NHS provide more funding.

Due to the cost pressures facing all public sector bodies, and known difficulties in budgeting in Adult Health and Social care, there is a strong possibility that the EIJB will seek additional funding from CEC. It is not clear what the process is if this occurs, and what CEC's ultimate responsibilities are regarding any additional funding requests.

Recommendation

It should be clarified and agreed exactly how any overspend will be managed, what the mechanism is for the EIJB to seek additional funding, and what CEC's responsibility is in this circumstance.

Management Response

Accepted that further clarification on this issue is required, however, the key task is to develop robust budgets for 2016/17.

Management Action

Further due diligence will be undertaken as part of the 2016/17 budget process which will assist in discussion re responsibility of overspends between parties.

Responsibility:	**Target date:**
EIJB Chief Officer	28 February 2016

Appendix 1 – Basis of our classifications

Management Action Ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences***;*** *or* • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences***;*** *or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance ; or • ***Minor*** monetary or financial statement impact; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2 – Terms of Reference

Integration of Health & Social Care

Terms of Reference – Budgeting process

To: Hugh Dunn
Head of Finance

From: Magnus Aitken
Chief Internal Auditor Date: 8 June 2015

Cc:

This review is being undertaken as part of the 2015/16 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2015.

Background

The Public Bodies (Joint Working) Scotland Act 2014 aims to provide bettered connected and co-ordinated services for adults through the integration of health and social care services currently provided by local authorities and health boards.

The City of Edinburgh Council (CEC) and NHS Lothian (NHSL) will create an Integrated Board to over-see adult care provision. A shadow board has been created with a go live date for the Integrated Board by 1 April 2016.

The creation of the Integrated Board will result in the share of responsibility for the operational provision of a number of services between CEC, NHSL and the Integrated Board.

Scope

The scope of this review will be to assess the development of Governance, Risk Management, and Project Management for the Integrated Board and consider the approach used to allocate finances from the Council to the Integrated Board. The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
Governance	1.1 An Integrated Board is in place and attended by all relevant stakeholders; 1.2 The Board has clear terms of reference and the decision making processes are clear; and 1.3 The Board is receiving sufficient information to take informed decisions.
Risk management	2.1 A risk process has been developed to monitor and assess risk facing the Board; and

	2.2 The risk process is embedded into the day to day activities of the Board
Project management	3.1 The project plan is broken down into appropriate work streams and contains relevant milestones; and 3.2 The Board receives regular updates as to progress against the project plan/milestones.
Finance	4.1 There is clarity over the services which will the Board will be responsible for and that the proposed CEC budget transfer us aligned to those services; 4.2 The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge; and 4.3 The mechanisms for addressing any overspend by the Board are understood.

Approach & limitations of scope

Our audit approach will be as follows:

- Obtain an understanding of the processes and control in place through discussions with key personnel, review of systems documentation and walkthrough tests; and
- Evaluate the design and maturity of the controls & processes in place.

We have set out in Appendix 1 the checklist we intend to use to establish the maturity of the processes and controls in place during the review process.

We are aware of the KPMG review of the CEC Adult Social Care budgets for 2014/15 and 2015/16. As part of this review KPMG are considering the deliverability of the 2015/16 Adult Social Care budget and the feasibility of the planned savings. To avoid an overlap with this review, we will not consider these areas.

NHS Lothian

The Internal Audit Function of NHSL are conducting a similar review with a similar scope. CEC Internal Audit will co-operate with NHSL IA to attempt to ensure that the scopes of the two reviews align. It is anticipated that the results of the NHSL IA review will be made available to the shadow board members in due course.

Internal Audit Team

Name	Role	Contact Details
Magnus Aitken	Chief Internal Auditor	0131 469 3143
Kit Millar	Auditor	07711 562 347

Key Contacts

Name	Title	Role	Contact Details
Hugh Dunn	Head of Finance	Review Sponsor	0131 4693150
Susanne Harrison	Integration Programme Manager	Key contact	0131 469 3982
Karen Dallas	Principal Accountant – Health & Social Care	Key contact	0131 529 7937

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Appendix 1:

Governance	
1.	Is there a Project Board or similar senior decision making body, attended by all relevant stakeholders, in place and maintaining a high level monitoring role over the project and ensuring that decisions made regarding the project are adequately considered?
2.	Are roles and responsibilities clearly articulated and understood including: • terms of reference, role descriptions and delegated authorities? • clear identification of the management structure and decision making process within the project, including who is acting as project manager? • a process for the escalation of issues to the appropriate forum, where decisions will be made on the action (s) required to address them?
3.	Is the Project Board receiving regular information/evidence that the project and key actions are 'under control' and risks are being managed in terms of delivery on time, within budget and the expected outcomes originally intended?
4.	Is there a realistic and sufficiently detailed project plan to ensure that tasks, relevant officers' responsibilities and timescales for actions and decision making points are clear and subject to regular review/monitoring?
5.	Are there clear governance arrangements in place to ensure that when project issue cross organisational boundaries there are arrangements in place to ensure sustainable alignment with the corporate objectives and management arrangements of all organisations involved?
6.	Is there a requirement for on-going independent review and challenge of the project, to provide assurance that the project continues to be effective and if so, have any such arrangements been defined and approved?
Risk Management	
7.	Has a risk register been developed, which assesses the likelihood and impact and the resultant relative importance of individual risks, and are the results used to inform the management of project risks and reported to the Project Board?
8.	Are the project's risk processes consistent with, and informed by, CEC's and NHSL's risk management frameworks?
9.	Is the project's risk management framework embedded within the day-to-day project processes, such as constraints, assumptions, risks, dependencies?
10.	Has the Project Board established tolerances for cost, time and quality for the project and put in place agreed clear escalation levels should the level of risk be outside agreed limits?
Project Management	
11.	Is there a project plan broken down into manageable work streams and relevant project milestones which are meaningful to the Project Board to allow accurate and frequent tracking of progress on the project and maximise visibility of critical path activities and any inter-dependencies?

12.	Does the Project Board regularly receive an analysis of progress against plan/key milestones and/or the effects of any slippage in time, cost, scope or quality?
13.	Has the Project Team developed a resource plan for the duration of the project, in order to inform the Project Board on future and on-going resource requirements?
14.	Does the Project Team have sufficient allocated resources and the necessary skills and/or access to relevant specialist expertise to achieve the project objectives successfully?
15.	Is there regular reporting of performance, against pre-defined criteria on cost, time and quality and project milestones to the Project Board and to other key stakeholders (e.g. CEC and NHSL) which clearly highlights the key issues affecting the project at the time of reporting?
Finance	
16	The allocation of services to The Project Board is clear and the proposed budget allocation made by CEC accurately reflects the budgets for the services that the Project Board will administer.
17	The CEC budgets for Adult Social Care incorporate the input of operational staff, follow the CEC standard methodology and are subject to a robust review process.
18	Significant assumptions within the CEC budgets for Adult Social Care (including allowances for demographic change) and deviations from previous experience should be identifiable and understood.
19	The mechanisms for addressing and allocating any over spend by the Integrated Board are understood.
20	There are sufficient monitoring processes in place to ensure that any potential overspend by the Integrated Board which would have an impact on CEC is detected timeously.

Governance, Risk and Best Value Committee

2.00pm, Wednesday 23 September 2015

Corporate Leadership Group (CLG) Risk Update

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

The attached risk information is the Corporate Leadership Group's (CLG) prioritised risks as at August 2015. It reflects the current highest priority risks of the Council along with the key controls in place to mitigate these risks.

The attached risk summary paper has been challenged and discussed by the CLG and a plan has been developed for further review and scrutiny.

The risk register is a dynamic working document and will be updated regularly to reflect the changing risks of the Council.

The work to refresh the risk management process will be continued to further enhance the capture and treatment of risk in the Council through the quarterly CLG and SMT Risk Committees.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	

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Report

Corporate Leadership Group (CLG) Risk Update

Recommendations

1.1 To review the attached prioritised risk information for the CLG and to invite relevant officers to discuss key risks as required.

Background

2.1 The Council's Governance, Risk and Best Value Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The purpose of this report is to provide a quarterly update to the Governance, Risk and Best Value Committee on the key corporate level risks facing the Council.

2.2 The CLG last presented its Corporate Risk Register to the GRBV in June 2015.

Main report

3.1 The attached CLG risk summary in Appendix 1 reflects the current priority inherent risks of the Council and demonstrates the compensating controls to mitigate the risks.

3.2 In response to the highest residual risk pertaining to the affordability of the capital estate, the CLG implemented a pilot impact study of the buildings within the Corporate Governance Service Area. This study will be completed and extrapolated to understand the impact across the whole estate. The output of this will include details of the surveys completed including RAG analysis of all buildings and costs of work (surveys and remedial work to make buildings safe). The work should also link in with the Deloitte property rationalisation work stream. A briefing pack is to be prepared for the CLG to escalate to elected members.

3.3 The ICT Infrastructure risk has been amended to reflect the current risk which relates to the implementation and transition of the ICT infrastructure contract with CGI. The CLG agreed that the Corporate Programme Office should assess the risk of this major implementation project and report periodically to the CLG.

3.4 In the quarter there was a cyber-attack on the Councils' ICT infrastructure that resulted in the loss of some internal and external personal data.

This issue has been discussed at CLG with key officers and is being managed through the Corporate Governance risk identified as – 'Risk that the Council's ICT infrastructure is overly exposed to external cyber-attacks resulting in loss of data and significant reputational damage'. It was agreed that ICT would present the overall approach to cyber security at the next meeting.

3.5 The Risk Committee agreed to highlight a new risk associated with Public Protection which has been included in the prioritised risks in Appendix 1.

3.6 The Community Empowerment Bill was discussed in relation to Common Good Land. The work on this is being led by Corporate Property and a report is being taken to Committee in November 2015.

3.7 Each CLG risk reported in Appendix 1 has been assigned an indicator to show whether the risk is escalating or decreasing in profile as a result of activity in the quarter.

3.8 The risk register is a dynamic working document and will be updated regularly to reflect the changing risks of the council.

Measures of success

4.1 Fully embedded risk management practices should ensure that key risks of the Council are prioritised and relevant action plans are put in place to mitigate these risks to tolerable levels.

Financial impact

5.1 None.

Risk, policy, compliance and governance impact

6.1 Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council

Equalities impact

7.1 None.

Sustainability impact

8.1 There is no direct sustainability impact arising from the report's contents

Consultation and engagement

9.1 The attached risk summary has been challenged and discussed by the CLG and a plan has been developed for further review and scrutiny.

Background reading/external references

None.

Alastair D Maclean

Deputy Chief Executive

Contact: Richard Bailes, Chief Risk Officer

E-mail: richard.bailes@edinburgh.gov.uk Tel: 0131 469 3144

Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	Appendix 1 – CLG Prioritised Inherent risks at August 2015

Appendix 1 – CLG Prioritised Inherent Risks Heat Map

Outlook

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 meets health and safety standards now and in the future.

2. **Integrated Care Programme**
Risk over the affordability and delivery of the Adult Social Care, particularly in light of expected demographic changes, could impact the outcomes and care for the people of Edinburgh.

3. **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 impacting the Council's ability to deliver services as expected.

4. **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.

5. **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.

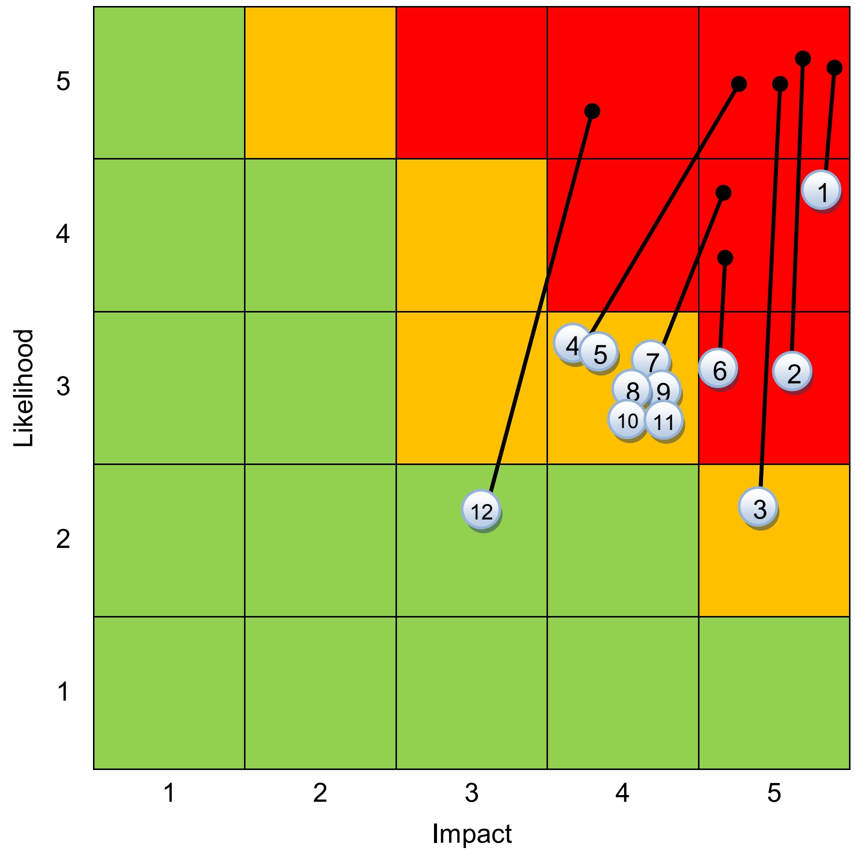
6. **Planning for Increased Demand**
Risk of a lack of strategic planning in relation to increasing demand for critical services, taking into account the growth in the City's population as well as changing demographics, leading to a shortfall in funding and a lower quality of service.

7. **Public Protection (NEW)**
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.

8. **Workforce Planning**
The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.

9. **Service Provider Degradation**
Risk of ICT disruption and outages for the remainder of the existing outsourced provider contract impacts 'business as usual' and the Council's ability to deliver all requirements as expected.

10. **Delivering Council Commitments**
Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.



11. **Health and Safety Management**
Risk that Health and Safety policy and culture are not clearly understood and embedded in a consistent manner within the organisation, leading to a lack of accountability and responsibility which could result in avoidable harm.

12. **CLG Focus and Time**
Risk that the CLG is overly focussed on tactical issues and does not prioritise strategic issues resulting in uninformed decisions over the strategic direction of the Council.

CLG Prioritised Inherent Risks with Mitigating Actions

	Category	Risk Description	Inherent I	Inherent L	Current key Mitigating Controls	Residual I	Residual L	Further Actions
1.	Operational	*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 meets health and safety standards now and in the future.	5	5	• Property Management (IPFM) report to CLG • Condition surveys performed routinely • Property Rationalisation work-stream	5	4	• Consistent response to condition surveys across portfolio • Reassess the level of the budget for repairs • Risk based framework to manage the whole capital portfolio • Clarity in articulation of issues to all stakeholders
2.	Strategic	*Integrated Care Programme* Risk over the affordability and delivery of the Adult Social Care, particularly in light of expected demographic changes, could impact the outcomes and care for the people of Edinburgh.	5	5	• Integration Scheme • Strategic Commissioning Plan • Establishment of Shadow Board • Establishment of Leadership Group	5	3	• Integrate organisational arrangements across NHS and Social Care, clarifying roles and responsibilities of all parties
3.	Operational	*ICT Infrastructure* Risk that the IT 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 impacting the Council's ability to deliver services as expected.	5	5	• Consultation with staff to design correctly • Output specifications clearly identified • Engagement with staff, management & service providers • Change controls built into new contract • Single provider has been selected	5	2	• A single centre of excellence for ICT in the Council • Business Continuity/ICT report on criticality of systems
4.	Strategic	*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.	5	5	• Transformational governance with full time resource • External assurance and skills utilised as required • CLG monitoring & reporting on Council projects • Governance of major projects/CPO status reports • Council performance dashboards • Ongoing consultations with Trade Unions	4	3	• Collective, consistent and strategic dialogue by CLG with Elected Members • Encourage collegiate interactions between officers and elected members • Provide resilient advice to Elected Members to support decision making process and risk exposure • Maintain profile on Service Area SMT risk registers

	Category	Risk Description	Inherent I	Inherent L	Current key Mitigating Controls	Residual I	Residual L	Further Actions
5.	Financial	*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.	5	5	• Service Area budget proposals include a cost pressure contingency • Savings MI reported monthly to CLG • External assistance to help drive the benefits realisation programme	4	3	• Monthly budget monitoring and challenge meetings • Prioritisation of service spend
6.	Strategic	*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.	5	4	• Demographic funding built into long term financial plans • Provision for demographics • Strategic workforce planning Board reporting to CLG	5	3	• Continuing agenda item for CLG's consideration • Improved MI to deliver stronger business case for support
7.	Operational	*Service Provider Degradation* Risk of ICT disruption and outages for the remainder of the existing outsourced provider contract impacts 'business as usual' and the Council's ability to deliver all requirements as expected.	5	4	• Daily conference calls with provider to escalate issues • Increased management of key systems in-house • Additional support from other 3rd parties as required	4	3	• Monthly ICT update of ICT providers performance to CLG
8.	Service Delivery	*Delivering Council Commitments* Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.	5	4	• Service Areas' clearly defined Service delivery plans • SMT KPI's to assess progress against objectives • Prioritisation of resources through strategic workforce planning initiatives	4	3	• Internal Audit reviews annually to track performance against stated service plans

	Category	Risk Description	Inherent I	Inherent L	Current key Mitigating Controls	Residual I	Residual L	Further Actions
9.	Hazard	*Health and Safety Management* Risk that Health and Safety policy and culture are not clearly understood and embedded in a consistent manner within the organisation, leading to a lack of accountability and responsibility which could result in avoidable harm.	5	4	• H&S assurance reviews • New management structure for H&S • Service Area H&S reporting and oversight at CLG • Effective engagement with staff and Trade Unions • Risk and Assurance quarterly reporting to CLG • Analysis and reporting of accident investigations and lessons learnt	4	3	• Implement new H&S governance structure • Communication to improve H&S culture • H&S standing agenda at Partnership at Work meetings • H&S conference to take place in 2015 for senior managers • Further development of H&S metrics/KPI's • Review H&S assurance approach • Programme to enhance the H&S governance framework
10.	Strategic	*CLG Focus and Time* Risk that the CLG is overly focussed on tactical issues and does not prioritise strategic issues resulting in uninformed decisions over the strategic direction of the Council.	4	5	• Engagement with Elected Members • Allocation of CLG time for strategic priorities • Risk Management system to mitigate risk in advance • Enhanced frameworks implemented where appropriate to assess management effectiveness (e.g. financial management controls within schools)	3	2	• Enhanced engagement with Elected Members • Clarification of the roles of the officers/elected members • Updated CLG Strategic Plan • Further development of the 3 lines of defence
11.	Operational	*Public Protection **(NEW)*** 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.	5	4	• Established multi-agency public protection procedures • Agreed infrastructure of multi-agency governance through protection committees and Edinburgh's Chief Officers' Group - Public Protection • Detailed audit and practice evaluation programmes for each area of risk • Performance and quality assurance frameworks in place, which include regular reporting to chief officers, elected members and Scottish Government	4	3	• No current further actions identified
12.	Organisation and People	*Workforce Planning* The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.	5	4	• The proposed Workforce Strategy will support the design of a flexible, motivated and high performing workforce with the right capabilities, capacity and culture • Line by line funded establishment • BOLD workforce work-stream	4	3	• No current further actions identified

Guidance for Assessing Impact and Likelihood of Risk

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of Occurrence	Hard to imagine, only in exceptional circumstances	Not expected to occur, unlikely to happen	May happen, reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 10 years	Between 5-10 years	Likely between 3-5 years	Likely between 1-3 years	Likely within 1 year

Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
Effect on outcomes	Minimal effect	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve obligations	Unable to fulfil obligations
Financial effect	Corporate: up to £250k Services: up to £100k	Corporate: £250k - £750k Services: £100k - £300k	Corporate: £750k - £5m Services: £300k - £1m	Corporate: £5m - £20m Services: £1m - £5m	Corporate: £20m + Services: £5m +
Reputational damage	None	Minor	Moderate loss of confidence and embarrassment	Major loss of confidence and adverse publicity	Severe loss of confidence and public outcry

Likelihood					
5 – Almost Certain	Low	Medium	High	High	High
4 – Likely	Low	Low	Medium	High	High
3 – Possible	Low	Low	Medium	Medium	High
2 – Unlikely	Low	Low	Low	Low	Medium
1 – Rare	Low	Low	Low	Low	Low
	1 – Negligible	**2 – Minor**	**3 – Moderate**	**4 – Major**	**5 - Catastrophic**

Impact

Governance, Risk and Best Value Committee

10am, Wednesday, 23 September 2015

Looked After Children: Transformation Programme Progress Report

Item number	7.7
Report number	
Executive/routine	
Wards	All

Executive summary

Expenditure on Looked After Children (LAC) increased by an average of £1.8m a year from 2007 to 2013 as a result of increases in the number of LAC and increased use of purchased foster carers.

Through use of the Early Years Change Fund and initiatives agreed through the Priority Based Planning process the service has developed a transformation programme to shift the balance of care towards more preventative services that reduce the need for children to come into care. This aims to secure better outcomes for children, avoid a continued increase in costs and deliver cashable savings by 2015/16.

This report provides an update on progress to the end of June 2015 against the targets as set out in the original report to Corporate Management Team dated 31 July 2013 and subsequently reported to Governance, Risk and Best Value Committee on 25 September 2013.

Links

Coalition pledges	P1
Council outcomes	CO1-CO6
Single Outcome Agreement	SO3

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The service is on or ahead of target with the overall number of LAC, the number of LAC in foster care and the number placed with kinship carers. The service is behind target on prospective adoptions but this is mainly due to the increased success in placing children with kinship carers.

The service is behind target on the proportion of foster care placements being provided by the Council's own carers and the number of LAC in residential and secure care. Actions are in place to mitigate these issues where possible.

Looked After Children: Transformation Programme Progress Report

Recommendations

1.1 Note the progress made to date against the targets as set out in appendix 1.

1.2 Note the actions in progress to achieve the targets to March 2018.

1.3 Note that the next update will be provided in March 2016.

1.4 Refer the report to Education, Children and Families Committee.

Background

2.1 The number of LAC increased from 1,228 in 2007 to 1,410 in 2013, an increase of 15% or an average of 30 children a year. The cost of this increase is £1.8m each year, a total increase of £10.8m since 2007. The Council had been budgeting for continued annual increases of £1.8m a year from 2013/14 to 2017/18.

2.2 The growth in LAC was primarily accommodated within fostering with an increase in placements from 386 in 2007 to 601 in 2013, an increase of 56%.

2.3 The majority of this growth was with independent fostering providers with the average cost per placement being £46K pa.

2.4 This trend of increasing numbers of LAC and corresponding increase in purchased fostering was reflected at a national level.

2.5 The Scottish Government, in seeing this trend across Scotland, set up the Early Years Change Fund encouraging each authority to identify funding for a minimum of three years from 2012/13. This was to implement preventative initiatives designed to reduce the continued growth in LAC and shift investment from expensive intervention measures such as purchased fostering, residential care and secure care to early years, pre-school and early intervention support for families that reduce the need for accommodation and improve outcomes for children and young people.

2.6 In February 2012 the Council approved funding of £8.642m from 2012/13 to 2014/15 for the Early Years Change Fund. The Council's Long-Term Financial Plan has built in the continuation of £4.038m per year from 2015/16.

2.7 Through the Priority Based Planning process the service developed a transformation programme to change the balance of care for LAC to take effect from April 2013 and targets were set to March 2018. The targets reflect the objectives of the Early Years Change Fund to shift investment from expensive care arrangements to early intervention whilst improving the outcomes for LAC.

This includes strengthening universal early years services and providing more support to families to support their children at home.

2.8 LAC can be placed in the following placement types. The direct cost of each placement type is also shown which gives a context to the variance in rates. The transformation programme aims to shift the balance of care towards the lower cost placement types:

Placement type / Client populations	Direct unit cost pa
Looked After at Home	Minimal. Mainly supported through staffing and some preventative services
Kinship care	£7K
Prospective adoption	£7K
In-house foster care	£26K
Purchased foster care	£46K
Young people's centres and close support	£100K - £150K
Residential schools	£100K - £230K
Secure care	£265K

Main report

Balance of Care targets

3.1 Appendix 1 sets out the client populations, the objective, and the target placement numbers as at 31 March for each year 2014 to 2018. The target, actual and variance as at 31 June 2015 is also shown. An indicator is shown to indicate if the performance to date is on or ahead of target (green), behind target (red) or whether performance is not displaying a trend and is therefore uncertain (amber).

3.2 Further information about each target will provide an understanding of the actions to date, any issues that have arisen and actions being taken to ensure future targets are achieved.

Looked After Children (all placements)

3.3 The target is to reduce the rate of annual growth by a third from an average of 30 placements to 20 a year. The performance is ahead of target with a positive variance to target of 38 as at June 2015. This reflects an increase of just 13 placements since March 2013.

3.4 Services designed to stop children needing to become LAC and enabling children to cease being LAC, such as universal Early Years services, parenting support programmes, Prepare, Family Group Decision Making and Family Solutions, will continue to focus on supporting children and families to enable them to not require statutory measures.

Foster Care

Overall placement numbers

3.5 Foster placements had increased at an average of 40 a year from March 2007 to March 2013. The target is for there to be no further growth in this population and in relation to LAC this is on target with the same number being in fostering as at March 2013.

3.6 It should be noted that foster care is also provided on a discretionary basis to former LAC i.e. children who were in a foster placement but are no longer legally classed as Looked After when they reach age 18. As part of through care planning for some of these young people a continuation of their foster placement, often whilst attending further education, is agreed. Since March 2013 the number of former LAC in foster care has increased by 21 resulting in a net increase in all foster placements of 21 placements.

3.7 Work is currently taking place to review all placements for former LAC to ensure their continuation is justified. The service calculated the additional annual cost of supporting former LAC to be £950K a year and this funding was approved through the 2015/16 budget process.

The City of Edinburgh Council (CEC) Foster Care

3.8 The target is to increase CEC foster placements by 25 a year, with an equivalent reduction in independent placements, and at June 2015 the target would be an increase of 56. The service is behind target by 38 placements although there has been an increase of 18 placements since December 2014 which has been encouraging and is an indication that the actions being taken are resulting in growth.

3.9 Actions taken recently that are expected to further improve this position are:

3.9.1 11 carers from independent agencies are either in the process of transferring to become CEC carers or have recently transferred.

3.9.2 A carer capacity exercise was carried out in summer 2013 where approximately 160 existing foster carers were interviewed to discuss their willingness to take additional placements and identify the support required to enable this to happen. This has resulted in 13 carers being prepared to offer up to 19 additional placements if adaptations to their property can be made to increase the number of bedrooms and bathrooms. This is now being progressed using Early Years Change Fund funding and we expect all adaptations to have been made by March 2016.

3.9.3 Discussions with the Communications Service are taking place on the best ways of targeting carers for the groups we most need to recruit for which are teenagers, siblings, children and young people with disabilities and permanent placements. A part-time social worker has been appointed to work within the communication team to develop best practice in relation to recruitment and retention of foster carers.

Independent Foster Care

3.10 The target is to reduce independent foster placements by 25 a year and at December 2014 the target would be a reduction of 56. The service is behind target by 38 placements as there has been a reduction of 18 placements since March 2013. Of this reduction of 18 placements 11 have been since December 2014 which is encouraging as it demonstrates that the Council has recruited sufficient new carers to accommodate new placements.

3.11 The number referred during the first 3 months of 2015/16 has reduced by 40% compared to the same period in 2014/15. This demonstrates that the actions to reduce placements are being put in place.

3.12 This position is expected to continue to improve as the impact of the measures detailed in 3.10 above is delivered. The extra capacity should enable referrals to independent agencies to reduce further and improve the performance against this target.

3.13 The financial impact of the shortfall in placement reductions for the period April 2013 to March 2015 was covered in 2014/15 through one-off savings from other areas of Children and Families. Through the 2015/16 budget process additional funding of £800K was provided to cover the shortfall in savings on an ongoing basis. The target for a reduction of 25 independents placements and a corresponding increase of 25 CEC placements during 2015/16 is still factored into the 2015/16 budget.

3.14 In January 2015 the service met with all independent agencies to review pricing, particularly in relation to permanent placements and placements for young people aged 18 and over. The savings delivered totalled £300K per year and this has helped to mitigate some of the shortfall in savings for the period April 2013 to March 2015.

Residential Care

3.15 The target is to reduce residential placements by four a year and at June 2015 the target would be a reduction of 9 since March 2013. The service is behind target by 8 placements.

3.16 The shortfall has been caused by increasing demands for independent residential school placements for children with exceptional needs. Expenditure in 2013/14 was £3.8m but this increased to £4.4m in 2014/15 and is forecast to be approximately £5.2m in 2015/16 which is a pressure of £1.7m.

3.17 The closure of Pentland View in February 2015 has mitigated this pressure by approximately £500K but there is a residual pressure of £1.2m that the service has to manage.

3.18 The service continues to review all internal and purchased residential placements to minimise their use. Wherever appropriate community-based options are available these are implemented.

Kinship Care

3.19 The target is to increase kinship placements by 15 a year and at June 2015 the target would be an increase of 34. The service is ahead of target by 9 and is already close to achieving its 2017/18 target of 24% of LAC placements being with kinship carers.

3.20 Over the past two years kinship support services have been put in place which supports approximately 100 placements a year. The Family Group Decision Making Service has also been expanded, including a pilot on vulnerable babies in South West neighbourhood, and taken together the expansion of this support to families is seen to be the main reasons for the increases in kinship placements.

3.21 The vulnerable babies pilot has operated within South West neighbourhood since February 2014. The initial results suggest there has been a positive impact in enabling more babies to either not need to become LAC or be supported with kinship carers. This pilot will continue to be monitored and possible roll outs to other areas of the city will be considered if it is felt it will have a positive effect on the number of babies needing to become LAC and subsequently being placed for adoption.

Prospective adoptions

3.22 The target is to increase the number of prospective adoptions by five in 2013/14 and by 10 from 2014/15. This is to address the gap between the number of children where adoption is seen as being in the best interests of the child and the number being adopted.

3.23 The number of children placed with prospective adopters in 2014/15 reduced by 42% compared to 2013/14. This is a result of the reduction of children being identified where adoption is in their best interests. The work of Family Group Decision Making and Prepare is felt to be instrumental in this as their work aims to support more babies to remain with their parents or with kinship carers.

3.24 It is too early to say if this reduction will be maintained as it depends mainly on the stability of kinship placements being maintained. The service is monitoring the success of kinship placements for babies as this is the population that in the past has been the most likely to require adoption.

Secure Care

3.25 The target is to reduce secure placements by three by March 2014 and by a further three by March 2015. At June 2015 the number of secure placements target is 6, however, the number of placements is 11 which is 5 short of the target.

3.26 There was a significant increase in the number of secure referrals in 2014/15 with an increase of 85% on 2013/14 levels. The majority of this increase occurred since August 2014 and prior to this point the service was on target and selling spare capacity to other local authorities. This increase resulted in an overspend of £900K on secure care in 2014/15 which was covered from one-off underspends from other areas of Children and Families.

3.27 The continued increased demand during 2015/16 will cause a budget pressure that the service is seeking to manage.

3.28 The service will seek to sell remaining capacity when demand arises but the main target is to keep Edinburgh usage at 6 beds enabling the eventual reduction in capacity from 12 to 6 beds.

3.29 Additional measures are being taken to further reduce the need for secure accommodation including enhancing support in residential units, providing intensive family support services and maximising the use of Movement Restriction Conditions (electronic tagging).

Looked After Children at Home

3.30 The target is to increase the proportion of Looked After children supported at home with their parents from 27% to 29% by 2017/18. This reflects a gradual increase over time and the benefits of this are that children remain with their parents and do not require higher cost services such as residential, foster and kinship placements.

3.31 At June 2015 the proportion had reduced to 25% due to a significant increase in the number ceasing to be Looked After at all.

3.32 The service continues to have the long-term aim of increasing the proportion of Looked After at home within the LAC population but at this stage welcomes the reduction in the need for children to be Looked After.

3.33 As the benefits of Family Solutions, Family Group Decision Making and other early intervention measures increase the service expects the shift between those supported at home and those in accommodation to be delivered.

Measures of success

4.1 The programme has the following key measures of success (when compared to the position at March 2013). The position at June 2015 relative to targets is also given. Appendix 1 displays the targets to 2017/18 along with targets and performance as at June 2015.

The target is for:

4.1.1 Annual growth in total LAC to be reduced by 33% from 2013/14 and at June 2015 this is ahead of target.

4.1.2 No net growth in LAC foster placements from 2013/14 to 2017/18 and performance at June 2015 is on target.

4.1.3 The number of LAC foster placements with the City of Edinburgh Council's own carers' to increase by 25 a year from 2013/14 to 2017/18, a total increase of 125 placements. Performance at June 2015 is behind target.

4.1.4 The number of foster placements purchased from independent providers to reduce by 25 a year from 2013/14 to 2017/18, a total reduction of 125 placements. Performance at June 2015 is behind target.

4.1.5 The number of residential placements to reduce by 27% by 2017/18. This is a reduction of 24 placements. Performance at June 2015 is behind target.

4.1.6 The number of LAC placed with kinship carers to increase to 24% of all LAC by 2017/18. Performance at June 2015 is ahead of target.

4.1.7 The number of LAC placed for adoption to increase by five in 2013/14 and by 10 a year from 2014/15. Performance at June 2015 is behind target, however, this is due to a reduction in the number children requiring an adoption placement.

4.1.8 The number of secure placements to reduce by 50% by 2015/16. This is a reduction of six placements and at June 2015 is behind target.

4.1.9 The proportion of children Looked After at home to increase to 29% of the total LAC population by 2017/18 and at June 2015 is behind target.

4.2 Where targets are not being achieved actions are being taken to address this and further details are included in the main report.

4.3 It should also be acknowledged that the aim is to achieve the optimum balance between different care types and in certain instances being behind target is mitigated by other areas being ahead of target.

Financial impact

5.1 The budget and outturn for 2014/15 and the budgeted investment and saving for 2015/16 is shown below. The detailed investment and saving initiatives are shown on Appendix 2 for the period 2012/13 to 2017/18.

	14/15 Budget £m	14/15 Year End Actual £m	14/15 Variance £m		15/16 Budget £m
Investment					
Early Years Change Fund	5.391	4.065	(1.326)		4.346
Priority Based Planning initiatives	2.210	1.631	(0.579)		3.425
Total Investment	**7.601**	**5.696**	**(1.905)**		**7.771**
Savings					
Transformation savings (cashable)	(7.545)	(4.045)	3.500		(10.671)
Transformation savings (avoided costs)	(3.578)	(3.578)	0		(5.367)
Total Savings	**(11.123)**	**(7.523)**	**3.500**		**(16.038)**
Net Investment / (Savings)	**(3.522)**	**(1.927)**	**1.595**		**(8.267)**

5.2 The service identified savings from other areas to cover the pressure of £1.595m in 2014/15.

5.3 The full value of the Early Years Change Fund under spend of £1.718m, delivered in 2013/14, was carried forward to 2014/15 and is included in the above figures.

5.4 The impact of the 2015/16 budget process has seen a reduction in the budgeted cashable savings of £0.375m in 2015/16 and £1.125m across the period 2012/13 to 2017/18. This is due to additional funding of £800K a year being provided from 2015/16 onwards to cover the shortfall in fostering savings partially offset by additional savings required from Family and Community Support services.

5.5 Further funding of £0.95m was also provided to address the increased cost of supporting former LAC i.e. they have become 18 years of age, where continuing in foster care is deemed to be in their best interests. This funding is not included in the above table as this is viewed as being relevant to Throughcare and Aftercare planning as opposed to the costs of supporting LAC.

5.6 The service is forecasting pressures in 2015/16 due to the higher than planned use of secure care and residential care. The service is committed to identifying alternative savings to address this pressure in 2015/16.

Risk, policy, compliance and governance impact

6.1 The LAC Transformation Programme is monitored by the Balance of Care Group chaired by the Director of Children and Families. Risks to achievement of savings targets and mitigating actions are discussed at these meetings.

6.2 The top five risks identified are detailed in Appendix 3. The risks are reviewed on a weekly basis by service managers and Performance and Planning and Finance staff. Actions required are discussed with updates on progress reported to the group.

Equalities impact

7.1 It is anticipated that the overall programme will have a positive impact on outcomes for vulnerable children due to the focus on preventative, neighbourhood and family focused initiatives. A record of Equality and Rights Impact Assessment will be published in accordance with agreed Council processes.

Sustainability impact

8.1 There are no direct sustainability implications arising from this report. A Sustainability and Environmental Impact Assessment will be published in accordance with agreed Council processes.

Consultation and engagement

9.1 Where the transformation initiatives require consultation with the trade unions, public or Scottish Government it will be carried out as necessary.

Background reading/external references

Children and Young People (Scotland) Act 2014 – Education, Children and Families Committee 20 May 2014

Early Years Change Fund Progress Update on Year Two – Education, Children and Families Committee 20 May 2014

Annual Review of Service Strategy for Children and Young People who are Looked After and Accommodated by CEC – Report to Education, Children and Families Committee 11 September 2014

Looked After Children: Transformational Programme Progress Report – Governance, Risk and Best Value Committee 23 April 2015

Gillian Tee

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Links

Coalition pledges	P1 – Increase support for vulnerable children, including help for families so that fewer go into care
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed CO2 – Our children and young people are successful learners, confident individuals and responsible citizens making a positive contribution to their communities CO3 – Our children and young people in need, or with a disability, have improved life chances CO4 – Our children and young people are physically and emotionally healthy CO5 – Our children and young people are safe from harm or fear of harm, and do not harm others within their communities CO6 – Our children and young people's outcomes are not undermined by poverty and inequality
Single Outcome Agreement	SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential
Appendices	1 LAC Transformation Programme performance reporting as at June 2015 2 LAC Transformation Programme Financial Summary 3 LAC Transformation Programme Risk Register

Appendix 1

Looked After Children – Balance of Care targets 2013/14 - 2017/18

			Target at March:					Position as at:	June	2015	
Client populations	**Objective**	**Lead Officer(s)**	**2014**	**2015**	**2016**	**2017**	**2018**	**Target**	**Actual**	**Diff.**	**Status**
Looked After Children (covering all sub-sets below)	To reduce the rate of increase for this population to +20 or less for the full year.	Becky Cropper, Team Manager, Family Solutions	1,433	1,456	1,477	1,498	1,519	1,461	1,423	-38	
Foster Care	No growth in overall foster numbers. The net difference for the full year should be 0.	Scott Dunbar, Service Manager, Looked After Accommodated Children Services	608	608	608	608	608	608	608	+0	
CEC foster Care	To increase the number of placements with CEC Carers. The net difference for the full year should be +25 or more.	Scott Dunbar, Service Manager, Looked After Accommodated Children Services	368	393	418	443	468	399	361	-38	
Independent foster care	To reduce the number of placements with Independent Carers. The net difference for the full year should be -25 or more.	Scott Dunbar, Service Manager, Looked After Accommodated Children Services	240	215	190	165	140	209	247	+38	
Residential care	To reduce the number of placements. The net difference for the full year should be -4 or more.	Andy Jeffries, Service Manager for Practice Teams	80	76	72	68	64	75	83	+8	
Kinship care	To increase the percentage to 24% of the overall LAC population. The net difference for the full year should be +15 or more.	Gillian Christian, Team Manager, Family Group Decision Making	303	318	333	348	363	322	331	+9	
Prospective adoptions	To increase the number of placements. The net difference for the full year should be around +5.	Neil Bruce, Team Manager, Permanence Team	44	49	49	49	49	49	35	-14	
Secure care	To reduce the number of placements from 12 to 6 by 2018.	Carole Murphy, Multisystemic Therapy and Steve Harte, Young Peoples Service	9	6	6	6	6	6	11	+5	
Looked After Children at Home	To increase the percentage to 29% of the overall LAC population. The net difference for the full year should be +10 or more.	Becky Cropper, Team Manager, Family Solutions	389	399	409	419	429	402	355	-47	

Financial Summary - Looked After Children Transformation Programme

Appendix 2

2012/13 - 2014/15 Actual and 2015/16 - 2017/18 budgets

Looked After Children Net Position

	2014/15	2014/15	2014/15	2015/16	2016/17	2017/18	Total
	Budget	Actual	Variance	Budget	Budget	Budget	Budget (12/13, 13/14 and 14/15 actuals plus 15/16 - 17/18 Budget)
Transformation Investment Initiatives	7,601,183	5,696,777	(1,904,406)	7,771,000	8,137,000	8,902,000	33,746,526
Transformation Savings (cashable)	(7,545,000)	(4,045,468)	3,499,532	(10,671,000)	(12,921,000)	(15,058,000)	(45,029,468)
Cashable costs / (savings)	**56,183**	**1,651,309**	**1,595,126**	**(2,900,000)**	**(4,784,000)**	**(6,156,000)**	**(11,282,942)**
Forecast Costs Avoided	(3,578,000)	(3,578,000)	0	(5,367,000)	(7,156,000)	(8,945,000)	(26,835,000)
Net costs, (cashable savings) and (future costs avoided)	**(3,521,817)**	**(1,926,691)**	**1,595,126**	**(8,267,000)**	**(11,940,000)**	**(15,101,000)**	**(38,117,942)**

Transformation Investment Initiatives

	2014/15	2014/15	2014/15	2015/16	2016/17	2017/18	Total
Early Years Change Fund initiatives	Budget	Actual	Variance	Budget	Budget	Budget	Budget (12/13, 13/14 and 14/15 actuals plus 15/16 - 17/18 Budget)
Provide Early Years Centre Services in each neighbourhood - Fort Early Years centre	128,838	128,838	0	127,562	127,562	127,562	595,782
Provide Early Years Centre Services in each neighbourhood - Pilrig / Craigentinny	203,000	203,000	0	63,781	63,781	63,781	489,130
Provide Early Years Centre Services in each neighbourhood - Royal Mile PS/Hope Cottage	63,000	63,000	0	154,145	154,145	154,145	564,040
Provide Early Years Centre Services in each neighbourhood - Oxgangs PS	54,000	54,000	0	64,164	64,164	64,164	266,138
Provide Early Years Centre Services in each neighbourhood - Clermiston/Rannoch (Fox Covert)	200,000	200,000	0	152,580	152,580	152,580	657,740
Early Years Officer to support the development of PEEP	18,000	18,000	0	0	0	0	47,372
Pilot of 15hpw provision for 2 weeks across 5 nurseries	0	0	0	0	0	0	0
Family Group Decision Making - expand and reprioritise	178,265	199,464	21,199	176,500	176,500	176,500	988,578
Evidence based parenting support programmes	36,000	36,000	0	0	0	0	50,016
Parenting Support for parents of older children - expansion	125,580	111,753	(13,827)	120,000	120,000	120,000	627,654
Expand family support service to provide practical help for families	545,400	415,450	(129,950)	540,000	540,000	540,000	2,435,521
Consistent feedback to named person from Social Care Direct	71,362	71,362	0	71,150	71,150	71,150	378,570
Supervised Contact arrangements	141,198	131,467	(9,731)	139,800	139,800	139,800	571,867
Intensive Behaviour Support Service for families affected by disability	90,289	92,230	1,941	89,395	89,395	89,395	366,468
Playschemes for children with disabilities	356,000	356,000	0	356,000	356,000	356,000	1,468,582
Prepare	30,000	30,000	0	30,000	30,000	30,000	138,845
Befriending	80,000	80,400	400				80,400

Multi Systemic Therapy	656,500	502,154	(154,346)	650,000	650,000	650,000	2,972,085
Increased support to families with kinship care arrangements	174,898	171,955	(2,943)	173,187	173,187	173,187	788,211
Recruit more City of Edinburgh Council foster carers	558,530	403,631	(154,899)	553,000	553,000	553,000	2,568,912
Permanence Panel co-ordination	52,358	52,358	0	51,840	51,840	51,840	311,558
Programme Support	68,175	82,140	13,965	45,000	45,000	45,000	352,506
Permanence Team	239,370	199,863	(39,507)	258,000	278,000	298,000	1,033,863
Foster Carer adaptations	71,000	71,000	0	399,000	0	0	496,666
Development Fund	391,664	391,664	0	42,666	0	0	550,996
Other expenditure items	857,756	0	(857,756)	88,230	110,896	90,896	290,022
Total Early Years Change Fund initiatives	**5,391,183**	**4,065,729**	**(1,325,454)**	**4,346,000**	**3,947,000**	**3,947,000**	**19,091,523**
Priority Based Planning initiatives							
Increased CEC foster placements	1,050,000	546,000	(504,000)	1,665,000	2,280,000	2,895,000	7,487,000
Domestic abuse programmes	160,000	160,000	0	160,000	160,000	160,000	640,000
Re-provision of SEBD support in mainstream schools	700,000	625,048	(74,952)	1,150,000	1,150,000	1,150,000	4,075,048
Increased kinship placements	150,000	178,000	28,000	225,000	300,000	375,000	1,272,000
Increased adoption placements	150,000	122,000	(28,000)	225,000	300,000	375,000	1,180,955
Total Priority Based Planning initiatives	**2,210,000**	**1,631,048**	**(578,952)**	**3,425,000**	**4,190,000**	**4,955,000**	**14,655,003**
Total Cost of Transformation investment	**7,601,183**	**5,696,777**	**(1,904,406)**	**7,771,000**	**8,137,000**	**8,902,000**	**33,746,526**

Transformation Savings and Avoided Costs

Transformation Savings (cashable)

	2014/15 Budget	2014/15 Actual	2014/15 Variance	2015/16 Budget	2016/17 Budget	2017/18 Budget	Total Budget
Reductions to Intensive Crisis Support	(400,000)	(400,000)	0	(400,000)	(400,000)	(400,000)	(1,914,000)
Purchased residential school placements	(976,000)	(24,639)	951,361	(1,414,000)	(1,614,000)	(1,814,000)	(5,485,639)
Sale of secure beds	(801,000)	(486,757)	314,243	(801,000)	(801,000)	(801,000)	(3,364,757)
Reductions in current method of SEBD service delivery	(550,000)	(550,000)	0	(1,780,000)	(2,646,000)	(2,800,000)	(8,586,000)
Purchased residential placements	(322,000)	(200,000)	122,000	(432,000)	(432,000)	(432,000)	(1,696,000)
Purchased fostering savings	(2,158,000)	(410,000)	1,748,000	(2,713,000)	(4,114,000)	(5,513,000)	(12,666,000)
Accelerated savings	(1,145,000)	(1,337,469)	(192,469)	(1,218,000)	(389,000)	0	(2,944,469)
Reductions in allowances to new kinship, residence and adoption placements from 1st April 2014	(288,000)	(288,000)	0	(503,000)	(690,000)	(848,000)	(2,329,000)
Reductions in day care provision	(199,000)	14,462	213,462	(249,000)	(249,000)	(249,000)	(732,538)
Reductions in purchased secure placements	(200,000)	320,397	520,397	(200,000)	(200,000)	(200,000)	(279,603)
Reductions in close support residential provision	0	(22,840)	(22,840)	(80,000)	(505,000)	(1,120,000)	(1,727,840)
Reductions to financial assistance payments	0	0	0	(75,000)	(75,000)	(75,000)	(225,000)
Efficiencies in family & community support	(506,000)	(660,622)	(154,622)	(806,000)	(806,000)	(806,000)	(3,078,622)
Total Transformation savings (cashable)	**(7,545,000)**	**(4,045,468)**	**3,499,532**	**(10,671,000)**	**(12,921,000)**	**(15,058,000)**	**(45,029,468)**

Forecast Costs Avoided

	2014/15 Budget	2014/15 Actual	2014/15 Variance	2015/16 Budget	2016/17 Budget	2017/18 Budget	Total Budget
Fostering - growth in placements	(3,578,000)	(3,578,000)	0	(5,367,000)	(7,156,000)	(8,945,000)	(26,835,000)
Total Forecast Costs avoided	**(3,578,000)**	**(3,578,000)**	**0**	**(5,367,000)**	**(7,156,000)**	**(8,945,000)**	**(26,835,000)**

Total savings and forecast costs avoided	**(11,123,000)**	**(7,623,468)**	**3,499,532**	**(16,038,000)**	**(20,077,000)**	**(24,003,000)**	**(71,864,468)**

Looked After Children Transformation Programme

Risk Register - Top 5 Risks

Risk Reference	Description of risk and implications	Likelihood	Impact	Inherent Risk	Action Plan	Likelihood	Impact	Residual Rsk
1	The demand for independent residential school placements continues at current levels. **Implication** - the budgeted savings target of £1.8m a year by 2017/18 is not achieved in full.	8	8	64	Early intervention services within care and education continue to be developed to support children within the Council's own resources. Independent foster providers are approached to discuss the scope of specialist placements being made available for children at risk of residential school. Mandatory referrals to Family Group Decision Making to identify any possible kinship carer opportunities. Further enhanced gatekeeping processes to ensure all options are explored prior to any new approvals. Actively reviewing all current placements to seek to identify alternative options in Edinburgh.	7	8	56
2	The demand for residential services does not reduce from existing levels. **Implication** - the budgeted savings target of £1.5m a year by 2017/18 is not achieved in full.	8	8	64	Early intervention services within care and education continue to be developed to support children within less costly forms of care. Mandatory referrals to Family Group Decision Making to identify any possible kinship carer opportunities. Independent foster providers are approached to discuss the scope of specialist placements being made available for children at risk of residential school.	7	8	56
3	Sufficient CEC foster care capacity for the target groups is not achieved. **Implication** - there is insufficient capacity available to place new children requiring a foster placement, therefore, requiring an independent placement to be purchased. The annual value of net savings budgeted is £2.9m by 2017/18 and this would not be achieved in full.	7	7	49	Conduct a full review of foster care recruitment and retention processes. Work with other authorities to reduce the timescals for recruiting foster carers through sharing preparation groups. Continue to actively recruit carers currently with independent agencies.	4	7	28
4	The demand for secure placements does not reduce to the target level, which is based on the national average for a city of Edinburgh's size of population. **Implication** - the budgeted savings target of £1.0m a year is not achieved in full.	6	7	42	Early intervention services within care and education continue to be developed to support children within less costly forms of care. Actively risk managing cases including piloting the new Missing Persons Protocol with Police Scotland. Enhancing use of MRC's (tags) as an alternative to secure care.	4	7	28
5	There is an insufficient number of existing foster placements with independent agencies ceasing enabling the overall number to reduce. **Implication** - savings are based on 25 placements a year ceasing that are not replaced with new placements. The annual value of net savings budgeted is £2.9m by 2017/18 and this would not be achieved in full.	4	7	28	Existing foster placements are reviewed by practice team social workers on a regular basis to ensure the placement is still necessary for the child. Requests for permanent placements from the independent agencies are scrutinised to ensure they are in the best interests of the child and no suitable alternative to foster care is available.	4	7	28

Governance, Risk and Best Value Committee

2.00pm, Wednesday 23 September 2015

Capital Monitoring 2014/15 – Outturn and Receipts - referral report from the Finance and Resources Committee

Item number	7.8
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered a report on the final outturn on the Council's Capital Programme for 2014/15 that included details of capital receipts and slippage/acceleration on projects within the Capital Investment Programme. The report has been referred to the Governance, Risk and Best Value Committee as part of its workplan.

Links

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

Terms of Referral

Capital Monitoring 2014/15 – Outturn and Receipts

Terms of referral

1.1 The final outturn (excluding the tram project) showed that in 2014/15 the Council required to borrow £26.784 million and was in receipt of grants and capital income net of the transfer to Capital Fund of £107.283 million. Together this funded capital investment of £134.067 million. The level of borrowing required was £5.957 million greater than budget. This position was subject to the external audit process which would be completed in September 2015.

1.2 The Finance and Resources Committee agreed to:

1.2.1 Note the 2014/15 final unaudited capital positions on the General Fund (excluding the tram project) and Housing Revenue Account (HRA).

1.2.2 Approve the revised Capital Programme for 2015-2020.

1.2.3 Refer the report by the Chief Operating Officer and Deputy Chief Executive to the Governance, Risk and Best Value Committee as part of its workplan.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee as part of its workplan.

Background reading / external references

Capital Monitoring 2014/15 - Outturn and Receipts

Carol Campbell

Head of Legal, Risk and Compliance

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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

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Capital Monitoring 2014/15 – Outturn and Receipts

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

The final outturn (excluding the tram project) shows that in 2014/15 the Council required to borrow £26.784m and was in receipt of grants and capital income net of the transfer to Capital Fund of £107.283m. Together this funded capital investment of £134.067m. The level of borrowing required was £5.957m greater than budget. This position is subject to the external audit process which will be completed in September 2015.

Links

Coalition pledges	P3; P8; P30; P31; P33; P42
Council outcomes	CO1; CO16; CO20; CO23; CO25
Single Outcome Agreement	SO3; SO4

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Capital Monitoring 2014/15 – Outturn and Receipts

Recommendations

1.1 Members of the Finance and Resources Committee are requested to:

1.1.1 Note the 2014/15 final unaudited capital positions on the General Fund (excluding the tram project) and Housing Revenue Account (HRA);

1.1.2 Approve the revised Capital Programme for 2015-2020; and

1.1.3 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

Background

2.1 This report presents the final outturn on the Council's Capital Programme for 2014/15, including details of capital receipts and slippage / acceleration on projects within the Capital Investment Programme.

Main report

3.1 The outturn position is summarised in the table below, while further details can be seen in Appendix 1. It should be noted that the outturn position reported excludes the tram project.

	Final Outturn Variance £000	**Outturn Variance at Month Nine Restated £000**	**Movement from Month Nine £000**
Net (slippage) / acceleration in gross expenditure	(1,421)	(4,789)	3,368
Net (surplus) / deficit in capital receipts / grant income	(2,622)	(3,709)	1,087
Capital receipts income transferred to Capital Fund	10,000	10,000	0
Net increase / (decrease) in borrowing requirement	5,957	1,502	4,455

3.2 As presented in the table at 3.1 above, the final outturn position reports £1.421m of slippage on gross expenditure on projects, compared to an estimated £4.789m variance at month nine. Net capital receipts / grant income exceeded the budgeted level by £2.622m. Of the £14.3m capital receipts income generated from asset sales, £11.298m has been transferred to the Capital Fund. This is based on an end of year assessment of affordability of loan charges and allows future flexibility in realising capital procurement savings within the revenue general fund budget or to fund capital expenditure / offset principal repayments. The net effect of these variances is an increase of £5.957m in the amount that the Council requires to borrow corporately to support its capital programme.

3.3 Explanations for significant slippage and accelerations in year are included in Appendix 2. Where applicable, variances on individual projects have been categorised and summarised in order to provide further analysis of the marginal net slippage position.

3.4 There are a small number of projects where delays or unforeseen circumstances out with the control of the Council have led to slippage (£3.424m). The remainder of slippage (£4.991m) has arisen due to over optimistic budget setting, programme design / delivery issues and as a result of the timing of cash flow payments. This slippage has been partly off-set by acceleration of projects / better than originally anticipated progress (£6.994m) resulting in a marginal net slippage position of £1.421m.

3.5 The slippage on gross expenditure represents a 1.05% variance against budget, which has increased marginally compared to a 0.03% variance on the 2013/14 outturn position. This demonstrates the continued success of the centralised capital monitoring team in tackling optimism bias within the programme along with promoting improved delivery.

3.6 Although, on a recurring basis, slippage has been reduced to more acceptable levels, members should note that the nature of capital projects means that in any given year, variance against budget will occur due to delays or unforeseen circumstances out with the control of the Council. The impact of this type of slippage has been minimised this year due to acceleration / better than originally anticipated progress elsewhere in the programme. However, the ability to minimise this inherent slippage in future years is dependent on how ‘shovel-ready’ projects are to allow for acceleration in year.

3.7 Asset Management Works investment continues to demonstrate a marked improvement in delivery of projects. Strengthened delivery and monitoring processes, which include Corporate Property carrying out programming / design phases of projects in the preceding financial year, mean that projects are 'shovel-ready' for delivery as soon as the current financial year begins. For a second year running, delivery has been better than originally anticipated with acceleration of projects leading to outturn expenditure of £18.657m against a revised budget of £14.074m in 14/15. A breakdown by establishment of the £18.657m spent is detailed within Appendix 3.

3.8 The final outturn shows that in 2014/15 the Council required to borrow £26.784m and was in receipt of grants and capital income net of the transfer to Capital Fund of £107.283m. Together this funded capital investment of £134.067m. The level of borrowing required was £5.957m greater than budget. This position is subject to the external audit process which will be completed in September 2015.

Capital receipts/grant income

3.9 A detailed list of capital receipts, including those ring-fenced for specific projects is shown in Appendix 4.

3.10 Of the £14.3m receipts income generated from asset sales in 2014/15, £11.298m has been transferred to the Capital Fund. As stated previously to Members in quarterly capital monitoring reports, the Head of Finance has carried out a year end review and chosen to transfer an element of capital receipt income to the Capital Fund.

Housing Revenue Account (HRA)

3.11 As can be seen in Appendix 5, the HRA outturn position reports gross expenditure of £37.308m (£34.135m forecast at month nine), grants and capital income of £17.487m (£14.106m forecast at month nine) and prudential borrowing of £19.821m (£20.029m forecast at month nine).

3.12 The final outturn reports £8.418m of slippage on gross expenditure on projects which is broadly in line with that reported at month nine (£8.997m).

3.13 Detailed explanation of the reasons for this slippage level was presented within the appendices of the month nine capital monitoring report on the Finance and Resources Committee agenda in January 2015. As a reminder, the high slippage level is mainly due to a combination of managing the level of works to maintain contractor performance and due to delaying other major works that will be packaged under the new HAM Framework contract which will be available in July 2015.

Revised Capital Investment Programme (CIP) 2015-2020

3.14 The CIP 2015-2020 approved by Council in February was based on an interim budget which included net slippage / acceleration at month nine.

3.15 An additional £13.319m of funding was made available through the budget process and allocated by members in approving the CIP roll forward in February 2015. This additional funding was made available from £5.819m of unallocated additional General Capital Grant, received as part of the 2015/16 Finance Settlement, and £7.5m made available from the Council's Capital Fund.

3.16 Members allocated this additional funding based on an assessment of service priorities and pressures that were presented to them at that time. As a result, the funding was allocated as follows:-

- £1m for Channel Shift infrastructure
- £0.9m for Local Development Plan investment
- £5m for rising school rolls extension projects
- £3m for carriageway and footways improvements
- £3.419m provided for asset management improvement works across the Council estate

3.17 Following discussion with colleagues on Local Development Plan investment, Finance has determined that the nature of expenditure proposed does not meet the capital eligibility test and is revenue related spend. As this investment is to be funded from the Capital Fund, it will now be drawn down in revenue to fund the expenditure through the revenue budget rather than the CIP.

3.18 The remainder of slippage / acceleration since month nine will be carried forward in the capital programme. The revised CIP for 2015-2020, incorporating additional resources (with the exception of the Local Development Plan investment as explained in 3.17 above) and including actual net slippage from 2014/15 is shown in Appendix 6.

3.19 The revised CIP has been realigned and re-phased to ensure that projects reflect the most up to date cash flow projections. The centralised capital monitoring team within Finance has worked closely with project managers to ensure that optimism bias has been avoided where possible. Project managers have been asked to consider risk issues such as adverse weather or other uncontrollable factors that can impact on delivery and to build this into budgeted cash flows.

3.20 Where block budgets exist, Finance has sought evidence of the programme of works behind these and clarification of the stage they are at e.g. design, tender / procurement or construction stages. Project managers have then been asked to phase budgets accordingly based on the stage of individual projects within a block.

3.21 Through the processes described above, base budgets should reflect realistic spending patterns that take risk factors of delivery into account and avoid optimism bias, with the aim being to maintain low slippage levels in 2015/16.

Revised Housing Revenue Account (HRA) capital programme 2015/16

3.22 In revising the HRA capital programme for 2015/16, Finance staff have worked alongside colleagues from within Housing to ensure that best practice principles adopted in the General Fund Programme are applied to the HRA programme. Members should note that these principles will take a period of time to embed and that reduction in slippage levels will occur incrementally over time rather than being immediate.

3.23 In revising the HRA programme, the budget has been reduced by £1m, in line with savings in staff costs that have been identified since approval of the budget in February. The programme is now budgeted to deliver £48.830m of capital works in 2015/16.

3.24 There are significant challenges in delivering the 2015/16 core HRA capital programme due to the introduction of the new Housing Asset Management (HAM) Framework contract part way through the financial year. There are a number of potential risks that could affect delivery and result in slippage being reported as the financial year progresses. Colleagues within Finance will liaise with colleagues within Housing to monitor and manage risks robustly, minimising the impact of these where possible. The risks are set out in detail in 6.4 of this report.

Additional capital receipt income identified for 2015-2020 CIP

3.25 A report presented to the Finance and Resources Committee on 13 May 2015 on the proposed sale of Boroughmuir High School identifies a minimum receipt of £13m paid over two tranches, with £8m to be received in 2016/17 and £5m in 2017/18. The £13m represents additional income of £8m compared to the originally envisaged £5m receipt which underpins expenditure on the new school facility in the 2015-2020 CIP.

3.26 Following a Capital Coalition Motion at the same Finance and Resources meeting, it has been agreed that any additional funding received from the sale of the Boroughmuir site (beyond the sum already allocated to the provision of the new school) should be used to provide funding toward:

- The site acquisition for a long-term solution to rising rolls in South Edinburgh;
- The re-provision of facilities at Leith Primary School.

3.27 Neither capital receipt income nor capital expenditure budgets have been updated for this additional £8m in projected settlement value as part of the roll forward revised 2015-2020 CIP presented. Updates will be carried out through future roll forward programmes once missives are concluded and the actual level / timing of receipt is more certain.

3.28 A budget update report to the September meeting of Finance and Resources Committee will present a more detailed position on projected capital receipts income underpinning the 2015-2020 CIP.

Measures of success

4.1 Completion of capital projects as budgeted for in the 2014/15 capital programme.

4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

Financial impact

5.1 The 2014/15 general fund outturn (excluding the tram project) outlines capital borrowing of £26.784m. The overall loan charges associated with this borrowing over a 20 year period are a principal amount of £26.784m, interest of £17.436m, resulting in a total cost of £44.220m based on a loans fund interest rate of 5.1%. The loan charges are interest only in the first year, at a cost of £0.7m, followed by an annual cost of £2.176m for 20 years. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

5.2 The loan charge costs outlined above have been met from this year's revenue budget for loan charges.

Risk, policy, compliance and governance impact

6.1 Significant budget virements have complied with relevant financial rules and regulations.

6.2 Capital monitoring and budget setting processes adopted ensure effective stewardship of resources. The processes applied aim to ensure projects are delivered on time and budget whilst fulfilling the financial criteria of value for money.

6.3 Monitoring of major capital projects including risk assessment is carried out by the Council's Corporate Programmes Office (CPO).

6.4 Over 80% of the 2015/16 core HRA capital investment programme will be delivered through the new HAM Framework. This presents significant risks to delivery:

- With over 80% of the programme being tendered in the second half of the financial year, this will reduce the time available to maximise delivery.
- The Council will not have previous experience of the new contractors on the Framework and as such, there may be capacity or mobilisation issues for contractors given the reduced timeline for delivery.
- With the majority of the programme starting in the second half of the financial year, there is a risk that delivery of external fabric work streams could be adversely affected by inclement weather over the winter period.

Equalities impact

7.1 The Council's capital expenditure contributes to the delivery of the public sector equality duty to advance equality of opportunity and foster good relations e.g. enhancement works related to the Disability Discrimination Act, works on Children and Families establishments and capital expenditure on Council housing stock.

7.2 There is little contribution with regard to capital expenditure and the duty to eliminate unlawful discrimination, harassment or victimisation.

Sustainability impact

8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account.

8.2 The proposals in this report will help achieve a sustainable Edinburgh because they are ensuring funding for key strategic projects that will enhance facilities and infrastructure in the city. A carbon impact assessment shall be carried out on each new project to achieve the most sustainable outcome for the city in each case.

8.3 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

Consultation and engagement

9.1 Consultation on the budget will be undertaken as part of the budget process.

Background reading/external references

Proposed Sale: Boroughmuir High School, Viewforth, Finance and Resources Committee, 13 May 2015

Motion by the Capital Coalition, The City of Edinburgh Council, 12 February 2015

Capital Monitoring 2014/15 – Nine Month Position, Finance and Resources Committee, 15 January 2015

Alastair D Maclean

Chief Operating Officer

Deputy Chief Executive

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Links

Coalition pledges	P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites P30 – Continue to maintain a sound financial position including long-term financial planning P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used P42 – Continue to support and invest in our sporting infrastructure
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed CO16 – Edinburgh draws new investment in development and regeneration CO20 – Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and future of citizens CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community CO25 – The Council has efficient and effective services that deliver on objectives

Single Outcome Agreement	SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	1 - Capital Monitoring 2014/15 – Final Position – General Fund 2 - Slippage / Acceleration on capital projects 2014/15 3 - Breakdown of Asset Management Works Spend 2014/15 4 - Capital Receipts Schedule 2014/15 5 - Capital Monitoring 2014/15 – Final Position - HRA 6 - Revised Capital Investment Programme 2015-2020

Capital Monitoring 2014/15

General Fund Summary

Outturn Position-Unaudited

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Outturn 2014/15 £000	Projected Variance £000	%
Children and Families	17,985	2,959	20,944	16,903	(4,041)	-19.29%
Economic Development	52	-	52	-	(52)	-100.00%
Corporate Governance	5,946	2,624	8,570	7,582	(988)	-11.53%
Health and Social Care	2,985	1,975	4,960	4,616	(344)	-6.94%
Services for Communities	75,862	9,977	85,839	85,260	(579)	-0.67%
Services for Communities-Asset Management	14,216	(142)	14,074	18,657	4,583	32.56%
Council Wide / Corporate Projects	683	366	1,049	1,049	-	0.00%
Total Gross Expenditure	**117,729**	**17,759**	**135,488**	**134,067**	**(1,421)**	**-1.05%**

Resources

Capital Receipts						
General services	8,000	-	8,000	8,652	652	8.15%
Capital receipts in lieu of prudential borrowing				515	515	n/a
Ringfenced asset sales to be provided as part of carryforward	454	-	454	3,749	3,295	725.77%
Ringfenced asset sales	-	11	11	11	-	0.00%
Asset sales to reduce corporate borrowing	3,000	-	3,000	1,373	(1,627)	n/a
Less fees relating to receipts	-	-	-	(213)	(213)	n/a
Less transfer to Capital Fund	-	(1,298)	(1,298)	(11,298)	(10,000)	770.42%
Total Capital Receipts from Asset Sales	*11,454*	*(1,287)*	*10,167*	*2,789*	*(7,378)*	*-72.57%*
Developer and other Contributions	6,561	10,984	17,545	17,545	-	0.00%
Total Capital Receipts	*18,015*	*9,697*	*27,712*	*20,334*	*(7,378)*	*-26.62%*
Grants						
Scottish Government General Capital Grant	50,658	7,017	57,675	57,675	-	0.00%
Cycling, Walking and Safer Streets	762	-	762	762	-	0.00%
Management Development Funding	28,512	-	28,512	28,512	-	0.00%
Total Grants	*79,932*	*7,017*	*86,949*	*86,949*	-	*0.00%*
Total Resources	**97,947**	**16,714**	**114,661**	**107,283**	**(7,378)**	**-6.43%**

Balance to be funded through borrowing	**19,782**	**1,045**	**20,827**	**26,784**	**5,957**	**28.60%**

CAPITAL MONITORING 2014/2015 - Outturn
Slippage and Acceleration on Projects
Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

Key to variance category

Type	*Explanation*
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control.
2. Slippage due to optimistic budget	Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable.
3. Slippage due to timing of payments	Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows.
4. Acceleration on a project	Represents accelerated spend on a project i.e. due to better than anticipated progress.

Note that a project will exhibit an element of all of the above but the over riding reason has been considered when applying a variance category.

	Outturn £000	Period 9 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Children and Families					
Wave 3 - Boroughmuir high school replacement	-2,580	-1,550	-1,030	Revised cash flow projection based on later construction start date as a result of unforeseen piling issues on site.	1
Net (slippage) / acceleration on various projects	-787	-540	-247	Based on revised cash flow projections.	2
Wave 3 - Portobello high school replacement	-674	-932	258	Revised cash flow projection based on starting later on site but forecast to be delivered by original timescales.	3
Total Children and Families	**-4,041**	**-3,022**	**-1,019**		
Economic Development					
CWSS - Promenade	-52	0	-52	Due to delay in obtaining external funding to drive project forward.	1
Total Economic Development	**-52**	**0**	**-52**		
Asset Management Works					
Acceleration across the Asset Management Works programme	4,583	0	4,583	This represents better than anticipated progress on projects and acceleration of future projects across the asset management works programme. This represents a continued improvement in delivery.	4
Asset Management Works	**4,583**	**0**	**4,583**		

	Outturn £000	Period 9 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Corporate Governance					
ICT transformational change investment	-806	0	-806	Based on revised cash flow projections.	2
Net (slippage) / acceleration on various projects	-182	-117	-65	Based on revised cash flow projections.	2
Total Corporate Governance	**-988**	**-117**	**-871**		
Health and Social Care					
New Royston care home	-298	0	-298	Difficulties in reaching an agreement on affordability cap with external project manager.	1
Oxgangs day centre fit out	-207	0	-207	Due to delay as a result of having to carry out a value engineering exercise in order to bring contract costs in line with available budget.	1
Net (slippage) / acceleration on various projects	161	-16	177	Based on revised cash flow projections.	2
Total Health and Social Care	**-344**	**-16**	**-328**		
Services for Communities					
Net (slippage) / acceleration on other projects	-891	-1,108	217	Based on revised cash flow projection.	2
Zero waste - Millerhill	-559	-1,239	680	Payment made to Midlothian Council in March 2015 with remaining slippage representing revised cash flow projection.	2
Bridge Strengthening / replacement (block)	-344	-323	-21	Based on revised cash flow projection.	2
Neighbourhood Environmental Partnership improvement works	-287	-478	191	Due to difficulties agreeing programme of works with neighbourhood partnerships.	1
Public Realm works	-285	-193	-92	Based on revised cash flow projection.	2
George IV Bridge library improvement works	-274	-237	-37	Based on revised cash flow projection.	2
Cycle Projects	-188	230	-418	Based on revised cash flow projection.	2
Roads - Ward allocation	-162	-221	59	Based on revised cash flow projection.	2
Water of Leith - Phase 2	490	267	223	Better than anticipated progress based on funding shortfall issue being resolved.	4
Carriageway and footway works	546	277	269	Better than anticipated progress.	4
Leith Walk improvement programme	1,375	1,391	-16	Represents acceleration of Council funded works on basis that majority of eligible Scottish Government funded works will now take place next year rather than this year.	4
Total Services for Communities	**-579**	**-1,634**	**1,055**		
Total for all Services	**-1,421**	**-4,789**	**3,368**		

	Outturn £000	Period 9 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Summary of Variance Category					
1. Slippage due to unforeseen delays	-3,424	-2,028	-1,396		
2. Slippage due to optimistic budget	-4,317	-3,764	-553		
3. Slippage due to timing of payments	-674	-932	258		
4. Acceleration on a project	6,994	1,935	5,059		
	-1,421	-4,789	3,368		

Breakdown of Asset Management Works Spend 2014/15

	£000
Children And Families	
Abbeyhill Primary School	457
Balerno High School	40
Balgreen Nursery School	25
Balgreen Primary School	32
Benmore Centre	116
Blackhall Primary School	13
Broughton Primary School	227
Brunstane Primary School	71
Bruntsfield Primary School	3
Bruntsfield House	5
Bruntsfield Nursery School	136
Buckstone Primary School	16
Calderglen Nursery School	25
Cameron House Nursery School	18
Canal View Primary School	28
Carrick Knowe Primary School	4
Castle View Community Centre	15
Castlebrae High School	14
Castleview Community Centre	13
Clovenstone Primary School	27
Corstorphine Nursery School	11
Corstorphine Primary School	154
Craigentinny Community Centre	1
Craiglockhart Primary School	13
Craigmillar Children and Families Centre	16
Cramond Primary School	36
Currie High School	157
Currie Primary School	19
Dalmeny Primary School	20
Dalry Primary School	212
Davidson's Mains Primary School	174
Dean Park Primary School	89
Duddingston Primary School	89
Echline Primary School	20
Estate Wide Vehicles Plant And Equipment	654
Ferryhill Primary School	50
Fox Covert Primary School	9
Gilmerton Community Centre	41
Gilmerton Primary School	138
Gorgie War Memorial	1
Gracemount Primary School	86
Granton Children and Families Centre	24
Granton Primary School	28
Grassmarket Nursery School	13
Greendykes Children and Families Centre	127
Gylemuir Primary School	17
Hailesland Children and Families Centre	13
Hermitage Park Primary School	52
Holy Cross Primary School	209
Hope Cottage Nursery School	41
Inch Community Centre	13
Jack Kane Community Centre	27
James Gillespie Primary School	29
Kaimes Special School	22
Kirkliston Nursery School	13

Kirkliston Primary School	112
Lagganlia Outdoor Centre	87
Leith Academy	350
Leith Primary School	101
Leith Walk Primary School	58
Liberton High School	351
Liberton Primary School	68
Lochrin Nursery School	25
Longstone Primary School	345
Lorne St Primary School	15
Magdalane Community Centre	14
Moffat Early Years	14
Murrayburn Primary School	38
Nether Currie Primary School	526
Newcraighall Primary School	13
Northfield Community Centre	1
Oaklands Special School	31
Panmure St Ann's Primary School	13
Parsons Green Primary School	41
Pentland Community Centre	34
Pentland Primary School	13
Pilrig Children and Families Centre	13
Pilrig Park Special School	237
Portobello High School	143
Preston Street Primary School	13
Prestonfield Primary School	382
Queensferry High School	450
Queensferry Primary School	22
Rannoch Community Centre	2
Ratho Community Centre	1
Royal High Primary School	13
Royal Mile Primary School	97
Sciennes Primary School	89
Sighthill Children and Families Centre	9
Sighthill Primary School	17
South Morningside Primary School	95
Southside Community Centre	26
Spinney Lane Nursery	22
St Bride's Community Centre	2
St Crispin's Special School	66
St Cuthbert Primary School	21
St John Vianney Primary School	286
St Leonards Nursery School	13
St Margaret's Primary School	43
St Mark's Primary School	1
St Mary's Edinburgh Primary School	48
St Mary's Leith Primary School	17
St Ninian's Primary School	3
Stanwell Nursery School	28
Stenhouse Children and Families Centre	13
Stenhouse Primary School	4
Stockbridge Primary School	43
The Royal High School	60
Tollcross Primary School	167
Trinity Academy	533
Tynecastle Nursery School	14
Valley Park Community Centre	13
Victoria Primary School	12
Viewforth Children and Families Centre	15

Wester Hailes Education Centre	1,165
Total	**10,351**
Corporate Governance	
Assembly Rooms	38
Churchill Theatre	66
City Art Centre	681
Edinburgh Museum	18
Estate Wide Vehicles Plant And Equipment	153
Lauriston Castle	67
Meadowbank Sports Centre	14
Museum Of Childhood	3
Ratho Edinburgh International Climbing Arena	16
Ross Theatre	57
Royal Commonwealth Pool	98
Scott Monument	3
Tron Kirk	1
Usherhall	181
World War 1 Memorials	9
Writer Museum	1
Total	**1,406**
Corporate Property	
City Chambers	1,311
Estate Wide Vehicles Plant And Equipment	966
Lothian Chambers	62
South Neighbourhood Office	190
Waverley Court	575
Westfield House	844
Woods Centre	1
Total	**3,949**
Health And Social Care	
Clovenstone Home For Older People	168
Colinton Mains Hostel	2
Craighall Day Centre	26
Estate Wide Vehicles Plant And Equipment	254
Ferrylee Home For Older People	31
Firrhill Day Centre	33
Ford Road Home For Older People	65
Inchview Home For Older People	10
Jewel Home For Older People	69
Longstone Day Centre	3
Marionville Home For Older People	38
Oaklands Home For Older People	15
Parkview Home For Older People	90
Portlee Day Centre	1
Silverlea Home For Older People	63
South Gyle Respite Centre	9
Total	**877**
Services For Communities	
Bankhead Depot	52
Barnton Depot	5

Blackford Depot	79
Blackhall Library	8
Burgess Road Depot	2
Central Library	155
Craigmillar Depot	27
Currie Library	124
East Neighbourhood Office	16
Estate Wide Vehicles Plant And Equipment	146
Fountainbridge	5
Granton Library	2
Inch Depot	62
Inverleith Depot	43
Leith Library	12
Macdonald Rd Library	39
Moredun Library	63
Morningside Library	4
Mortonhall Crematorium	72
Murrayburn Depot	238
Newington Library	296
North Area Office	1
Parliament Houses	17
Peffer Place Depot	149
Piershill Library	2
Portobello Library	81
Portobello Town Hall	60
Powderhall Depot	139
Russell Road Depot	68
Saughton Depot	1
Seafield Laboratory	63
South Area Office	1
West Area Office	20
Westfield House	22
Total	**2,074**
	18,657

* It should be noted that in year expenditure below the Council's capital de minimus of £6,000 is the starting or finishing costs related to bigger projects spanning more than one financial year.

CAPITAL MONITORING 2014/15
General Fund - Land and Property Asset Sales

	£000	£000
General asset sales		
South Gyle Wynd - 1st tranche payment	2,933	
Newcraighall North	2,010	
5 New Street	1,110	
Lauriston Farm House	498	
193/197 Canongate	449	
154 McDonald Road	361	
261 Canongate	289	
Bellevue Road	175	
9 Cranston Street	172	
West Gorgie Place	140	
New Mart Road	138	
5a Cranston Street	130	
Craigentinny Avenue North	101	
Marshall's Court	90	
41 St Clair Street	18	
Various vehicle sales	17	
Westfield Footpath	11	
Balgreen Road	10	
		8,652
Ring fenced asset sales to be provided as part of carryforward to 2015/16		
93 Murrayfield Drive	2,228	
Porthaven Carehome	555	
1 Hamilton Terrace	445	
29 Balmwell Terrace	250	
Containerisation Sales	164	
Westfield Court Nursery	107	
		3,749
Ring fenced asset sales provided in year		
Westfield Court Nursery	11	
		11
Asset sales to reduce corporate borrowing on previous expenditure		
Former Curriehill Primary School 1st tranche payment	748	
Towerbank Annexe	313	
Former Oaklands Special School - 2nd tranche payment	312	
		1,373
Capital receipts in lieu of prudential borrowing		
Pennywell Gardens	365	
Leith Waterworld - 1st tranche payment	150	
		515
Total Land and Property Asset Sales		14,300

CAPITAL MONITORING 2014/15

Housing Revenue Account Summary

Outturn Position - Unaudited

	(re-stated) Revised Budget £000	Outturn £000	Variance £000	Variance %
Gross Expenditure	45,726	37,308	-8,418	-18.4%
Total Gross Expenditure	45,726	37,308	-8,418	-18.4%

Resources				
Capital Receipts	-3,250	-7,090	-3,840	118.2%
Developers and Other Contributions	-6,622	-6,138	484	-7.3%
Specific Capital Grant	-4,219	-4,259	-40	0.9%
Total Resources	-14,091	-17,487	-3,396	24.1%

Borrowing				
Borrowing	31,635	19,821	-11,814	-37.3%
Total	31,635	19,821	-11,814	-37.3%

REVISED
CAPITAL INVESTMENT
PROGRAMME 2015-2020
(Incorporating full-year slippage from 2014/15)

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SUMMARY OF EXPENDITURE AND RESOURCES - GENERAL SERVICES

2015-2020	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Expenditure	**152,352**	**164,934**	**74,920**	**36,904**	**46,833**	**475,943**
Resources						
Capital receipts						
General asset sales	10,952	13,000	10,000	4,500	3,000	**41,452**
Asset sales to reduce corporate borrowing	1,900	0	0	0	0	**1,900**
Ring-fenced asset sales	0	4,895	0	0	10,000	**14,895**
Developers' and other contributions	14,663	2,319	209	0	0	**17,191**
Capital Grants unapplied account	689	0	0	0	0	**689**
Total receipts	28,204	20,214	10,209	4,500	13,000	**76,127**
Grants						
Specific Capital Grant	32,392	0	0	0	0	**32,392**
General Capital Grant	57,461	46,000	44,500	44,500	38,000	**230,461**
Total Grants	89,853	46,000	44,500	44,500	38,000	**262,853**
Borrowing						
Support brought forward	63,388	0	0	0	0	**63,388**
Prudential framework						
- Through council tax	4,458	120	0	0	0	**4,578**
- Departmentally supported	9,127	35,013	27,562	4,585	0	**76,287**
Total borrowing	76,973	35,133	27,562	4,585	0	**144,253**
Over / (under)-programming	-42,678	63,587	-7,351	-16,681	-4,167	**-7,290**
Total Resources	**152,352**	**164,934**	**74,920**	**36,904**	**46,833**	**475,943**

Grant funding for 2016/17,2017/18, 2018/2019 and 2019/20 is outside the current one year settlement and therefore the grant settlement figures for these years are based on prudent estimates.

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SUMMARY OF EXPENDITURE AND RESOURCES - HOUSING REVENUE ACCOUNT

2015-2020	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Expenditure	**48,830**	**48,693**	**51,485**	**44,375**	**40,347**	**233,730**
Resources						
Capital Receipts						
General Asset Sales	6,112	1,175	-	-	-	**7,287**
Developers' and Other Contributions	7,670	16,383	14,873	10,271	1,811	**51,008**
Total Receipts	13,782	17,558	14,873	10,271	1,811	**58,295**
Grants						
Specific Gapital Grant	3,780	736	4,738	-	-	**9,254**
Total Grants	3,780	736	4,738	0	0	**9,254**
Borrowing						
Prudential Framework						
- House rents	31,268	30,399	31,874	34,104	38,536	**166,181**
Total Borrowing	31,268	30,399	31,874	34,104	38,536	**166,181**
Total Resources	**48,830**	**48,693**	**51,485**	**44,375**	**40,347**	**233,730**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SUMMARY OF EXPENDITURE	Revised Budget 2015/16 £000	Revised Budget 2016/17 £000	Revised Budget 2017/18 £000	Revised Budget 2018/19 £000	Revised Budget 2019/20 £000	**Total Budget 2015-2020 £000**
General Services						
Children and Families	57,995	44,626	15,731	6,940	660	**125,952**
Corporate Governance	2,350	4,794	165	165	165	**7,639**
Economic Development	52	-	-	-	-	**52**
Health and Social Care	5,598	4,779	114	-	-	**10,491**
Services for Communities	73,097	85,985	47,981	21,363	17,835	**246,261**
Services for Communities - Asset Management Works						
- Children and Families	7,954	12,241	4,482	1,443	8,947	**35,067**
- Corporate Property	1,171	1,244	-	-	-	**2,415**
- Corporate Governance	1,684	2,944	75	-	-	**4,703**
- Health and Social Care	1,083	646	-	-	-	**1,729**
- Services for Communities	1,368	2,510	-	-	-	**3,878**
- Not yet allocated to services	-	5,165	6,372	6,993	10,226	**28,756**
Unallocated - indicative 5 year plan	-	-	-	-	9,000	**9,000**
Total General Services	**152,352**	**164,934**	**74,920**	**36,904**	**46,833**	**475,943**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

CHILDREN AND FAMILIES	**Revised Budget 2015-16**	**Revised Budget 2016-17**	**Revised Budget 2017-18**	**Revised Budget 2018-19**	**Revised Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Early years						
Early learning and childcare	5,059	3,905	-	-	-	8,964
Early years contingency	-	145	-	-	-	145
Fox Covert nursery	1,319	23	-	-	-	1,342
Early years total	**6,378**	**4,073**	**0**	**0**	**0**	**10,451**
Primary schools						
Corstorphine	30	-	-	-	-	30
Towerbank	59	-	-	-	-	59
Upgrade kitchens - free school meals initiative	1,142	1,850	-	-	-	2,992
Waterfront	-	19	-	-	-	19
Primary schools total	**1,231**	**1,869**	**0**	**0**	**0**	**3,100**
Secondary schools						
Liberton high school replacement gym	1,276	1,094	33	-	-	2,403
New high school for Craigmillar	-	-	618	-	-	618
Replacement Queensferry high school	-	2,997	750	2,027	-	5,774
Secondary schools total	**1,276**	**4,091**	**1,401**	**2,027**	**0**	**8,795**
Community centres						
Duncan Place	100	200	-	-	-	300
Royston / Wardieburn	232	-	-	-	-	232
Community centres total	**332**	**200**	**0**	**0**	**0**	**532**
Children's services						
Accommodation young person centre	-	295	-	-	-	295
Heather Vale young person centre	777	240	-	-	-	1,017
Seaview replacement	14	-	-	-	-	14
Children's services total	**791**	**535**	**0**	**0**	**0**	**1,326**
Other projects						
Buckstone primary school - development works	43	100	-	-	-	143
Cost of sale of assets	(52)	-	-	-	-	(52)
Gaelic primary school playground	27	-	-	-	-	27
Kirkliston primary school - development works	2,516	207	-	-	-	2,723
Wester Hailes Healthy Living Centre underpass	55	1	-	-	-	56
Other projects total	**2,589**	**308**	**0**	**0**	**0**	**2,897**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

CHILDREN AND FAMILIES	Revised Budget 2015-16	Revised Budget 2016-17	Revised Budget 2017-18	Revised Budget 2018-19	Revised Budget 2019-20	Total Budget 2015-2020
	£000	£000	£000	£000	£000	£000
Capital investment new Nurseries and Gym						
Blackhall new gym	1,010	15	-	-	-	1,025
Duddingston nursery	954	14	-	-	-	968
Wardie nursery	703	10	-	-	-	713
Capital investment new nurseries and gym total	**2,667**	**39**	**0**	**0**	**0**	**2,706**
Rising school rolls						
Rising school rolls extension works	7,106	4,044	1,061	909	660	13,780
Rising school rolls total	**7,106**	**4,044**	**1,061**	**909**	**660**	**13,780**
Wave three school projects						
Boroughmuir high school replacement	13,121	14,944	400	-	-	28,465
Boroughmuir wave 3 enhancement	15	-	-	-	-	15
James Gillespie's campus	564	802	-	-	-	1,366
Portobello high school replacement	21,468	7,995	559	1,000	-	31,022
St Crispin's special school replacement	-	726	5,656	-	-	6,382
St John's essential improvement works	7	-	-	-	-	7
St John's new wave 3 School	450	5,000	6,654	500	-	12,604
Wave three inflation contingency	-	-	-	2,504	-	2,504
Wave three school projects total	**35,625**	**29,467**	**13,269**	**4,004**	**0**	**82,365**
Total Children and Families	**57,995**	**44,626**	**15,731**	**6,940**	**660**	**125,952**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

CORPORATE GOVERNANCE	Revised Budget 2015-16	Revised Budget 2016-17	Revised Budget 2017-18	Revised Budget 2018-19	Revised Budget 2019-20	Total Budget 2015-2020
	£000	£000	£000	£000	£000	£000
Museums and arts						
Calton Hill redevelopment	140	484	-	-	-	624
Museums and arts Total	**140**	**484**	**0**	**0**	**0**	**624**
Edinburgh Leisure						
Edinburgh Leisure	165	165	165	165	165	825
Edinburgh Leisure total	**165**	**165**	**165**	**165**	**165**	**825**
Sport projects						
3G pitch Malleny park	58	-	-	-	-	58
3G pitch works	-	150	-	-	-	150
Hunter Hall cycle hub and pitch	150	1,065	-	-	-	1,215
National Performance Centre for Sport additional contribution	-	200	-	-	-	200
Sighthill pavilion changing room upgrade	50	-	-	-	-	50
Victoria skate park	10	-	-	-	-	10
Sport projects total	**268**	**1,415**	**0**	**0**	**0**	**1,683**
Strategic support						
BOLD channel shift infrastructure	-	1,741	-	-	-	1,741
CATS ICT capital investment	150	150	-	-	-	300
City dressing programme	39	167	-	-	-	206
Core infrastructure improvements	6	-	-	-	-	6
ICT transformational change investment	1,600	400	-	-	-	2,000
Winter festival lighting	20	23	-	-	-	43
Strategic support total	**1,815**	**2,481**	**0**	**0**	**0**	**4,296**
Miscellaneous projects						
Assembly Rooms - theatre strategy	-	166	-	-	-	166
Contingency	-	83	-	-	-	83
Cost of sale of assets	(38)	-	-	-	-	(38)
Miscellaneous projects total	**-38**	**249**	**0**	**0**	**0**	**211**
Total Corporate Governance	**2,350**	**4,794**	**165**	**165**	**165**	**7,639**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

ECONOMIC DEVELOPMENT	**Revised Budget 2015-16**	**Revised Budget 2016-17**	**Revised Budget 2017-18**	**Revised Budget 2018-19**	**Revised Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
CWSS - Promenade	52	-	-	-	-	52
Total Economic Development	**52**	**0**	**0**	**0**	**0**	**52**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

HEALTH AND SOCIAL CARE	Revised Budget 2015-16	Revised Budget 2016-17	Revised Budget 2017-18	Revised Budget 2018-19	Revised Budget 2019-20	Total Budget 2015-2020
	£000	£000	£000	£000	£000	£000
Care homes						
Royston care home	3,916	4,693	114	-	-	8,723
Care homes total	**3,916**	**4,693**	**114**	**0**	**0**	**8,723**
Other projects						
Autism day and respite centre	754	70	-	-	-	824
Cost of sale of assets	(9)	-	-	-	-	(9)
Generators and business continuity	20	-	-	-	-	20
Oxgangs day centre	419	8	-	-	-	427
Telecare	180	-	-	-	-	180
Wester Hailes Healthy Living Centre Underpass	318	8	-	-	-	326
Other projects total	**1,682**	**86**	**-**	**0**	**0**	**1,768**
Total Health and Social Care	**5,598**	**4,779**	**114**	**0**	**0**	**10,491**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES	**Revised Budget 2015-16**	**Revised Budget 2016-17**	**Revised Budget 2017-18**	**Revised Budget 2018-19**	**Revised Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Environment						
Waste services						
Containers - household waste	630	176	-	-	-	806
Containers - trade waste	50	-	-	-	-	50
Purchase of litter bins	70	199	-	-	-	269
Waste - service re-design	1,239	-	-	-	-	1,239
Waste disposal sites	50	-	-	-	-	50
Zero Waste: Millerhill	565	674	-	-	-	1,239
Parks and green spaces						
Footway landslips	40	-	-	-	-	40
New allotments	50	-	-	-	-	50
New play areas	14	-	-	-	-	14
Parks and green spaces	278	-	-	-	-	278
Pitch and park drainage	26	-	-	-	-	26
Saughton park	25	-	-	-	-	25
Fleet						
Vehicle Purchase	2,987	-	-	-	-	2,987
East Neighbourhood						
Neighbourhood environmental partnerships	267	167	136	136	-	706
Roads ward allocation	124	-	-	-	-	124
Environment total	**6,415**	**1,216**	**136**	**136**	**0**	**7,903**
Community Safety and Libraries						
Community Safety						
CCTV combine services	-	1,125	-	-	-	1,125
Mortonhall - cremator replacement	400	-	-	-	-	400
Purchase of noise equipment	33	-	-	-	-	33
Libraries						
George IV Bridge Library-enhancement works	-	400	-	-	-	400
People's Network	49	12	-	-	-	61
South Neighbourhood						
Neighbourhood environmental partnerships	111	210	136	136	-	593
Roads ward allocation	75	75	-	-	-	150
Community Safety and Libraries total	**668**	**1,822**	**136**	**136**	**0**	**2,762**
Housing and Regeneration						
Housing and Regeneration						
Commuted Sums	500	-	-	-	-	500
Development Funding Grant	31,663	-	-	-	-	31,663
Home owners' adaptation grants	1,000	-	-	-	-	1,000
Kirkliston environmentals	103	-	-	-	-	103
National Housing Trust phase 2	1,525	10,383	-	-	-	11,908
National Housing Trust phase 3	-	22,850	27,562	4,585	-	54,997

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES	**Revised Budget 2015-16**	**Revised Budget 2016-17**	**Revised Budget 2017-18**	**Revised Budget 2018-19**	**Revised Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Private Sector Housing Grant	-	1,065	-	-	-	1,065
Stair Lighting LED replacement	1,660	470	-	-	-	2,130
Travelling People's site	14	-	-	-	-	14
West Neighbourhood						
Neighbourhood environmental partnerships	326	207	136	136	-	805
Roads ward allocation	123	30	-	-	-	153
South West Neighbourhood						
Neighbourhood environmental partnerships	158	235	136	136	-	665
Roads ward allocation	-	208	-	-	-	208
Housing and Regeneration total	**37,072**	**35,448**	**27,834**	**4,857**	**0**	**105,211**
Projects Controlled by Corporate Property						
Castlebrae business centre	2,518	-	-	-	-	2,518
Duncan Place demolition	49	-	-	-	-	49
Free school meals initiative-equipment	80	-	-	-	-	80
Grassmarket Nursery 6VT relocation	425	-	-	-	-	425
The Causey project	18	-	-	-	-	18
Projects Controlled by Corporate Property total	**3,090**	**0**	**0**	**0**	**0**	**3,090**
Transport and other infrastructure						
Engineering						
Bridge strengthening	922	224	-	-	-	1,146
Link to Royal Infirmary	48	-	-	-	-	48
Lower Granton Road realignment	10	-	-	-	-	10
St Andrew Square public realm	107	399	-	-	-	506
Traffic signals (renewal)	491	180	-	-	-	671
Transport asset management	-	1,000	1,000	1,000	1,000	4,000
UTMC and parking guidance	230	269	-	-	-	499
Water of Leith - phase 1	472	317	-	-	-	789
Water of Leith - phase 2	2,116	18,061	2,598	1,723	-	24,498
Policy & planning						
20mph speed limiting [block]	412	48	-	-	-	460
B924 pedestrian crossing	-	-	-	-	-	0
Bus - priority at signals SVD	194	57	-	-	-	251
Bus lane camera enforcement	-	1	-	-	-	1
Bus priority schemes / bus shelters	302	100	-	-	-	402
Bus Tram integration	124	-	-	-	-	124
Bustracker- RTI extension	40	25	-	-	-	65
Charlotte Square refurbishment	5	998	-	-	-	1,003
CWSS road safety	179	-	-	-	-	179
Cycle projects [block]	1,089	500	-	-	-	1,589
Cycling, Walking and Safer Streets	370	-	-	-	-	370

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES	**Revised Budget 2015-16**	**Revised Budget 2016-17**	**Revised Budget 2017-18**	**Revised Budget 2018-19**	**Revised Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	£000
Electric vehicles	-	20	-	-	-	20
Hermiston park and ride (land acq)	16	9	-	-	-	25
Local bus priority measures [Block]	-	1	-	-	-	1
Park and ride development	-	3	-	-	-	3
Road safety	700	282	-	-	-	982
Road safety, cycling and public transport	-	1,750	1,750	1,750	1,750	7,000
St Andrew Square bus station	53	225	-	-	-	278
Sustrans	1,105	-	-	-	-	1,105
Walking projects [block]	303	95	-	-	-	398
City centre - Transport						
City Centre public realm	-	82	-	-	-	82
George Street festival works	80	28	-	-	-	108
Leith Walk Constitution Street	824	2,379	-	-	-	3,203
Neighbourhood environmental partnerships	245	166	136	136	-	683
Roads ward allocation	145	86	-	-	-	231
Rose Street public realm	-	245	-	-	-	245
Waverley Bridge / Market Street	292	-	-	-	-	292
West End public realm	194	-	-	-	-	194
North Neighbourhood						
Neighbourhood environmental partnerships	105	212	136	136	-	589
Roads ward allocation	79	100	-	-	-	179
Transport Other						
Env asset works order system	15	-	-	-	-	15
Roads						
Bus Stop Investment	240	-	-	-	-	240
Carriageway / footway works [block]	12,245	16,611	12,755	9,989	13,585	65,185
Right first time carriageway and footway works	900	-	-	-	-	900
Street lighting	1,200	2,999	1,500	1,500	1,500	8,699
Transport and other infrastructure total	**25,852**	**47,472**	**19,875**	**16,234**	**17,835**	**127,268**
SFC - contingency	-	27	-	-	-	27
Total Services for Communities	**73,097**	**85,985**	**47,981**	**21,363**	**17,835**	**246,261**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES - ASSET MANAGEMENT WORKS	Revised Budget 2015-16	Revised Budget 2016-17	Revised Budget 2017-18	Revised Budget 2018-19	Revised Budget 2019-20	Total Budget 2015-2020
	£000	£000	£000	£000	£000	£000
Children and Families						
Boiler upgrade	58	-	71	58	772	959
Disability Discrimination Act works	-	-	16	16	-	32
Early Years property	37	34	12	-	20	103
External fabric	-	517	209	-	-	726
Fabric enhancement	1,066	1,032	100	156	-	2,354
Fire safety	373	344	200	200	-	1,117
Integration works	-	19	-	-	-	19
Mechanical and engineering upgrade	952	5,769	2,811	452	1,648	11,632
Roof and rainwater	2,173	1,196	261	21	135	3,786
Stonework/masonry	630	224	-	-	108	962
Unallocated funding	-	-	-	-	4,401	4,401
Water quality upgrading	241	1,067	530	400	400	2,638
Windows and doors	2,424	2,039	272	140	1,463	6,338
Total for Children and Families	**7,954**	**12,241**	**4,482**	**1,443**	**8,947**	**35,067**
Corporate Governance						
Disability Discrimination Act works	20	20	-	-	-	40
Fabric enhancement	1,166	1,973	-	-	-	3,139
Fire safety	-	53	-	-	-	53
Fixtures, fittings and equipment upgrade	25	-	-	-	-	25
Mechanical and engineering upgrade	239	438	-	-	-	677
Roof and rainwater	174	396	75	-	-	645
Security works	22	20	-	-	-	42
Water quality upgrading	38	44	-	-	-	82
Total for Corporate Governance	**1,684**	**2,944**	**75**	**0**	**0**	**4,703**
Health and Social Care						
External works	7	-	-	-	-	7
Fabric enhancement	654	383	-	-	-	1,037
Lift upgrade	3	207	-	-	-	210
Mechanical and engineering upgrade	336	27	-	-	-	363
Roof and rainwater	3	13	-	-	-	16
Water quality upgrading	63	12	-	-	-	75
Windows and doors	17	4	-	-	-	21
Total for Health and Social Care	**1,083**	**646**	**0**	**0**	**0**	**1,729**
Services for Communities						
Disability Discrimination Act works	36	73	-	-	-	109
Fabric enhancement	867	1,262	-	-	-	2,129
Fire safety	155	44	-	-	-	199
Internal fabric enhancement	128	109	-	-	-	237
Mechanical and engineering upgrade	104	111			-	215
Parks infrastructure	9	391	-	-	-	400
Roof and rainwater	51	10	-	-	-	61
Security works	7	-	-	-	-	7

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

SERVICES FOR COMMUNITIES - ASSET MANAGEMENT WORKS	Revised Budget 2015-16	Revised Budget 2016-17	Revised Budget 2017-18	Revised Budget 2018-19	Revised Budget 2019-20	Total Budget 2015-2020
	£000	£000	£000	£000	£000	£000
Water quality upgrading	1	83	-	-	-	84
Windows and doors	10	427	-	-	-	437
Total for Services for Communities	**1,368**	**2,510**	**0**	**0**	**0**	**3,878**
Services for Communities - Corporate Property						
Boiler upgrade	217	5	-	-	-	222
Disability Discrimination Act works		12	-	-	-	12
Fire safety	1	52	-	-	-	53
Improvement works	-	60	-	-	-	60
Internal fabric enhancement	81	-	-	-	-	81
Mechanical and engineering upgrade	368	837	-	-	-	1,205
Roof and rainwater	36	9	-	-	-	45
Security works	-	2	-	-	-	2
Stonework/masonry	188	5	-	-	-	193
Unallocated	-	56	-	-	-	56
Water quality upgrading	1	96	-		-	97
Windows and doors	279	110	-	-	-	389
Total for Services for Communities - Corp. Property	**1,171**	**1,244**	**0**	**0**	**0**	**2,415**
Funding not yet allocated to projects	-	5,165	6,372	6,993	10,226	28,756
Total Asset Management Works	**13,260**	**24,750**	**10,929**	**8,436**	**19,173**	**76,548**

REVISED CAPITAL INVESTMENT PROGRAMME 2015-2020

HOUSING REVENUE ACCOUNT	**Revised Budget 2015-16**	**Revised Budget 2016-17**	**Revised Budget 2017-18**	**Revised Budget 2018-19**	**Revised Budget 2019-20**	**Total Budget 2015-2020**
	£000	£000	£000	£000	£000	**£000**
Housing Investment, including SHQS work	33,233	21,360	22,160	21,160	22,060	**119,973**
Neighbourhood Environment Investment	2,709	2,500	2,500	2,500	2,500	**12,709**
Community Care	1,879	5,035	5,035	5,035	5,035	**22,019**
Regeneration	1,284	500	-	-	-	**1,784**
Other Capital Expenditure	-	3,800	3,800	3,800	3,800	**15,200**
21st Century Homes Investment	9,725	15,498	17,990	11,880	6,952	**62,045**
Total Housing Revenue Account	**48,830**	**48,693**	**51,485**	**44,375**	**40,347**	**233,730**

Governance, Risk and Best Value Committee

2.00pm, Wednesday 23 September 2015

Capital Monitoring 2015/16 – Month Three Position - referral report from the Finance and Resources Committee

Item number	7.9
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered a report on the overall position of the Council's capital budget at month three and the projected outturn for the year. The report has been referred to the Governance, Risk and Best Value Committee as part of its workplan.

Links

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

Terms of Referral

Capital Monitoring 2015/16 – Month Three Position

Terms of referral

1.1 The month three position showed that the Council was projecting to borrow £33.967 million and would be in receipt of grants and capital income that amounted to £118.385 million. Together this would fund projected capital investment of £152.352 million. The level of borrowing was projected to be £0.328 million less than budget based on a net surplus in capital receipts/grant income.

1.2 Current projections suggested that over the five-year period of the 2015-2020 Capital Investment Programme, sale of general assets would generate additional income over and above that previously budgeted for. The net surplus in capital receipts/grant income projected this year reflected additional income that counted towards this.

1.3 The Finance and Resources Committee agreed to:

1.3.1 Note the projected capital outturn positions in the General Fund and Housing Revenue Account (HRA) at month three.

1.3.2 Note the prudential indicators at month three.

1.3.3 Note that the Acting Director of Services for Communities was closely monitoring the capital receipts position.

1.3.4 Refer the report by the Deputy Chief Executive to the Governance, Risk and Best Value Committee as part of its workplan.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report by the Deputy Chief Executive to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Background reading / external references

Capital Monitoring 2015/16 - Month 3 Position

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

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

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Capital Monitoring 2015/16 – Month three position

Item number	7.7
Report number	
Executive/routine	
Wards	

Executive summary

The month three position shows that the Council is projecting to borrow £33.967m and will be in receipt of grants and capital income amounting to £118.385m. Together this will fund projected capital investment of £152.352m. The level of borrowing is projected to be £0.328m less than budget based on a net surplus in capital receipts / grant income. Current projections suggest that over the five-year period of the 2015-2020 Capital Investment Programme, sale of general assets will generate additional income over and above that previously budgeted for. The net surplus in capital receipts / grant income projected this year reflects additional income that counts towards this.

Links

Coalition pledges	P3; P8; P30; P31; P33; P42
Council outcomes	CO1; CO16; CO20; CO23; CO25
Single Outcome Agreement	SO3; SO4

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Report

Capital Monitoring 2015/16 – Month three position

Recommendations

1.1 Members of the Finance and Resources Committee are requested to:

1.1.1 Note the projected capital outturn positions on the General Fund and HRA at month three;

1.1.2 Note the prudential indicators at month three;

1.1.3 Note that the Acting Director of Services for Communities is closely monitoring the capital receipts position; and

1.1.4 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

Background

2.1 This report sets out the overall position of the Council's capital budget at month three and the projected outturn for the year.

Main report

3.1 The month three position is based on the revised 2015-2020 Capital Investment Programme incorporating net slippage / acceleration from 2014/15 (the detail of which can be seen in Appendix 6 of the Capital Monitoring 2014/15 – Outturn and Receipts report which is also on the agenda).

	Outturn Variance at Month Three
	£000
Net slippage in gross expenditure	0
Net (surplus) / shortfall in capital receipts / grant income	(328)
Net increase / (decrease) in borrowing requirement	(328)

3.2 As presented in the table at 3.1 above and within Appendix 1, a balanced expenditure position is projected at month three (reflecting up to date re-phasing and realignment of the revised capital programme 2015-2020) against a figure of £0.328m for net surplus in capital receipts / grant income. As a result, borrowing is reduced by this amount.

Capital receipts/grant income

3.3 A review of capital receipts from asset sales undertaken by Corporate Property and Finance estimates that net receipts of £13.180m will be realised in 2015/16, compared to a budget of £12.852m resulting in a receipts surplus of £0.328m. This is as a result of a small number of receipts being higher than originally envisaged, and also due to the introduction of additional asset sales not previously factored in to the approved budget level. Receipts that are forecast to be realised in 2015/16 include Lutton Court, South Gyle Wynd (2nd tranche payment) and 6-8 Market Street.

3.4 Current projections suggest that over the five year period of the 2015-2020 Capital Programme, sale of general assets will generate additional income over and above that previously budgeted for, of which this year's net surplus forms a part.

3.5 A budget update report to be presented to Finance and Resources Committee in September will provide a more detailed position on capital receipts projections over the next five-year period.

Prudential Indicators

3.6 The prudential indicator monitoring at month three is shown in Appendix 2.

Housing Revenue Account (HRA)

3.7 The Housing Revenue Account is forecasting to balance to budget as shown in Appendix 3. At month three, the forecast is gross expenditure of £48.830m, capital receipts / grant income of £17.562m and borrowing of £31.268m.

3.8 There are significant challenges in delivering the 2015/16 core HRA capital programme due to the introduction of the new Housing Asset Management (HAM) Framework contract part way through the financial year. There are a number of potential risks that could affect delivery and result in slippage being reported as the financial year progresses. Staff within Finance will liaise with colleagues within Housing to monitor and manage risks robustly, minimising these where possible. The risks are set out in detail in 6.4 of this report.

Measures of success

4.1 Completion of capital projects as budgeted for in the 2015/16 capital programme.

4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

Financial impact

5.1 The projected 2015/16 general fund outturn outlines capital borrowing of £33.967m. The overall loan charges associated with this borrowing over a 20 year period would be a principal amount of £33.967m, interest of £22.112m, resulting in a total cost of £56.079m based on a loans fund interest rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.879m, followed by an annual cost of £2.760m for 20 years. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

5.2 The loan charge costs outlined above will be met from this year's revenue budget for loan charges.

Risk, policy, compliance and governance impact

6.1 Significant budget virements have complied with relevant financial rules and regulations.

6.2 Capital monitoring and budget setting processes adopted ensure effective stewardship of resources. The processes applied aim to ensure projects are delivered on time and budget whilst fulfilling the financial criteria of value for money.

6.3 Monitoring of major capital projects including risk assessment is carried out by the Council's Corporate Programmes Office (CPO).

6.4 Over 80% of the 2015/16 core HRA capital investment programme will be delivered through the new HAM Framework. This presents significant risks to delivery:

- With over 80% of the programme being tendered in the second half of the financial year, this will reduce the time available to maximise delivery.
- The Council will not have previous experience of the new contractors on the Framework and as such, there may be capacity or mobilisation issues for contractors given the reduced timeline for delivery.
- With the majority of the programme starting in the second half of the financial year, there is a risk that delivery of external fabric work streams could be adversely affected by inclement weather over the winter period.

Equalities impact

7.1 The Council's capital expenditure contributes to the delivery of the public sector equality duty to advance equality of opportunity and foster good relations e.g. enhancement works related to the Disability Discrimination Act, works on Children and Families establishments and capital expenditure on Council housing stock.

7.2 There is little contribution with regard to capital expenditure and the duty to eliminate unlawful discrimination, harassment or victimisation.

Sustainability impact

8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account.

8.2 The proposals in this report will help achieve a sustainable Edinburgh because they are ensuring funding for key strategic projects that will enhance facilities and infrastructure in the city. A carbon impact assessment shall be carried out on each new project to achieve the most sustainable outcome for the city in each case.

8.3 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

Consultation and engagement

9.1 Consultation on the budget will be undertaken as part of the budget process.

Background reading/external references

None.

Alastair D Maclean

Chief Operating Officer

Deputy Chief Executive

Contact: Sat Patel, Senior Accountant

E-mail: satyam.patel@edinburgh.gov.uk | Tel: 0131 469 3185

Links

Coalition pledges	P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites P30 – Continue to maintain a sound financial position including long-term financial planning P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural

	infrastructure
	P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used
	P42 – Continue to support and invest in our sporting infrastructure
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed
	CO16 – Edinburgh draws new investment in development and regeneration
	CO20 – Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and future of citizens
	CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community
	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential
	SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	1 – Capital Monitoring 2015/16 – General Fund 2 – Prudential Indicators 2015/16 3 – Capital Monitoring 2015/16 - HRA

Appendix 1

Capital Monitoring 2015/16

General Fund Summary

Period 3

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Children and Families	57,995	-	57,995	7,443	57,995	-	0.00%
Economic Development	52	-	52	-	52	-	0.00%
Corporate Governance	2,350	-	2,350	251	2,350	-	0.00%
Health and Social Care	5,598	-	5,598	1,141	5,598	-	0.00%
Services for Communities	73,097	-	73,097	10,247	73,097	-	0.00%
Services for Communities-Asset Management	13,260	-	13,260	1,245	13,260	-	0.00%
Total Gross Expenditure	**152,352**	**-**	**152,352**	**20,327**	**152,352**	**-**	**0.00%**

Resources

Resources	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Capital Receipts							
General Services	10,952	-	10,952	189	11,530	578	5.28%
Asset Sales to reduce Corporate borrowing	1,900	-	1,900	-	1,900	-	n/a
Less Fees Relating to Receipts				(33)	(250)	(250)	
Total Capital Receipts from Asset Sales	*12,852*	-	*12,852*	*156*	*13,180*	*328*	*2.55%*
Developer and other Contributions	14,663	-	14,663	1,050	14,663	-	0.00%
Capital Grants Unapplied Account drawdown	689	-	689	-	689	-	n/a
Total Capital Receipts	*28,204*	-	*28,204*	*1,206*	*28,532*	*328*	*1.16%*
Grants							
Scottish Government General Capital Grant	57,461	-	57,461	14,365	57,461	-	0.00%
Cycling, Walking and Safer Streets	729	-	729	-	729	-	0.00%
Management Development Funding	31,663	-	31,663	-	31,663	-	0.00%
Total Grants	*89,853*	-	*89,853*	*14,365*	*89,853*	-	*0.00%*
Total Resources	**118,057**	**-**	**118,057**	**15,571**	**118,385**	**328**	**0.28%**

Balance to be funded through borrowing	**34,295**	**-**	**34,295**		**33,967**	**(328)**	**-0.96%**

PRUDENTIAL INDICATORS 2015/16 - Period 3

Indicator 1 - Estimate of Capital Expenditure

	2014/15 Estimate £000	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Forecast £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000
Children & Families	15,843	16,903	68,556	57,995	31,060	44,626	15,543	15,731	4,531	6,940	0	660
Corporate Governance	5,885	7,582	3,895	2,350	2,089	4,794	165	165	165	165	165	165
Economic Development	52	0	0	52	0	0	0	0	0	0	0	0
Health & Social Care	4,646	4,616	7,171	5,598	1,514	4,779	114	114	0	0	0	0
Services for Communities	79,854	85,260	82,358	73,097	68,586	85,985	47,979	47,981	21,361	21,363	17,835	17,835
SfC - Asset Management Programme	14,191	18,657	22,545	13,260	13,657	24,750	14,000	10,929	14,000	8,436	14,000	19,173
Other Capital Projects	797	1,049	0	0	0	0	0	0	0	0	0	0
Trams	5,385	5,246	0	0	0	0	0	0	0	0	0	0
Unallocated funding	0	0	13,319	0	0	0	0	0	0	0	9,000	9,000
Total General Services	126,653	139,313	197,844	152,352	116,906	164,934	77,801	74,920	40,057	36,904	41,000	46,833
Housing Revenue Account	34,135	37,308	49,830	48,830	48,693	48,693	51,485	51,485	44,375	44,375	40,347	40,347
Total	160,788	176,621	247,674	201,182	165,599	213,627	129,286	126,405	84,432	81,279	81,347	87,180

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget motion in February 2015. Differences between these and the 'forecast' figures relate to further realignment and rephasing that has taken place as part of the revised budget process.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2014/15 Estimate %	2014/15 Actual %	2015/16 Estimate %	2015/16 Forecast %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Services	12.11	11.63	12.56	12.19	12.42	12.29	N/A	N/A
Housing Revenue Account	37.30	33.97	39.61	35.63	41.51	43.05	44.49	45.16

Forecast and estimates include the financing cost relating to the Trams project.

Figures for 2016/17 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the budget framework to the end of the current coalition Council and so figures for 2018/19 and 2019/20 have been excluded.

Indicator 3 - Capital Financing Requirement

	2014/15 Estimate £000	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Forecast £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000
General Services (including finance leases)	1,305,992	1,357,972	1,378,274	1,321,519	1,356,927	1,345,256	1,308,749	1,292,677	1,231,180	1,210,448	1,154,804	1,139,145
Housing Revenue Account	372,390	368,053	386,158	380,628	395,556	390,026	404,181	398,651	409,558	407,258	413,587	418,049
Total	1,678,382	1,726,025	1,764,432	1,702,147	1,752,483	1,735,282	1,712,930	1,691,328	1,640,738	1,617,706	1,568,391	1,557,194

Forecasts include the capital financing requirement relating to PPP assets and Trams project

Indicator 4 - Authorised Limit for External Debt

	2015/16 Estimate £000	2015/16 Rev Est £000	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000
Borrowing	1,579,785	1,579,785	1,636,773	1,636,773	1,636,477	1,636,477	1,607,353	1,607,353	1,541,678	1,541,678
Other Long-Term Liabilities	190,834	226,589	181,516	215,777	172,671	205,412	164,724	195,958	157,281	187,755
Total	1,770,619	1,806,374	1,818,289	1,852,550	1,809,148	1,841,889	1,772,077	1,803,311	1,698,959	1,729,433

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Indicator 5 - Operational Boundary for External Debt

	2015/16 Estimate £000	2015/16 Rev Est £000	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000
Borrowing	1,558,752	1,558,752	1,611,363	1,611,363	1,609,881	1,609,881	1,579,955	1,579,955	1,514,969	1,514,969
Other Long-Term Liabilities	190,834	226,589	181,516	215,777	172,671	205,412	164,724	195,958	157,281	187,755
Total	1,749,586	1,785,341	1,792,879	1,827,140	1,782,552	1,815,293	1,744,679	1,775,913	1,672,250	1,702,724

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Indicator 6 - Impact on Council Tax and House Rents

	2015/16 Estimate £000	2015/16 Forecast £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000
for the band "D" Council Tax	0.29	-6.37	4.14	-12.24	10.19	6.43	N/A	N/A	N/A	N/A
for the average weekly housing rents	0.21	0.09	0.69	0.30	0.52	0.13	-0.05	-0.37	0.52	0.51

In calculating the incremental impact of capital investment decisions on the band "D" Council Tax, investment decisions relating to National Housing Trust Phases have been omitted. As agreed with the Scottish Government, the borrowing and associated interest costs related to this expenditure are directly rechargeable to developers at agreed periods in the future. As such, there is no cost to the Council in relation to this element of borrowing and therefore it has been omitted in calculating the incremental impact of capital investment decisions.

The changes between the forecast and the original estimate reflect the realignment of the Capital Investment Programme reported to Finance and Resources Committee in August 2015.

Appendix 3

CAPITAL MONITORING 2015/16

Housing Revenue Account Summary

Period 3

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Gross Expenditure	48,830	4,592	48,830	0	0.0%
Total Gross Expenditure	48,830	4,592	48,830	0	0.0%

Resources					
Capital Receipts	-6,112	0	-6,112	0	0.0%
Developers and Other Contributions	-7,670	-320	-7,670	0	0.0%
Specific Capital Grant	-3,780	-837	-3,780	0	0.0%
Total Resources	-17,562	-1,157	-17,562	0	0.0%

Borrowing					
Borrowing	31,268	3,435	31,268	0	0.0%
Total	31,268	3,435	31,268	0	0.0%