

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

**2:00pm Monday 26 September 2016**

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

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

### Contact:

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## **1. Order of business**

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

## **2. Declarations of Interest**

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

## **3. Deputations**

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- 3.1 None.

## **4. Minutes**

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- 4.1 Minute of the Governance, Risk and Best Value Committee of 18 August 2016 (circulated) – submitted for approval as a correct record

## **5. Outstanding Actions**

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- 5.1 Outstanding Actions – September 2016 (circulated)

## **6. Work Programme**

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- 6.1 Governance, Risk and Best Value Work Programme – September 2016 (circulated)

## **7. Reports**

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- 7.1 Whistleblowing Update – report by the Chief Executive (circulated)
- 7.2 Corporate Leadership Team Risk Update – report by the Acting Executive Director of Resources (circulated)
- 7.3 Internal Audit Quarterly Update Report – 1 April 2016 to 30 June 2016 - report by the Acting Executive Director of Resources (circulated)
- 7.4 Internal Audit Follow Up Arrangements – Status Report from 1 April 2016 to 30 June 2016 - report by the Acting Executive Director of Resources (circulated)
- 7.5 City of Edinburgh Council – Report to those Charged with Governance on the 2015/16 Audit – report by the Acting Executive Director of Resources (circulated)
- 7.6 Capital Monitoring 2015/16 – Outturn and Receipts – referral from the Finance and Resources Committee (circulated)
- 7.7 Capital Monitoring 2016/17 – Month Three Position – referral from the Finance and Resources Committee (circulated)

- 7.8 Revenue Monitoring 2015/16 Outturn Report – referral from the Finance and Resources Committee (circulated)
- 7.9 Revenue Monitoring 2016/17 – Month Three Position – referral from the Finance and Resources Committee (circulated)
- 7.10 Treasury Management Annual Report 2015/16 – referral from the Council (circulated)

## **8. Motions**

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- 8.1 Motion by Councillor Mowat - Committee Decisions – Finance and Resources Committee - Item 8.7- Proposed Lease and Conservation Burden at Tron Kirk  
“To request that the report to the Finance and Resources Committee of 18th August and follow-up report regarding the Lease of the Tron Kirk is remitted to the Governance Risk and Best Value Committee for scrutiny of this matter.”

## **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

## **Committee Members**

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Councillors Mowat (Convener), Balfour, Child, Dixon, Edie, Keil, Main, Munro, Orr, Redpath, Ritchie, Robson, and Tymkewycz.

## **Information about the Governance, Risk and Best Value Committee**

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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**

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If you have any questions about the agenda or meeting arrangements, please contact Lesley Birrell or Laura Millar | Committee Services | Strategy and Insight | Chief Executive | The City of Edinburgh Council | Business Centre 2:1 | Waverley Court | 4 East Market Street | Edinburgh | EH8 8BG | ☎0131 529 4240/4319 | ✉  
[lesley.birrell@edinburgh.gov.uk](mailto:lesley.birrell@edinburgh.gov.uk) / [laura.millar2@edinburgh.gov.uk](mailto:laura.millar2@edinburgh.gov.uk) .

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the main reception office, City Chambers, High Street, Edinburgh.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to [www.edinburgh.gov.uk/cpol](http://www.edinburgh.gov.uk/cpol).

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

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# Item 4.1 - Minutes

## Governance, Risk and Best Value Committee

10.00am, Thursday, 18 August 2016

### Present

Councillors Mowat (Convener), Balfour, Child, Dixon, Keil, Main, Munro, Orr, Ritchie, Redpath, Robson and Tymkewycz.

### 1. Order of Business

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The Committee agreed to defer consideration of item 7.2 –Whistleblowing Update to September 2016 and to consider item B1.1 – Monitoring Officer Investigation – Cameron House, under the A agenda.

### 2. Minute

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#### Decision

To approve the minute of the Governance, Risk and Best Value Committee of 23 June 2016 as a correct record.

### 3. Outstanding Actions

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

#### Decision

- 1) To agree to close item 14.
- 2) To adjust the completion date of action 6 to October 2016.
- 3) To otherwise note the outstanding actions.

(Reference – Outstanding Actions – August 2016, submitted.)

### 4. Work Programme

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#### Decision

- 1) To clarify the expected dates for items 17 and 18.
- 2) To otherwise approve the Work Programme.

(Reference – Governance, Risk and Best Value Work Programme – August 2016, submitted.)

## 5. Corporate Governance Framework 2015 /16

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Committee considered the Council's corporate governance framework self-assessment for the period 1 April 2015 to 31 March 2016 and the identified improvement actions.

### Decision

- 1) To note the corporate governance framework self-assessment which was outlined in appendix one of the report.
- 2) To agree that the improvement actions which had been identified would be addressed through the Council Transformation Programme.
- 3) To request a report to the September Committee which provided:
  - (a) Clarity of the quality assurance and scrutiny arrangements for the integration of health and social care.
  - (b) Information on the current governance arrangements of the Edinburgh Partnership.
- 4) To arrange a workshop for all elected members on the future of Community Planning arrangements

(References – Governance, Risk and Best Value Committee 23 June 2016 (item 7); report by the Chief Executive, submitted.)

## 6. Audit Scotland: Review of Key Internal Controls 2015/16

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Details were provided on the findings of the Audit Scotland 2015/16 review of the Council's internal control framework and the resulting action plan.

### Decision

- 1) To note the findings of Audit Scotland's 2015/16 review and that a further update on progress in implementation would be provided to the Committee in January 2017.
- 2) To ask officials to investigate the self-regulation of inactive users of the online banking system as identified in paragraph 29 of the report.

(References – Governance, Risk and Best Value Committee 21 April 2016 (item 12); report by the Acting Executive Director of Resources, submitted.)

## 7. Accounts Commission Annual Report 2015/16 and Audit Scotland Annual Report and Accounts 2015/16

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Committee considered the annual reports the Accounts Commission and Audit Scotland for 2015/16.

### Decision

To note the reports.

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

## 8. Property Conservation – Court Actions and Debt Recovery Activity

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The numbers of live court cases relation to statutory notices were considered, as requested by Committee on 23 June 2016.

### Decision

- (1) To request a further report on the extra judicial settlements process, including:
  - (a) The governance and decision-making arrangements
  - (b) Details of cases settled out of court, including the reasons for settlement; engagement with the Council prior to settlement; the sums settled versus original sums billed
  - (c) Total recovery costs to date
  - (d) Earlier commitments regarding the fairness of settlements across multi-owner blocks
- (2) That the report also addresses the need for legislative change regarding shared owners; how the Council was ensuring effective consultation with owners under the new Service, and the need for ensuring that additional repair work should only be undertaken with the agreement of a majority of the owners.
- (3) To otherwise note the numbers of live court cases being brought against and by the Council in relation to Statutory Notices.
- (4) To note the Programme Momentum Progress Report to the Finance and Resources Committee dated 9 June 2016 in Appendix 1 of the report.

(References – Governance, Risk and Best Value Committee 23 June 2016 (item 11); report by the Acting Executive Director of Resources, submitted.)

## 9. Update on Cameron House Investigation Action Plan

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An update report was provided on the progress of the action plan in place following the Monitoring Officer investigation into Cameron House.

### Decision

To note the report.

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

## 10. Resolution to Consider in Private

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The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for consideration of item 12 below on the grounds that it involved the disclosure of exempt information as defined in Paragraph 14 of Part 1 of Schedule 7(A) of the Act.

## 11. ICT Security Briefing - Presentations

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Claudette Jones, Chief Information Officer and Kirsty-Louise Campbell, Interim Head of Strategy and Insight provided the Committee with presentations on Cyber Security Futures and Information Security Governance respectively.

### **Decision**

To note the presentations.

(References – Governance, Risk and Best Value Committee 23 June 2016 (item 10))



# Item 5.1 - Outstanding Actions

## Governance, Risk and Best Value Committee

26 September 2016

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	14.11.2013	<a href="#">Tram Project Update</a>	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 Resources	November 2014		Inquiry now called by Scottish Government. Verbal Update on Tram project to be provided in 2015.  Verbal Update to be provided by the Head of Legal and Risk in November 2016. This delay was due to the inquiry not having commenced.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
2	19/10/2015	<a href="#">Committee Report Process</a>	To investigate technology offered by the new IT provider with a view to improving report format and reducing officer workload. To request a progress report back to Committee in one year.	Chief Executive	October 2016		
3	15/12/2015	<a href="#">Home Care and Reablement Service Contact Time</a>	To request an update report in six months, this should include contact time by area and feedback from clients and bodies such as the Care Commission.	Chief Officer of Edinburgh Health and Care Partnership	October 2016		
4	03/03/2016	<a href="#">Work Programme</a>	To ask that a report detailing the background of current waste collection difficulties across the City and action being taken to resolve them be submitted to the Transport and Environment Committee meeting in May prior to coming to the GRBV Committee in June 2016.	Executive Director of Place	June 2016		<p>Presentation delivered at GRBV Committee on 23 June 2016.</p> <p>A capital coalition motion was approved at the Transport &amp; Environment Committee on 30 August 2016; a</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							report on the matter is scheduled to be considered at the next Committee meeting on 1 November 2016.
5	03/03/2016	<a href="#">Place Risk Update</a>	<p>1) To agree that a definition and examples of what constitutes a 'non housing asset' would be appended to the minute of the meeting.</p> <p>2) To ask that an update report on the Place risk register be provided to Committee in August 2016 specifying action taken to mitigate high risks and whether it has been successful.</p>		October 2016		
6	21/04/16	<a href="#">Summary of the Account Commission's Major Capital</a>	<p>1) To note information regarding the design-life of schools currently under</p>		September 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Investment in Councils' Follow Up Report</a>	<p>design/construction would be circulated to the Committee.</p> <p>2) To note that an annual report detailing capital investment activity and lessons learnt would be submitted to the relevant executive committee and to request that this also be submitted to the Governance, Risk and Best Committee.</p> <p>3) To request that the end of year capital report contain an analysis of the source of capital funding and how it impacted on the revenue budget.</p>				

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
7	21/04/2016	<a href="#">Internal Audit – Audit and Risk Service: Delivery Model Update</a>	To ask that an update report on the internal audit function be provided to the Governance, Risk and Best Value Committee a year after implementation.		Date to be confirmed		Appointments will be made to the Internal Audit Service following the Legal & Risk organisational review, this will be reported to GRBV in the near future – date TBC
8	21/04/2016	<a href="#">Looked After Children: Transformation Programme Progress Report</a>	To ask that the report into the implementation and effectiveness of the new arrangements be brought to the GRBV Committee following consideration by the appropriate committee. This report should be informed by the work carried out by the multi-agency partnership, contain detail of the delivery mechanisms and methods, and focus on outcomes.		October 2016		This will be considered at E, C&F on 11 October and referred to GRBV for consideration on 24 October 2016.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
9	26/05/2016	<a href="#">Governance of Major Projects: Progress Report</a>	<p>1) To provide an update to members of the Governance, Risk and Best Value Committee on the progress of the Water of Leith Flood Prevention Scheme.</p> <p>2) To review projects included in the portfolio and how various smaller projects that come from one larger fund were reported with an update to the meeting of the Governance, Risk and Best Value Committee on 18 August 2016.</p>	Chief Executive	October 2016		A report on the governance of major projects will now be submitted to the October meeting of the Committee.
10	26/05/16	<a href="#">The Audit Arrangements for the Edinburgh Integration Joint Board</a>	To request an update report on the audit arrangements of the Integration Joint Board to the Governance, Risk and Best Value Committee on 24 October 2016	Chief Officer, Edinburgh, Health and Social Care Partnership	October 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
11	26/05/16	<a href="#">Spot Checking on the Dissemination of Committee Decisions and Late Committee Reports</a>	To request an update report to the Governance, Risk and Best Value Committee on 2 February 2017.	Chief Executive	February 2017		
12	23/06/16	<a href="#">Recent Developments in Gaelic Education Provision in Edinburgh</a>	<p>1) To request a report to the Education, Children and Families Committee then to the Governance, Risk and Best Value Committee on the Council's current policy for GME access to secondary schools, the corresponding Government policy and an assessment on whether this was being met.</p> <p>2) To request that the current policy for GME access to secondary schools was published on the Council website</p>	Acting Executive Director of Children and Families	November 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>and to review the appropriateness of the distance from school criteria for GME admissions to secondary school.</p> <p>A work-plan of how this would be achieved, including actions in place to avoid any future legal challenge, should be in place by November 2016.</p>				
13	23/06/16	<a href="#">Property Conservation – Programme Momentum Progress Report and Edinburgh</a>	To request a report to the Governance, Risk and Best Value Committee in August 2016 on the numbers of live court cases, covering those who	Acting Executive Director of Resources		18 August 2016	<b>This action was closed on 18 August 2016.</b>



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
	18/08/16	<a href="#">Shared Repairs Service Update</a>	<p>have brought actions against the Council and those brought by the Council, in relation to Statutory Notices.</p> <p>(1) To request a further report on the extra judicial settlements process, including:</p> <p>(a) The governance and decision-making arrangements</p> <p>(b) Details of cases settled out of court, including the reasons for settlement; engagement with the Council prior to settlement; the sums settled versus original sums billed</p> <p>(c) Total recovery costs to date</p> <p>(d) Earlier commitments regarding the fairness of settlements across multi-owner blocks.</p>		Date to be confirmed		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			(2) That the report also addresses the scope for legislative change regarding shared owners; how the Council was ensuring effective consultation with owners under the new Service, and the scope for ensuring that additional repair work should only be undertaken with the agreement of a majority of the owners.				

# Item 6.1 - Work programme

## Governance, Risk and Best Value

September 2016

N o	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
<b>Section A – Regular Audit Items</b>								
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	September 2016
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	September 2016

N o	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 2017
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 2017
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	Acting Executive Director of Resources	Council Wide	Annually	April 2017
7	Audit Scotland	Annual Audit Report	Annual audit report	External Audit	Acting Executive Director of Resources	Council Wide	Annually	September 2016
8	Audit Scotland	Internal Controls Report	Annual report on Council wide control framework	External Audit	Acting Executive Director of Resources	Council Wide	Annually	August 2017
9	Audit Scotland	ISA 260	Annual ISA 260 Report	External Audit	Acting Executive Director of Resources	Council Wide	Annually	September 2016
10	Accounts Commission	Annual report	Local Government Overview	External Audit	Acting Executive Director of Resources	Council Wide	Annually	June 2017
<b>Section B – Scrutiny Items</b>								
11	Governance of Major Projects	6 monthly updates	To ensure major projects undertaken by the Council were being adequately project managed	Major Project	TBC	All	Every 6 months	October 2016

N o	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
12	Welfare Reform	Review	Regular update reports	Scrutiny	Acting Executive Director of Resources	Council Wide	March 2016	March 2017
13	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	September 2016
14	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	September 2016
15	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	October 2016
16	Workforce Control	Staff	Annual report	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	December 2016
17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	October 2016
18	Dissemination of Committee Decisions	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	February 2017
19	Late Submission of reports	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	February 2017
20	Property Conservation – Legacy Closure programme and Defect Costs		Progress reports	Scrutiny	Acting Executive Director of Resources	All	June 2016 December 2016 April 2017	December 2016

## GRBV Upcoming Reports

## Appendix 1

Number	Report Title	Type	Flexible/Not Flexible
<b>26 September 2016 Committee</b>			
	Place Risk Register	Scrutiny	Flexible
	CLT Risk Register	Scrutiny	Flexible
	Directorate Risk Register	Scrutiny	Flexible
	External Audit Annual Report	External Audit	Not Flexible
	Treasury Annual Accounts	Scrutiny	Flexible
	2015/16 Outturn Report	Scrutiny	Flexible
	Internal Audit Quarterly Update	Internal Audit	Flexible
	Internal Audit Follow up Arrangements	Internal Audit	Flexible
	Capital Monitoring 2015/16 – Outturn and Receipts	Scrutiny	Flexible
	External Audit ISA 260	Scrutiny	Flexible
<b>24 October 2016 Committee</b>			
	Directorate Risk Register	Scrutiny	Flexible
	Pride in our People	Scrutiny	Flexible
	Committee report process	Scrutiny	Flexible
	Audit Arrangements for the Edinburgh Integration Joint Board	Scrutiny	Flexible
	Internal Audit Follow Up Arrangements	Internal Audit	Flexible
	Internal Audit Quarterly Update	Internal Audit	Flexible
	CLT Risk Register	Scrutiny	Flexible
	Gaelic Medium Education - Access to Secondary Schools	Scrutiny	Flexible
	Home Care and Reablement Service Contact Time	Scrutiny	Flexible
	Audited Council Annual Accounts	Scrutiny	Flexible
	LPFE Ltd – Annual Accounts	Scrutiny	Flexible
	Governance of Major Projects	Scrutiny	Flexible

<b>17 November 2016 Committee</b>		
Tram Inquiry Update	Scrutiny	Flexible
<b>22 December 2016 Committee</b>		
Internal Audit Quarterly Update	Internal Audit	Flexible
CLT Risk Register	Scrutiny	Flexible
Internal Audit Follow Up Arrangements	Internal Audit	Flexible
Workforce Control	Scrutiny	Flexible
Property Conservation – Legacy Closure Programme and Defect Costs	Scrutiny	Flexible
<b>2 February 2017 Committee</b>		
Committee Decisions - Annual Report	Scrutiny	Flexible
Governance of Major Projects	Scrutiny	Flexible

# Governance, Risk and Best Value Committee

2pm, Monday 26 September 2016

## Whistleblowing update

Item number	7.1
Report number	
Executive/routine	
Wards	

### Executive summary

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This report provides a high level overview of the operation of the Council's whistleblowing hotline for the period 1 March to 30 June 2016.

### Links

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Coalition pledges	P27
Council outcomes	CO15, CO25, CO27
Single Outcome Agreement	



## Whistleblowing update

### Recommendations

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- 1.1 To note the report.

### Background

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- 2.1 The Council launched its confidential whistleblowing hotline service, provided by independent company Safecall, on 12 May 2014.
- 2.2 This report covers the period from 1 March to 30 June 2016.

### Main report

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#### Reports to Safecall

- 3.1 During the reporting period Safecall received three new reports as follows:

Category	Number of disclosures
Major/significant qualifying disclosures	0
Minor/operational qualifying disclosures	2
Category to be determined	0
Non-qualifying disclosures	1

#### Whistleblowing Review - Action Plan Progress

- 3.2 The review of the pilot was completed in August 2015 with conclusions and recommendations reported to Finance and Resources Committee on 27 August 2015. An action plan was approved to develop the existing service and prepare for the procurement of continued service on expiry of the pilot term.

- 3.3 Progress against the action plan is being monitored and re-procurement of the service concluded in April 2016.
- 3.4 Safecall was awarded the contract to provide whistleblowing services to the Council for the next two years, with an option for the Council to extend for a further two years.
- 3.5 Policy and procedural updates and training for investigating managers will be the focus of activity over coming months.

## **Measures of success**

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- 4.1 Employees feel able to report suspected wrongdoing as early as possible in the knowledge that:
  - 4.1.1 their concerns will be taken seriously and investigated appropriately;
  - 4.1.2 they will be protected from victimisation; and
  - 4.1.3 the provisions of the whistleblowing policy ensure all matters at the Council are fully transparent and officers are accountable.

## **Financial impact**

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- 5.1 The cost of the whistleblowing hotline for the four month period 1 March to 30 June 2016 was £7,416.
- 5.2 The costs are within budget and are monitored regularly.

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

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- 6.1 The whistleblowing policy was developed and agreed to complement existing management reporting arrangements and to ensure employees have the right to raise concerns in the knowledge that they will be taken seriously, that matters will be investigated appropriately and confidentiality will be maintained.

## **Equalities impact**

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

## **Sustainability impact**

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- 8.1 There are no sustainability implications arising from this report.

## Consultation and engagement

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- 9.1 Consultation was undertaken with the trades unions to secure a local agreement.
- 9.2 A range of stakeholders, including whistleblowers and trades unions, were consulted during the pilot review.

## Background reading/external references

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[Finance and Resources Committee 19 September 2013: item 7.2 - Revised Whistleblowing Policy](#)

[Finance and Resources Committee 27 August 2015: item 7.13 - Review of Whistleblowing Arrangements](#)

### Andrew Kerr

Chief Executive

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

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## Links

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<b>Coalition pledges</b>	P27 – seek to work in full partnership with Council staff and their representatives.
<b>Council outcomes</b>	CO15 – the public is protected. CO25 – the Council has efficient and effective services that deliver on objectives. CO27 – the Council supports, invests in and develops our people.
<b>Single Outcome Agreement Appendices</b>	

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Corporate Leadership Team Risk Update

Item number	7.2
Report number	
Executive/routine	
Wards	

### Executive summary

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The risk information attached is the Corporate Leadership Team's (CLT) prioritised risks as at August 2016. 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 CLT and a plan has been developed for further review and scrutiny.

The risk register is a dynamic working document and is 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 CLT and Senior Management Team (SMT) Risk Committees.

## Corporate Leadership Team Risk Update

### Recommendations

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- 1.1 To review the attached prioritised risk information for the CLT and to invite relevant officers to discuss key risks as required;
- 1.2 To note that the Finance and Resources Committee was the Executive Committee with main reporting responsibility for Property related matters; and
- 1.3 To request that progress reports on the additional precautionary surveys currently being undertaken in buildings sharing similar design features to those of the PPP1 schools, would be referred to the Governance, Risk and Best Value Committee for scrutiny.

### Background

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- 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 (GRBV) Committee on the key corporate level risks facing the Council.
- 2.2 The CLT last presented its Corporate Risk Register to the GRBV Committee in June 2016.

### Main report

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- 3.1 The CLT risk summary attached in Appendix 1 reflects the current priority inherent risks of the Council and demonstrates the controls to mitigate the risks.
- 3.2 The Risk Committee in August 2016 discussed the impacts upon the Council of Brexit and other political and economic uncertainties. There is clearly an uncertain road ahead and ramifications are speculation at this stage. CEC has established a Brexit response team who will track the political decisions and engage advisors as appropriate going forward. It is thought that one of the most likely immediate impacts would be related to the extensive foreign employee workforce in the city. It was agreed that the Brexit steering group, comprising representation from Strategy, Service Areas and Risk, would update the CLT Risk Committee on a regular basis.

- 3.3 Specific risks relating to PPP1 were discussed. It was agreed that the risk around the timeline for return to schools was no longer a key risk but that in the wake of PPP1 a new risk has now emerged that with increased focus on Council property of a particular construction and accelerated condition surveys across all Council property assets, further issues may be identified that need rectification resulting in disruption for citizens and increased financial burden.
- 3.4 The identification of funding to accelerate condition surveys is a positive measure towards maintaining its capital portfolio. However the overarching risk to the Council is that it does not have sufficient resource to maintain its infrastructure and property portfolios and that risk remains high at a residual level. It is critical that the Council's properties are fit for purpose and meet health and safety standards now and in the future.
- 3.5 The Risk Committee discussed the issue of the CEC and Health Board budgets for the integrated services not yet being agreed and how the affordability of the integrated service could impact the Council. The Chief Officer of the IJB reassured the CLT that extra funding has been earmarked and the risk further eased by savings anticipated to be made through restructuring taking place by December.
- 3.6 Directors agreed that at future Risk Committees they would speak to their Service Area key risk exposures and explain the key actions being taken to mitigate them.
- 3.7 Each CLT 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 is updated regularly to reflect the changing risks of the Council. The CLT Risk Register is currently undergoing a refresh involving all members of the CLT.

## Measures of success

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- 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

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- 5.1 None.

## Risk, policy, compliance and governance impact

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- 6.1 Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council.

## Equalities impact

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- 7.1 None.

## Sustainability impact

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- 8.1 There is no direct sustainability impact arising from the report's contents

## Consultation and engagement

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- 9.1 The attached risk summary has been challenged and discussed by the CLT and a plan has been developed for further review and scrutiny.

## Background reading/external references

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None.

## Hugh Dunn

Acting Executive Director of Resources

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## Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – CLT prioritised inherent risks at August 2016

# Appendix 1 CLT prioritised inherent risks heat map

## 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.

Profile



## 2. Post PPP1 building surveys (New)

Risk that the inspection reviews commissioned post PPP1 identify further issues that need rectification resulting in disruption for citizens and increased financial burden.



## 3. Cyber Security and Data Privacy

Risk that the Council's ICT infrastructure is overly exposed to cyber-attacks by external parties or former employees who may still have access to Council systems resulting in loss of data and significant reputational damage.



## 4. 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. ICT Infrastructure

Risk that the ICT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council impacting the Council's ability to deliver services as expected and to meet savings targets.



## 6. Transformational Change Agenda

Risk that the Council's transformational change agenda is not implemented effectively and that during the change process business continuity plans are no longer fit for purpose could result in the Council failing to meet service delivery outcomes.



## 7. 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.



## 8. 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.



## 9. Public Protection

Risk that the public in general and service users in particular experience harm and/or negative outcomes through either a lack of adequate resource or process failure.



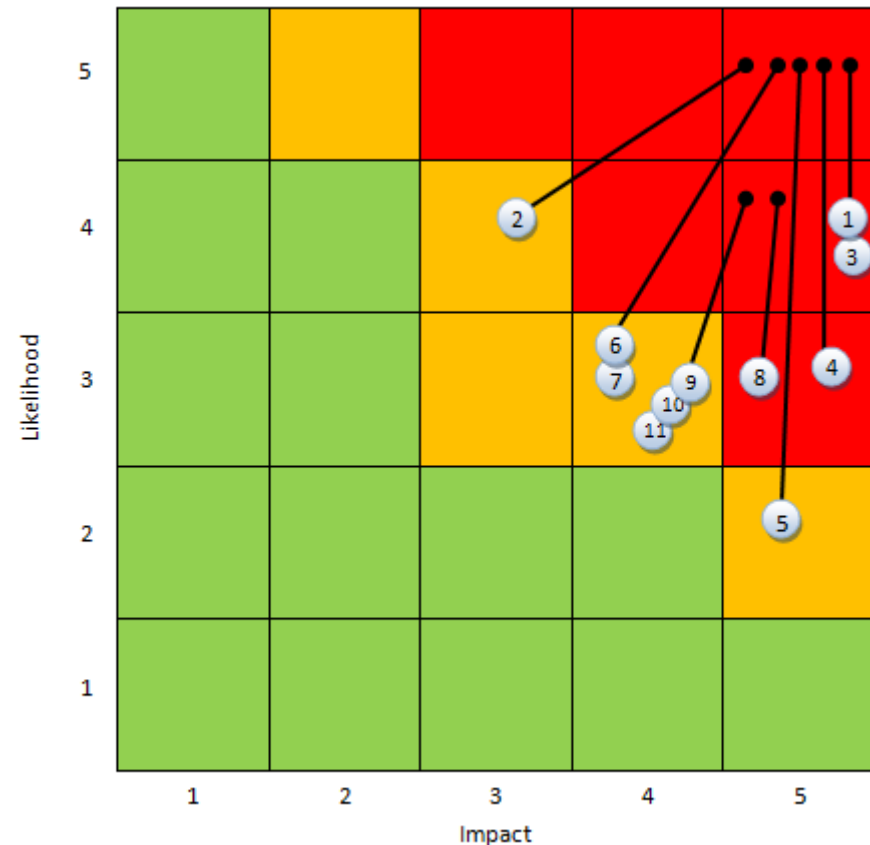
## 10. Workforce Planning

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.



## 11. 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.





# CLT prioritised inherent risks with mitigating actions

Category	Risk Description	Inherent		Current Key Mitigating Controls	Residual		Further Actions
		I	L		I	L	
1	Operational <b>Maintenance of Capital Assets</b> 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	<ul style="list-style-type: none"> <li>Regular updates on the Asset Management Strategy provided to appropriate Committees include capital and revenue investment requirements across the whole portfolio</li> <li>Condition surveys performed routinely</li> <li>Property Rationalisation work-stream</li> </ul>	5	4	<ul style="list-style-type: none"> <li>Continue response to condition survey requirements</li> <li>Continue to update elected members on resources required for repairs</li> </ul>
2	Operational <b>Post PPP1 building surveys (New)</b> Risk that the inspection reviews commissioned post PPP1 identify further issues that need rectification resulting in disruption for pupils, staff and parents and increased financial burden.	5	5	<ul style="list-style-type: none"> <li>Regular incident management meetings (chaired by Chief Executive) include expert representation</li> <li>Regular liaison between service area, corporate communications, schools and media</li> </ul>	3	4	<ul style="list-style-type: none"> <li>Ensure Resilience debrief at start of new term to focus on lessons learned from PPP1 decant</li> </ul>
3	Operational <b>Cyber Security and Data Privacy</b> Risk that the Council's ICT infrastructure is overly exposed to cyber-attacks by external parties or former employees who may still have access to Council systems resulting in loss of data and significant reputational damage.	5	5	<ul style="list-style-type: none"> <li>Laptop and media encryption</li> <li>Data awareness campaign</li> <li>Service automation controls in place</li> <li>Dedicated reviews supported by industry experts</li> <li>Leavers process includes removal of access to IT applications</li> </ul>	5	4	<ul style="list-style-type: none"> <li>Assess priority and exposure of systems across the whole ICT environment</li> <li>Early engagement with new ICT supplier on cyber security to review testing regime.</li> <li>Rolling Internal Audit of system</li> </ul>
4	Strategic <b>Integrated Care Programme</b> 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	<ul style="list-style-type: none"> <li>Integration Scheme</li> <li>Strategic Commissioning Plan</li> <li>Establishment of Board</li> <li>Establishment of Leadership Group</li> </ul>	5	3	<ul style="list-style-type: none"> <li>Continue work on integrating organisational arrangements across NHS and Social Care, clarifying roles and responsibilities of all parties</li> </ul>
5	Operational <b>ICT Infrastructure</b> 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	<ul style="list-style-type: none"> <li>Consultation with staff to design correctly</li> <li>Output specifications clearly identified</li> <li>Engagement with staff, management &amp; service providers</li> <li>Change controls built into new contract</li> </ul>	5	2	<ul style="list-style-type: none"> <li>Business Continuity/ICT report on criticality of systems</li> </ul>

Category	Risk Description	Inherent		Current Key Mitigating Controls	Residual		Further Actions
		I	L		I	L	
6	Strategic	<b>Transformational Change Agenda</b>		<ul style="list-style-type: none"> <li>Transformational governance with full time resource</li> <li>External assurance and skills utilised as required</li> <li>CLT monitoring &amp; reporting on Council projects</li> <li>Governance of major projects/CPO status reports</li> <li>Council performance dashboards</li> <li>Ongoing consultations with Trade Unions</li> </ul>	4	3	<ul style="list-style-type: none"> <li>Dialogue with Elected Members</li> <li>Encourage collegiate interactions between officers and elected members</li> <li>Provide resilient advice to Elected Members to support decision making process and risk exposure</li> </ul>
		5	5		Risk that the Council's transformational change agenda is not implemented effectively and that during the change process business continuity plans are no longer fit for purpose could result in the Council failing to meet service delivery outcomes.		
7	Financial	<b>Savings Targets</b>		<ul style="list-style-type: none"> <li>Service Area budget proposals include a cost pressure contingency</li> <li>Savings MI reported monthly to CLT</li> <li>External assistance to help drive the benefits realisation programme</li> </ul>	4	3	<ul style="list-style-type: none"> <li>Monthly budget monitoring and challenge meetings</li> <li>Prioritisation of service spend</li> </ul>
		5	5		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.		
8	Strategic	<b>Planning for Increased Demand</b>		<ul style="list-style-type: none"> <li>Demographic funding built into long term financial plans</li> <li>Provision for demographics</li> <li>Strategic workforce planning Board reporting to CLT</li> </ul>	5	3	<ul style="list-style-type: none"> <li>Continuing agenda item for CLT's consideration</li> <li>Improved MI to deliver stronger business case for support</li> </ul>
		5	4		Risk of lack of strategic planning in relation to increasing demand for critical services, taking into account growth in the City's population and changing demographics, leading to a shortfall in funding and a lower quality of service.		
9	Operational	<b>Public Protection</b>		<ul style="list-style-type: none"> <li>Established multi-agency public protection procedures</li> <li>Infrastructure of multi-agency governance through protection committees and Edinburgh's Chief Officers' Group - Public Protection</li> <li>Detailed audit and practice evaluation programmes for each area of risk</li> <li>Performance &amp; quality assurance frameworks in place, include regular reporting to chief officers, elected members, Scottish Government</li> </ul>	4	3	<ul style="list-style-type: none"> <li>No current further actions identified</li> </ul>
		5	4		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.		
10	Organisation and people	<b>Workforce Planning</b>		<ul style="list-style-type: none"> <li>Workforce Strategy to support design of a flexible, motivated and high performing workforce with the right capabilities, capacity and culture</li> <li>Line by line funded establishment</li> <li>Transformation workforce workstream</li> </ul>	4	3	<ul style="list-style-type: none"> <li>No current further actions identified</li> </ul>
		5	4		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.		

Category	Risk Description	Inherent		Current Key Mitigating Controls	Residual		Further Actions
		I	L		I	L	
11 Service Delivery	<p><b><i>Delivering Council Commitments</i></b></p> <p>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.</p>	5	4	<ul style="list-style-type: none"> <li>Service Areas' clearly defined Service delivery plans</li> <li>SMT KPI's to assess progress against objectives</li> <li>Prioritisation of resources through strategic workforce planning initiatives</li> </ul>	4	3	<ul style="list-style-type: none"> <li>Internal Audit reviews annually to track performance against stated service plans</li> </ul>

## 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 Impact	4 – Major	5 - Catastrophic

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Internal Audit Quarterly Update Report: 1 April 2016 – 30 June 2016

Item number	7.3
Report number	
Executive/routine	
Wards	

### Executive summary

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Internal Audit has made reasonable progress in the first quarter of the audit year. This report provides details of the activity from 1 April 2016 – 30 June 2016.

### Links

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Coalition pledges	<a href="#">PO30</a>
Council outcomes	<a href="#">CO25</a>
Single Outcome Agreement	

## Internal Audit Quarterly Update Report: 1 April 2016 – 30 June 2016

### Recommendations

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- 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.
- 1.2 Committee is requested to refer the 5 reports noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integrated Joint Board (IJB) to that Committee.

### Background

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- 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

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- 3.1 Internal Audit has made reasonable progress in the first quarter of the audit year with 10 reports being issued for the quarter. These reports contain a total of 7 High, 18 Medium and 2 Low findings.
- 3.2 The status of outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report from 1 April 2016 to 30 June 2016'.
- 3.3 Appendix 1 provides a summary of reports and the classification of findings in the period. A copy of all final reports is available to members.
- 3.4 Appendix 2 provides a summary of the High Risk findings and associated management actions.

## Measures of success

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- 4.1 Once implemented, the recommendations contained within these reports will strengthen the Council's control framework.

## Financial impact

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- 5.1 None.

## Risk, policy, compliance and governance impact

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- 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

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- 7.1 No full ERIA is required.

## Sustainability impact

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- 8.1 None.

## Consultation and engagement

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- 9.1 None.

## Background reading/external references

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- 10.1 None.

## Magnus Aitken

Chief Internal Auditor

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## Links

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<b>Coalition pledges</b>	PO30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Summary of Internal Audit report findings issued for period of 1 April 2016 – 30 June 2016. Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1 April 2016 – 30 June 2016.



## Summary of Internal Audit reports issued for period 1 April 2016 – 30 June 2016

<b>Internal Audit reports</b>				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
Self Directed Support Option 3 – HSC 1503#	3	4	1	1
Integrated Health & Social Care Budgeting Process – HSC 1505 #	2	1	-	-
Continuous Testing – Stand By, On Call & Disturbance Payments – CG1511#	1	2	-	-
Review of Information Governance Framework - RES 1617#	1	2	-	-
Review of Child Protection CF1617	-	3	-	-
Management of Development Funding – MIS 1607	-	2	1	-
Recycling Targets – PL1601	-	2	-	-
Care Sector Capacity – HSC 1504#	-	1	-	-
Continuous Testing – Purchase Orders – CG1514	-	1	-	-
<i>Total</i>	7	18	2	1

<b>Other Internal Audit Outputs</b>				
CWSS Grant Claim	N/A	N/A	N/A	N/A

# These reviews may be of interest to members of the Audit & Risk Committee of the Edinburgh Integrated Joint Board and it is proposed these reviews are referred to that Committee.

***City of Edinburgh Council***

**Internal Audit**

**Quarterly Summary of Critical/High Risk  
Findings and Management Actions**

**(1 April 2016 – 30 June 2016)**

# Contents

Section 1 – Self Directed Support Option 3.....2

Section 2 – Integrated Health & Social Care Budgeting Process .....7

Section 3 – Continuous Testing – Stand By, On Call & Disturbance Payments .....12

Section 4 – Review of Information Governance Framework.....16

# Section 1 – Self Directed Support Option 3

HSC1503

## Total number of findings

	Critical	High	Medium	Low
<b>Total</b>	-	3	4	1

## Background

The Social Care (Self-Directed Support) (Scotland) Act came into effect on 1 April 2014 and is a key building block of public service reform. The core values of inclusion, contribution and empowerment through real choice and respect are reflected in the aim of the legislation, which is to enable people to live as independently as possible, exercising choice and control over the way in which their care and support needs are met. The Act creates a statutory framework to change the way services are organised and delivered to focus on the individual, thereby better meeting the outcomes they identify as important.

There are four self-directed support (SDS) options available to service users under the Act:

- Option 1: a direct payment by the local authority to the supported person to enable them to arrange their own support;
- Option 2: the supported person chooses their support and the local authority arranges it;
- Option 3: the local authority selects and arranges support on behalf of the supported person; or
- Option 4: a mix of options 1, 2 and 3.

This review was focussed on the delivery of 'Option 3', where the Council selects and arranges support on behalf of the supported person.

## Scope

The scope of this review was to assess the design and operating effectiveness of the Council's controls relating to Self-Directed Support Option 3. The review focussed on the process starting with the clients first contact with the council to finalising the allocation of services and covered the following sub-processes:

- Choice;
- Service; and
- Reporting.

## Summary of High Risk Findings

### Communication of Budget

The Social Care (Self-directed Support) (Scotland) Act 2013 states that the authority must “inform the supported person of the amount that is the relevant amount for each of the options for self-directed support from which the authority is giving the person the opportunity to choose, and the period to which the amount relates.” The “relevant amount” is defined as “the amount that the local authority considers is a reasonable estimate of the cost of securing the provision of support for the supported person”.

At present, the supported person is not informed of their assessed budget when they are asked to choose their option. They are only told of the resources available to them when they receive their personal support plan after they have selected their option.

### Advocacy Services

The Social Care (Self-directed Support) (Scotland) Act 2013 states that the authority must give the person “in any case where the authority considers it appropriate to do so, information about persons who provide independent advocacy services (within the meaning of section 259(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 (asp 13)).”

When researching advocacy services for people affected by SDS the only place we were able to find information was on the Council's *Edinburgh Choices* website which is an online directory of local care and support services, which includes details of independent advocacy services.

However, we were unable to find links to the *Edinburgh Choices* website in key communications to service users and the general public about SDS. The Council has produced detailed pamphlets and leaflets which explain SDS to service users and carers but advocacy services are not covered, and readers are not directed to the *Edinburgh Choices* website. Practitioners we spoke to could not direct us to advocacy services.

### Quality Assurance

We reviewed a sample of 25 personal support plans and noted a wide variation in the quality and quantity of documentation.

Some teams, such as the North West team, have introduced quality assurance procedures to improve the quality of assessments and care plans. We were unable to find evidence of similar quality assurance procedures across other neighbourhoods and teams. There have also been some ad hoc interventions centrally, such as a review of a sample of 50 Personal Support Plans. There are currently no plans to repeat this exercise.

These interventions, however, are limited in scope and confined to certain teams. There is no quality assurance process to sustain and improve the quality of assessments and personal support plans across the city.

### **Recommendations and Agreed Management Action for High Risk Findings**

<b>Recommendations</b>	<b>Agreed Management Actions</b>	<b>Target Date</b>	<b>Status of Actions Due</b>
<p><b>Communication of Budget</b></p> <p>Management should seek clarification from Scottish Government on how the legislation should be applied where the supported person is allocated the same budget whichever option is chosen.</p> <p>Management must then ensure that the SDS assessment process is compliant with Scottish Government's instructions. This may mean informing the supported person of their personal budget at an earlier stage of the assessment process.</p>	<p>Scottish Government have been approached on this issue through the Social Work Scotland SDS Sub-group and have indicated that they are prepared to consider issuing further guidance and in particular revisit the issue of whether local authorities need to notify individuals of the indicative budget for each of the four options or just provide a single indicative budget which is what most authorities seem to be doing in practice. These discussions will take place through the Social Work Scotland SDS Sub-group and Senior management will ensure that Edinburgh is involved in these discussions.</p> <p>The current processes and practice in relation to providing individuals with an indicative budget will be</p>	31 October 2016	Not Due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	<p>reviewed and updated and clear guidance issued to staff taking account of any change in guidance from the Scottish Government. In either case, an indicative budget will be given to individuals before they are asked to select their preferred option.</p> <p><b>Responsible Officer:</b> Strategic Planning Manager</p>		
<p><b>Advocacy Services</b></p> <p>The service should ensure that information about advocacy services is available to service users. Possible options may include:</p> <ul style="list-style-type: none"> <li>• Providing practitioners with information about available advocacy service and what they do;</li> <li>• Directions to <i>Edinburgh Choices</i> in guidance materials for service users; or</li> <li>• Names of advocacy services in pamphlets and leaflets for service users.</li> </ul>	<p>Existing leaflets and information materials to be reviewed to make reference to Edinburgh Choices</p> <p>Information to be produced for dissemination to practitioners regarding the duty to identify people who may benefit from advocacy and support them to access this services and the agencies that the Council has commissions to provide advocacy services.</p> <p><b>Responsible Officer:</b> Strategic Planning Manager</p>	30 August 2016	Not Due.
<p><b>Quality Assurance</b></p> <p>Implement a formalised and continuous quality assurance process that gets carried out across the localities.</p>	<p>There is an existing file audit process that will pick up on overall issues of both data quality and quality of recording. In order to address the specific issues identified through this audit the Quality Assurance Team will undertake a themed audit in respect of Personal Support Plans. This will involve engaging with key managers to establish the questions that need to be answered and will include consideration of</p>	31 December 2016	Not Due



Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	<p>the model used in the North West Team.</p> <p>Work is underway to embed quality assurance processes in the new Health and Social Care structure based around the Integration Joint Board Performance and Quality Sub group, which has a scrutiny and oversight role and Locality Quality meetings. Each locality management team will have a primary role in developing, embedding and managing its own quality assurance mechanisms as part of a programme of continuous improvement.</p> <p><b>Responsible Officers:</b> Locality Managers and Team Leader Quality Assurance</p>		

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 2 – Integrated Health & Social Care Budgeting Process

HSC1505

## Total number of findings

	Critical	High	Medium	Low
<b>Total</b>	-	2	1	-

## Background

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) have created an Integration Joint Board, the EIJB, to plan for and oversee the provision of adult care within the city. 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 were fully delegated on 1 April 2016.

The creation of the EIJB 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.

The Final Integration Scheme was approved by the Scottish Government in May 2015. This scheme details how the Board intends to operate, covering key areas such as delivery arrangements, clinical care, governance and finance. 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 to assist in the provision of assurance over the financial provisions to be included in the Integration scheme.

### **Scope**

The scope of this review was to assess the design and operating effectiveness of the CEC controls relating to the budgeting process for services that will be transferred to the EIJB. The sub-processes and related control objectives included in the review are:

- Clarity over delegation of services
- Budgeting process
- Risk sharing of a budgetary overspend by the EIJB

The review focused on the methodology and controls surrounding the preparation and approval of the budgets for services to be transferred to the Integration Board. The review did not specifically consider if budgets for individual services are sufficient.

### **Summary of High Risk Findings**

#### Achievement of savings targets

The savings target of £15m for the 2016/17 H&SC budget has been clearly articulated and is well understood.

The most recent RAG status monitoring for savings targets splits the £15m into the following categories:

- Red £8.5m,
- Amber £4.5m
- Green £2m.

In light of the projected RAG status for the 2016/17 savings it would appear that there is a high risk that these savings targets will not be met.

### EIJB budgetary overspend

In the event of remedial action by the Chief Officer of the EIJB being unsuccessful in preventing an overspend, then the EIJB would seek additional funding from its constituent partners, NHSL and CEC. This could result in CEC being asked to contribute towards expenditure incurred by NHSL (or visa versa)

In the event of CEC, NHSL and EIJB being unable to agree on the arrangements for covering an overspend, the dispute resolution process within the Integration agreement would be enacted. Should this fail to achieve resolution, there is provision for a third party mediator to be appointed to facilitate an agreement.

In the event of a mediated agreement not being reached, the matter would be referred to the Scottish Ministers who would advise on how to proceed and CEC would lose any control over the process.

Given this process, CEC retains a significant financial risk in the event of an overspend by the EIJB. Dependant on where the overspend arises, CEC may have limited or no influence on controlling that overspend.

### **Recommendations and Agreed Management Action for High Risk Findings**

<b>Recommendations</b>	<b>Agreed Management Actions</b>	<b>Target Date</b>	<b>Status of Actions Due</b>
<b>Achievement of savings targets</b>  Continued focus by management is required to ensure that savings are achieved where possible. H&SC should consider where additional compensatory savings could be made in the event of the budgeted savings not being realisable.	Health and Social Care Transformation and Efficiency reviewing all savings proposals and looking to identify those already identified. Following delegation of services for saving will then fall within EIJB remit.  <b>Responsible Officer:</b> Chief Officer – Edinburgh Health & Social Care Partnership	31 May 2016	TBC
<b>EIJB budgetary overspend</b>  The EIJB and its partners NHSL & CEC should continue to monitor the expenditure to ensure	The arrangements for variances from agreed budgets are described at a high level in the integration	30 June	TBC

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
<p>that any early warning signs are picked up and appropriate action taken to prevent or minimise an overspend.</p> <p>CEC should seek to try and secure an agreement with NHSL that would limit its exposure to any overspend that arises from areas out with its control.</p>	<p>scheme. The detailed operational practices to support this now need to be worked through between the 3 parties, CEC, NHSL and EIJB. This will be progressed in accordance with the principles outlined in the draft Tripartite Agreement. CEC has provided a risk sharing discussion paper and will work with the EIJB to clarify arrangements.</p> <p>Although the EIJB partnership is new, partnership working has existed between CEC and NHSL for several years and is therefore mature. It is therefore more likely that any financial disputes between partners would be addressed without recourse to the arbitration clause within the integration scheme.</p> <p>It is the view of the Chief Officer of the EIJB and the Interim Chief Finance Officer of the EIJB that the risk of a dispute is low and that the impact would not be significant in the context of the overall CEC budget.</p> <p>Regular monitoring of the CEC and NHS elements of the budget will be undertaken and reported to the appropriate governance committees. Each budget saving will have a robust implementation plan which will be reviewed as part of the monitoring process with 'RAG' analysis used to highlight current status. Action will be taken to resolve any overspends identified or alternative savings sought should ameliorative action not be possible.</p> <p>Work will be undertaken to clarify the arrangements to address any overspends.</p>		

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	<b>Responsible Officer:</b> Chief Officer – Edinburgh Health & Social Care Partnership / Acting Executive Director of Finance		

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 3 – Continuous Testing – Stand By, On Call & Disturbance Payments

CG1511

Total number of findings

	Critical	High	Medium	Low
<b>Total</b>	-	1	2	1

## Background

The Council is required to provide a variety of services outwith normal working hours in support of its citizens and partner agencies. Out-of-Hours (OOH) services are determined by a variety of factors which include statutory regulation, customer demand and Council objectives. OOH services are provided on the basis of essential service or emergency call-out. Services which are part of essential services should be covered off through shift working arrangements. OOH emergency call-outs are covered off through either 'Standby' or 'Call-out' arrangements.

### **Standby / On-call:**

Standby refers to times outside of normal working hours when staff have agreed to be available to attend work to respond to unplanned or emergency situations. If staff are on standby and are actually called into work, they are considered to be on-call. Council responsibility for on-call personnel commences from the moment they receive a call to the moment they return home having completed their responsibilities for the incident response. The standard standby rate for all grades is £104.22 for a full week, with daily, weekend and public holiday rates also in place. Standby payments are available to staff in grades 1 - 7. Payments to staff in grade 8 and above would be made in exceptional circumstances only.

### **Call-out:**

There may be rare occasions, such as a serious or major incident, when staff who are not on standby are contacted to assist in an emergency response (either, to provide advice or guidance from their location, going to their place of work or site of the emergency, or asked to support

services at an alternative location). Council responsibility for personnel called out to respond to a major incident commences from the moment they receive a call to the moment they return home having completed their responsibilities for the incident response. Overtime rates apply to both standby and non standby call-out overtime, with payments to staff in grade 8 and above only being made in exceptional circumstances, and capped at the top of grade 7.

***Disturbance:***

There are occasions when staff are contacted outwith their normal working hours to provide advice or guidance but are not required to report to a designated workplace. This may involve an employee being contacted and dealing with an issue from home (or another location) over the phone or by email. Employees cannot receive disturbance and call-out payment for the same time period. For staff on standby an allowance of £13.36 is payable once within each period of two hours irrespective of the number of contacts within the period. For staff not on standby, the allowance is £18.37. Staff at grade 8 and above will only be made these payments in exceptional circumstances.

Managers with responsibility for standby teams are required to ensure that all standby claims are in accordance with Council policies and guidelines.

The review was undertaken as part of a programme of testing of continuous controls over key financial systems included in the 2015/16 audit plan. Computerised Audit Tools and techniques were utilised to analyse all disturbance payments across the Council and highlight anomalies for further testing. The highest 22 claims were tested due to their statistically significant difference to the norm. 15 of the 22 (68%) were employees of Services for Communities, now Place, four (18%) were from Health & Social Care and three (14%) were from Communities and Families. From the employees sampled, once standby, callout, overtime, and disturbance are collated they can increase their basic pay by 50%.

**Scope**

The scope of this review was to assess the design and operating effectiveness of the Council's controls relating to standby, on call and disturbance payments. The sub-processes and the related control objectives are:

- Guidance exists, is clear and robust;
- Standby, On Call and Disturbance payments are only authorised and paid when in adherence with Council policies and guidelines;
- Arrangements for the authorisation of payments ensures that potential conflicts of interests are avoided; and
- Management monitoring processes are in place.



## Summary of High Risk Finding

### Claims breaching Council rules are subsequently authorised without adequate due diligence

The claims of the 22 highest disturbance claimants across the Council were scrutinised for a three month period. 15 of the claimants (68%) had submitted inappropriate claims. In each of the other seven cases some claims lacked sufficient detail to independently verify validity.

Full detail of inappropriate claims have been passed to the relevant Heads of Service but there is a clear trend that claims which are excessive, inappropriate, or erroneous are commonplace in certain functions of the Council and subsequently authorised without effective due diligence by Line Managers. It also appears clear that there are localised pockets of deliberate non-adherence to Council Policies. In some instances the Line Manager authorising the inappropriate claims was also obtaining the same allowances.

The major themes are:

- Overtime or standby being claimed more than once in same or different claims,
- Multiple claims for disturbance while being already on overtime,
- Pattern of claiming at least daily, frequently at the end of core time (i.e.17:00),
- General office duties being claimed for rather than emergencies or essential services,
- Multiple disturbance claims from within core time and before advertised standby times,
- Additional disturbance claims made within the same two hour disturbance period,
- Standby disturbance claims made when not on standby,
- Line Manager not challenging claims, and
- Routine use of Grade 8 staff for non emergency tasks, for example checking weather forecasts twice daily, and four times daily at weekend for a prolonged period.

There are also occasional issues re:

- 10. Submitting claims with a mixture of 12 and 24 hour clock, and
- 11. Two people claiming for the same task at the same time.

For all instances of non compliance noted, claims had been authorised and paid.

### Recommendation and Agreed Management Action for High Risk Finding

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>A robust and focused review should be carried out targeting the areas of concern highlighted separately in detail at the conclusion of the audit fieldwork.</p> <p>Appropriate action should be taken by the Senior Management Team where claims are found to be inappropriate.</p> <p>Following this review roles and responsibilities should be reinforced to staff. Periodic monitoring should be carried out until controls are found to be operating correctly.</p>	<p>Line Managers will scrutinise the claims of the individuals who have been found to have submitted non compliant claims.</p> <p>Line Managers will make clear to those individuals their expectations regarding compliance with procedure when they submit any future claims. At completion of the current transformation process, all Managers will be reminded of roles and responsibilities via an e-mail from Head of Service and team meeting briefings.</p> <p>Budget Holding Managers will carry out an ad-hoc analysis of claims, on a quarterly basis, to ensure compliance with procedures.</p> <p><b>Responsible Officer:</b> Executive Director of Place, Head of Children's Services &amp; Manger, Edinburgh Support Services</p>	31 July 2016	TBC

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

# Section 4 – Review of Information Governance Framework

RES1617

## Total number of findings

	Critical	High	Medium	Low
<b>Total</b>	-	1	2	-

## Background

The Council recognises the need to have a robust Information Governance framework in place.

In November 2013, the Council Corporate Management Team approved an Information Governance strategy, agreeing that information was a key asset and its effective management would reduce the risk of reputational loss, financial penalties and meet statutory requirements. The strategy covers:

- Data Quality;
- Information Security;
- Information Compliance;
- Information Sharing; and
- Records Management.

There has been some unease across the Council that the current quality of Management Information and underlying data facilitating this, is not sufficient to meet the needs of the organisation.

The review focused on the following challenges facing the Council:

- Behaviour and culture driving forward a robust Information Governance framework;

- Information Governance framework fitness and assurance test;
- Demonstration of controls through robust Information Governance measures; and
- Risks in variability across management at different levels, enforcing local Information Governance frameworks, resulting in inconsistencies and risk of non-compliance with the Data Protection Act 1998.

### **Scope**

The scope of the review was to assess the design and operating effectiveness of the Council's controls over Information Governance. The sub-processes and related control objectives included in the review are:

- Information Governance & Control Framework;
- Staff Training; and
- Compliance with the Data Protection Act.

### **Summary of High Risk Finding**

#### Information Security

While the Council have an Electronic Information Security Policy, there is no evidence that it has been reviewed since 2004.

It also lacked sections that would be expected within an Information Security Policy such as:

- An introduction stating what CEC are trying to protect and why;
- A statement of support for Information Security from the Board or CEO;
- A section that indicates how this fits with the wider policy framework;
- A section to discuss the minimum control objectives to be achieved consistently across the Council; and
- How assurance over compliance with the policy will be achieved.

The Council have policies that staff annually attest to reading, including:

- Employee Code of Conduct;
- ICT Acceptable Use; and
- Electronic Information Security Policy.

The Council have an eLearn in place for information security. However, the current Information Security team have not reviewed the content and are not actively monitoring the completion of this training. There is also a section on information security within the information governance training, however this is still to be completed by over 70% of CEC staff.

The Council have an Information Security team that normally comprises of an Information Security Manager and Officer. The Manager role has been absent since February 2015 with recruitment ongoing. All Information Security breaches are reported through the Information Security Manager (or Officer as deputy) which leaves the Council with a key man dependency within this area.

BT deliver activities relating to specific operational IT security tasks and have procedures in place for escalating issues. However, there is no evidence of oversight for this work within the Council though regular reporting. .

### Recommendation and Agreed Management Action for High Risk Findings

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>Review and refresh the Information Security Policy to apply recognised standards, leveraging sources of security management good practice, such as the ISO/IEC 27000 series of standards, or making use of endorsed assurance schemes such as adopting the Cyber Essentials Scheme;</p>	<p>An information security policy has been drafted and will be presented to committee for formal approval in September 2016. This is based on the CGI ISO27000 compliant methodology “Prism” and included consultation with directorates and key stakeholders and through a series of workshops. To support the policy various information security procedures and processes are being revised and created, including Data Access Requests, Cloud &amp; Hosting, Acceptable Usage, Leavers, Security Incidents, Email, Remote Working, and Removable Media</p>	<p>30 September 2016</p>	<p>Not Due.</p>
<p>Schedule and maintain annual reviews of the Information Security Policy across all key stakeholders, including legal, compliance and business representatives;</p>	<p>Once adopted, the policy (and associated procedures) will be monitored through the Information Council. As part of this process, information security will be audited on annual basis through the information governance maturity model which includes specific questions around information security and the protection of records. This will be a mandatory exercise for all Council services and is currently being piloted through the Schools Assurance Framework.</p>	<p>31 December 2016</p>	<p>Not Due</p>
<p>Review the approach to gain ongoing assurance that the Information Security Policies requirements are embedded across the Council;</p>	<p>The information governance maturity model will be used to audit information security arrangements</p>	<p>31 December 2016</p>	<p>Not Due</p>
<p>Develop a training and communication plan for Information Security, reporting progress to the Information Council;</p> <p>Review as a priority, resourcing within the CEC Information Security team, ensuring it has the capacity to undertake the key roles and</p>			

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
<p>responsibilities to mitigate Information Security risk;</p> <p>Consider the process of rapid escalation for security incidents during the period when the Information Security team is operating with one person;</p> <p>Develop regular Information Security reporting between CEC and BT that provides confidence to the Council that information risks are being managed within tolerance</p>	<p>across the Council to ensure that controls are embedded and followed. Incident reporting will also help to inform this process by identifying risk areas. Similarly, the Council's Information Asset Register will also help to identify security risks to Council information, ensuring that Council information is being properly managed.</p> <p>A training and communications plan has been developed as part of the Information Council's Plan, including key messages around information security. These will be added to and reinforced as ICT, CGI and Information Governance continue to review processes, procedures and controls around technical and organisational information security. The new ICT provider is contracted to supply more resources to deliver improved standards for ICT security which comply with policies and standards. These include a Security Operation Centre and an on-site information security presence, and an improved ICT security toolset. The Corporate Leadership Team also agreed to the creation of a new post within the Information Governance Unit to deal with organisational measures around the wider information security arena to ensure that physical, procedural and personnel risks to the Council's information assets are identified and properly managed. Recruitment process is currently underway for this post.</p> <p>Following consultation with CGI, a revised process is about to be introduced with all ICT security and relevant DPA incidents channelled through the central ICT service desk. This will provide appropriate levels</p>	<p>30 August 2016</p> <p>31 July 2016</p>	<p>TBC</p> <p>TBC</p>

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
	<p>of resilience and ensure that all relevant security incidents are properly logged, reported and managed.</p> <p>Following the end of the BT contract, ICT security reporting is now the responsibility of CGI. The new contract has improved methods and mechanisms to support ICT security, including regular reporting and the provision of expert advice around security threats and service development.</p> <p><b>Responsible Officers:</b> Information Council, Information Governance Unit, Information Security Manager</p>	30 June 2016	Contract now transferred to CGI.

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Internal Audit follow-up arrangements: status report from 1 April 2016 to 30 June 2016

Item number	7.4
Report number	
Executive/routine	
Wards	None

### Executive summary

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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 2016 that are past their initial estimated closure date.

### Links

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Coalition pledges  
Council outcomes  
Single Outcome Agreement



## Internal Audit follow-up arrangements: status report from 1 April 2016 to 30 June 2016

### Recommendations

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- 1.1 It is recommended that the Committee notes the status of the overdue outstanding recommendations and determine with which, if any, officers they want to discuss the current status with.

### Background

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- 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 Team (CLT) and GRBV.

### Main report

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- 3.1 At the end of each month, 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 6 high recommendations and 16 medium recommendations that remain open past their due date at 30 June 2016. These are split as follows:

<b>Grading</b>	<b>Over due at 31 March 2016</b>	<b>Closed</b>	<b>Management now tolerating risk</b>	<b>Newly overdue</b>	<b>Total</b>
High	2	1		5	6
Medium	15	10		11	16
<b>Total</b>	<b>17</b>	<b>11</b>		<b>16</b>	<b>22</b>

- 3.4 The details of these recommendations are shown in Appendix 1, with **14** items previously reported to GRBV separately identified.
- 3.5 We have also tracked the number of overdue recommendations each quarter since we moved to the current approach of tracking overdue recommendations.

<b>Grading</b>	<b>Over due at 30 June 2015</b>	<b>Over due at 30 Sept 2015</b>	<b>Over due at 31 Dec 2015</b>	<b>Over due at 31 March 2016</b>	<b>Over due at 30 June 2016</b>
High	3	5	4	2	6
Medium	12	14	18	15	16
<b>Total</b>	<b>15</b>	<b>19</b>	<b>22</b>	<b>17</b>	<b>22</b>

- 3.6 The Council's Corporate Leadership team commenced placing greater focus on closing outstanding audit recommendations in Q2 of 2016 and now review the status of all open audit recommendations on a monthly basis.

## Measures of success

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- 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

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- 5.1 Not applicable.

## Risk, policy, compliance and governance impact

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- 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

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7.1 Not applicable.

## Sustainability impact

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8.1 Not applicable.

## Consultation and engagement

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9.1 An overview was provided at the Corporate Leadership Team (CLT) and each Director was made aware of responsibilities to implement and agreed internal audit recommendations.

## Background reading/external references

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None.

### Magnus Aitken

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### Links

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<b>Coalition pledges</b>	PO30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Status report: Outstanding Recommendations Detailed Analysis

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
<b>Communities and Families</b>					
1	Access Controls - Schools IT Systems CF1513 ISS.1 ## High	Teaching staff commonly use personal and school-managed computers for work purposes, which may on occasion involve personal and sensitive data. These are not supported by BT and as such may not have full security such as passwords and anti-virus and encryption software installed. Office 365 is not used uniformly  <b>Office 365 should be standard when using a non-BT managed device for work. Appropriate guidance should be embedded including password protecting device</b>	We will prepare concise, easy-to-use guidance on the use of non-BT managed devices for work, specifying security requirements. The guidance will be introduced to schools at head teachers' and ICT co-ordinators' forums. The guidance will be circulated to schools. Staff will be asked to sign to confirm that they have read and understood the guidance annually.	ICT Development Manager  31 March 2016	The guidance is covered in the 'Checklist for Schools'. Need to test the ability of new MDM Intune to ensure security on any devices that are not school managed. Propose new implementation date of 31/10/16 Action will remain 'open' with revised implementation date of 31/10/2016. Proposed checklist provided to demonstrate progress.
2	Access Controls - Schools IT Systems CF1513 ISS.2 ## Medium	iPads bought as part of the technology in schools pilots are now reaching the end of their useful lives. Schools reported uncertainty about how they should dispose of redundant technology, resulting in unused iPads and laptops stored in schools pending confirmation of disposal arrangements and unused iPads sold to school staff with proceeds returned to the school fund. In each case, ICT technicians confirmed that all data was removed when the device was returned.  <b>Arrangements for the safe disposal and recycling or reallocation of iPads, laptops and other school-managed devices should be clarified and communicated to schools.</b>	A Computer Reselling and Recycling Scheme is being set up for Edinburgh schools. The contract will be finalised by the end of January 2016. The new contract will be introduced as a pilot at one secondary and one primary school before the new arrangements are rolled out to all schools in April 2016.	Development Officer  31 March 2016	Contract agreed by both sides and just needs to be signed. Action will remain 'open' with revised implementation date of 31/10/2016. Will provide a 'clean' copy of the contract once it is delivered by XMA.
3	Access Controls - Schools IT Systems CF1513 ISS.4 ## Medium	We selected a sample of 25 schools and compared the number of iPads registered on the Meraki mobile device management software to the number of iPads purchased from the preferred supplier and verified the password settings. Eight of the 25 schools reviewed had not registered all iPads purchased on Meraki. In one case only 21% of the iPads purchased had been registered on Meraki. Only nine of 25 schools reviewed enforce alphanumeric passwords of 6 to 8 characters on iPads registered on Meraki.  All iPads should be registered on Meraki and protected by a complex password (8-character, alphanumeric).	Use of Meraki, or the replacement CGI mobile device management system, will be made mandatory. It may not always be appropriate to use a complex password, for example for classroom iPads. However, complex passwords will be required where an iPad is allocated to an individual: this will be stipulated in the guidance staff are asked to read and agree to annually (see issue 1).	Development Officer  31 March 2016	Mandatory guidance will be communicated from the Head of Schools and Lifelong Learning to all Head teachers. Revised implementation date of 31/10/2016 to allow for Network Issues and holidays.

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
4	Governance Arrangements - Arms Length Companies  CW1502  ISS.1  Medium	<p>The Director responsible for each Arms Length Company within the Council appoints an Observer for each company from within the Directorate. The role is to scrutinise the activities and performance of the company and raise any concerns arising with the Directorate. The Observer attends company meetings on behalf of the Directorate but is not a company officer.</p> <p>We did not identify any process documentation for the observer roles within any of the Directorates. This results in the Council being subject to an element key man risk in the control of each of these entities, as the loss of the Observer would leave the Council with a limited understanding of the scrutiny processes in place for that particular company.</p> <p><b>Observers may not carry out scrutiny to the required level. Financial and reputational risks may remain unidentified with the potential to adversely affect the Council. The controls in place are reliant on the knowledge, skills and experience of the senior staff involved. This knowledge may be lost if there is not sufficient succession planning.</b></p>	With change over in senior staff responsible for this company, all the above information will need to be handed over from the current staff members. To facilitate this; documentation will need to be produced and a briefing provided.	Interim Executive Director of Communities & Families  30/06/16	The officer from Communities and Families who acts as Observer at the Edinburgh Leisure Board is liaising with colleagues in Finance to finalise process documentation for the Observer role
<b>Health &amp; Social Care</b>					
5	Personalisation & SDS - Stage 2  RS1245  ISS.2 ##  High	<p>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.</p> <p>Packages of care are currently not checked against the relevant budgets during the approval process .</p> <p><b>System control to be implemented to ensure that no package of care service be concluded 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.</b></p>	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.	Strategic Planning, Service Re-Design and Innovation Manager  30 June 2015	<p>This work is being taken forward through the H&amp;SC Transformation Project which will identify and oversee all the workstreams required to implement delegated budget management.</p> <p>The SWIFT element of this work is expected to be complete by September 2016 and is being overseen by the SWIFT Governance Group. However, the Organisational Review of ICT has led to a reduction in capacity in the SWIFT Team and discussions are now underway to ensure that the necessary skills and resources remain available to the project.</p> <p>Further consideration of any additional risks that the implementation of a new threshold &amp; decision making process has the potential of introducing further delay to the decision making process. [Revised Implementation date 31/12/16]</p>

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
6	Integration of Health and Social Care Budgeting Process HSC1505 ISS.5 High	The savings target of £15m for the 2016/17 H&SC budget has been clearly articulated and is well understood. The most recent RAG status monitoring for savings targets splits the £15m into the following categories: Red £8.5m, Amber £4.5m Green £2m. In light of the projected RAG status for the 2016/17 savings it would appear that there is a high risk that these savings targets will not be met. <b>Continued focus by management is required to ensure that savings are achieved where possible. H&amp;SC should consider where additional compensatory savings could be made in the event of the budgeted savings not being realisable.</b>	Health and Social Care Transformation and Efficiency programme is currently reviewing all savings proposals and looking to identify savings to replace/supplement those already identified. Following delegation of services and budgets, responsibility for saving will then fall within EIJB remit.	Chief Officer: Edinburgh Health & Social Care Partnership 31 May 2016	A revised savings programme has been presented to, and agreed by, the Edinburgh Integration Joint Board. Detailed action plans underpinning delivery are either in place or being developed and a programme board established to oversee delivery. Progress will be closely monitored with early action being taken to address any emerging issues.
7	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. <b>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.</b>	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.	Strategic Planning, Service Re-Design and Innovation Manager 30 June 2015	This work is being taken forward through the H&SC Transformation Project which will identify and oversee all the workstreams required to implement delegated budget management. Interim reports are being enhanced to include financial information for budget managers to inform their decision making in relation to purchasing care.  Training on these reports has been given (by Corporate Finance colleagues).  [Revised Implementation date 31/12/16]
8	Integration - Health and Social Care HSC1501 ISS. 6 ## Medium	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. 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.. <b>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.</b>	Agree with recommendations. 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.	Integration Project Manager 31 March 2016	Scope of services agreed and final budget offers from NHSL and Council currently being negotiated. An exercise on due diligence is underway to confirm the appropriate value of budget transfer from both NHSL and CEC.  [Revised Implementation date 31/12/16]
<b>Place</b>					

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
9	Contract Management - Roads SFC1505 ISS.2 High	The Transport Interim Quality Audit Team (now disbanded) identified works and materials failures resulting in major remedial works at additional cost to the Council. Officers were unable to demonstrate that site visits are carried out to confirm that the quality and extent of works completed are satisfactory.  <b>An end of works quality assessment should be conducted by a qualified officer before final payments are made to contractors and ERS.</b>	Recommendation accepted – ongoing site visits to be adequately recorded and final quality inspection process to be developed, by the Locality Transport teams, for appropriate works.	North West Local Transport and Environment Manager  1 June 2016	Site visits to be adequately recorded and final inspection process to be developed - Locality Transport Team Leaders are not in post yet and Confirm development will be required to facilitate works inspection recording on the works mgt system. In the interim site diaries and emails relating to works can be attached to each specific job, all Locality transport & Environment Managers will be reminded that adequate inspection records should be maintained in the interim period.  Action to be extended to 1 September 2016.
10	Contract Management - Roads SFC1505 ISS.2 High	The Transport Interim Quality Audit Team (now disbanded) identified works and materials failures resulting in major remedial works at additional cost to the Council. Officers were unable to demonstrate that site visits are carried out to confirm that the quality and extent of works completed are satisfactory.  <b>An end of works quality assessment should be conducted by a qualified officer before final payments are made to contractors and ERS.</b>	Sample Inspections for Revenue works (commissioned by Locality Teams) are currently undertaken and will be recorded through Confirm. (Audits of above to be undertaken to ensure compliance)	North West Local Transport and Environment Manager  1 June 2016	Confirm system development will be required to facilitate live works inspection reporting, however, sample inspections for local revenue works can be attached to each specific job as necessary. New Locality Transport & Environment Managers to be notified of this requirement.  Update on Confirm development will be provided on 1 Sept 2016.
11	Contract Management - Roads SFC1505 ISS.6 High	There is no consistent or robust process for managing the costs of works undertaken by ERS. Lack of a schedule of rates for works hampers accurate budgeting. ERS are not required to obtain approval for additional costs. Internal recharges do not require to be authorised by the commissioning manager. Costs are recorded on Axim, while the estimated works budget is recorded on the Confirm project management system with no link between the systems. Remedial works are charged to the commissioning roads teams on top of the original budget. They are not able to reclaim those costs from ERS.  <b>Robust monitoring of contract expenditure including end of works review</b>	For Locality (Revenue) Work, estimated works costs are prepared and noted on Confirm (Works Management System) making use of compound rates. Ensure that future works estimates make use of agreed and future schedule of rates.	North West Local Transport and Environment Manager  1 June 2016	Revenue works schedule of rates to be agreed with ERS and Locality Commissioning teams. Issue discussed with ERS Manager on 7th July 2016 at the first LTEM/ERS meeting. ERS charging rates and schedule of rates (including compound rates) is still to be prepared and agreed. Additional works protocol was discussed with ERS Manager on 7/7/2016. Further meeting to be arranged, however, agreed that ERS and Commissioning teams will agree all additional works (where reasonably possible). Defined additional works process to be supported by Confirm development, however, until then accurate records can be attached to Confirm works orders.  Update will be provided on 1 Sept 2016.

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
12	Sustainable Energy Action Plan ED1501 ISS.2 Medium	<p>The Council Team set up to oversee the SEAP and monitor and co-ordinate the projects and initiatives within it is staffed by 2.4 Officers. A communications plan is required to set out the actions for ongoing engagement and consultation with wider stakeholders. Future financial resources are difficult to predict as project costs cannot be quantified until projects are off the ground, and costs are also dependent on the levels of engagement with other partners. There is no budget to undertake feasibility studies unless external funding can be sourced. In a lot of cases, sourcing of external funds is dependant on this groundwork being done making it harder to get projects to commence. There is no formal mechanism in place to manage the risks associated with the SEAP project.</p> <p><b><i>The communications plan should be rolled out to inform all staff and stakeholders of good practice and how they can engage. Risk Management requires formalisation</i></b></p>	<p>(i) The Communications Plan will be rolled out. (ii) A risk register will be developed as part of the reporting to Committee. Resourcing the SEAP is still an ongoing concern. As the Council Transformation Programme progresses, it will be crucial to ensure existing resources are in place (as far as possible) to ensure delivery of the SEAP.</p>	<p>Sustainable Development Manager 30 June 2016</p>	<p>Risk register has been completed and reported to MOWG. Resourcing issue raised in the risk register with senior managers but continues to be an issue.</p>
13	Planning Controls & the Local Development Plan SFC1502 ISS.2 ## Medium	<p>Numbered clauses are set up on the Uniform database for each planning agreement covering key tasks, such as site inspections, receipt of an agreement, forward of agreement to relevant functions etc. Within each clause, notes, key dates and value are entered, and supporting documents are attached to provide a detailed summary of all actions taken. Reports can be produced by planning application reference detailing all open and closed clauses for each agreement monitored. It was noted that clauses are not set up in a standard format. From a review of 11 developments, 7 files were satisfactorily completed but in the remaining 4, clauses were still active but future visits had not been scheduled or details of scheduled visits with past dates not recorded. We would have expected these four sites to have been detected during a supervisory review process, and addressed. For one education contribution reviewed, the amount payable had not been indexed to 2009 in error. The contribution was received in March 2015 but no action has yet been taken to rectify this.</p> <p><b><i>Standardising and rationalising clauses set up to record tasks and prompting future actions would provide better management information. There should be regular supervisory review to gain assurance that required standards are maintained. Procedures to be revised</i></b></p>	<p>i. The monitoring system is robust but it is accepted that further standardisation could be achieved. This will be reviewed and where appropriate changes made. In particular standardisation of 'checking clauses' will be explored and introduced</p> <p>ii. Team managers can already review progress. this arrangement will be formalised and recorded so it can be evidenced</p> <p>iii. This will be taken forward as part of exercise outlined above</p>	<p>P&amp;BS Senior Manager (East Area) 01 January 2016</p>	<p>(i) Met in part although further work required (ii) Complete (iii) This action has proved difficult to progress and to some extent has been contingent upon the LDP Action Programme being finalised. The completion and approval of a new working arrangements document is now anticipated for the end of March 2017.</p>



No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
14	Contract Management - Roads SFC1505 ISS.4 Medium	<p>All new revenue works are planned and commissioned using Confirm as of December 2015. However at the time of the audit, Confirm had not been fully embedded across ERS and the Neighbourhood Offices. As a result, no revenue works commissioned by five of the six Local Area Offices have been included in the ERS works programme for Quarter 4 in 2015/16</p> <p><b>ERS and Neighbourhood staff should be trained in the use of the Confirm system, to enable ERS to carry out commissioned work. Take-up of Confirm should be monitored to identify areas where further training is required.</b></p>	ERS staff have been trained in the use of Confirm system, however further training/support will be delivered for Neighbourhood Staff commissioning work through Confirm.	North West Local Transport and Environment Manager  1 June 2016	<p>New Locality team structure is not in place yet. It is expected that the majority of Locality Transport staff should be in post by Autumn 2016. Recommendation that a Confirm training roll out is carried out once teams are established.</p> <p>Update to be provided 1 Sept 2016.</p>
15	Contract Management - Roads SFC1505 ISS.4 Medium	<p>All new revenue works are planned and commissioned using Confirm as of December 2015. However at the time of the audit, Confirm had not been fully embedded across ERS and the Neighbourhood Offices. As a result, no revenue works commissioned by five of the six Local Area Offices have been included in the ERS works programme for Quarter 4 in 2015/16</p> <p><b>ERS and Neighbourhood staff should be trained in the use of the Confirm system, to enable ERS to carry out commissioned work. Take-up of Confirm should be monitored to identify areas where further training is required.</b></p>	Management teams to reinforce the need to commission work through Confirm.	Head of Planning and Transport  1 June 2016	
16	Contract Management - Roads SFC1505 ISS.8 Medium	<p>Officers were unable to provide documents during the audit for 7 of the 9 projects selected to demonstrate that key contract and legislative requirements had been met. The documents should have been retained to comply with the Council's Record Retention policy. It was unclear if they had ever existed and if so, whether they had been destroyed or archived in a manner which made them difficult to recover. Officers were able to provide some documents after the audit. We note that the samples tested predate the introduction of the new works management system, Confirm, which was introduced over the course of 2015, and which will be used to store records relating to ERS works orders going forward.</p> <p><b>The process for commissioning and managing road and footway maintenance undertaken by ERS should be mapped, with key documents such as a schedule of works, a health and safety risk assessment and final project sign off identified. Key documents must be retained in accordance with the Council's records management policy.</b></p>	<p>Recommendation accepted – A number of Contract records have been provided to the Auditor retrospectively as individuals involved in Audit were not responsible for commissioning. Note. 9 Schemes selected date from 2013 and 2014. Additional Contract Information Provided March 2016.</p> <p>Management of internally commissioned works to ERS is now administered on a formal Works Management System (Confirm). Records relating to asset management, works orders, estimates and completion now recorded on Confirm. Summer 2015</p>	Local Environment Manager  1 June 2016	<p>Audit action not complete: Works commissioned with ERS are now administered on a formal works management system (Confirm). Records relating to asset management, inspection, defect recording and works ordering are now electronically recorded. Works order documentation for inspections, variations and instructions etc should now be attached to appropriate jobs. Update to be provided 1 Sept 2016.</p>
<b>Resources</b>					

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
17	Flexible Working Hours Processes and Procedures CG1304 ISS.5 ## Medium	<p>The scheme of Flexible Working Hours procedure is out of date having last been updated in 2000. This is of particular concern given the many changes to the number of flexible working options that are now available to Council employees many of whom work within the Scheme of Flexible Working Hours in addition to one of the other flexible working options.</p> <p><b><i>The Scheme of Flexible Working hours procedure be updated and brought into line with other flexible working processes and procedures as a matter of urgency. This would allow for development of best practice and consistencies. All administrators should be trained on this to allow for consistent application.</i></b></p>	Review the Scheme of Flexible Working Hours Procedure and develop and deliver appropriate implementation arrangements for the revised Procedure.	Head of Human Resources 31 March 2016	As transformation of Council Services is now well underway across the organisation, a review of flexible working hours as part of our overall value proposition would deliver the best return on investment for the Council. The HR team will develop proposals around flexible working which takes account of both service demands and the needs of our people for flexible approaches to work which support their well-being and service delivery needs within an overall reward framework. This will be delivered following the Reward and Recognition project which is planned to complete in April 2017
18	MI Quality within FM CG1513 ISS. 2 ## Medium	<p>Corporate Property are unable to produce robust reporting, due to numerous data quality issues, both within its own data and also within the wider Council data it uses. Inconsistencies in reporting are often caused by staff that do not fully comprehend the need for accuracy when capturing data. A good example is the multiple teams that input data into the finance system. These individuals do not understand the importance of using the appropriate cost code and have on occasion reported staff remuneration against a building code or recorded building costs against a team code. Other examples include rooms being recorded as buildings or a single toilet block being recorded as a two separate buildings. There is no evidence that these issues are being raised to the central Information Governance Unit and managed across the organisation.</p> <p><b><i>Provide verification to and gain sign off by the Data Council for the correct and accurate source of data within the Corporate Property data reference document;</i></b>  <input type="checkbox"/> <b><i>Corporate Property data stewards to raise data quality concerns to the Data Council for centralised management and resolution; and</i></b>  <input type="checkbox"/> <b><i>Data Council to promote the need for accurate data entry/processing across all Directorates.</i></b></p>	<p>1)The AMS proposes that the data cleansing and validation exercise is fully resourced and prioritised, as part of the delivery of the wider programme.</p> <p>2)Additional resource to be procured to provide additional project management, training and consultancy support in the areas of data cleansing, validation, migration, system interface builds and performance reporting requirements etc.</p> <p>3) Teams across the Corporate Property Division have been tasked with cleansing existing data, e.g. all estates data that is recorded in AIS.</p> <p>4) Action Tracker now in place within the SAM team which is reviewed and monitored on a weekly basis.</p> <p>5) Data Quality Manager to be recruited within Corporate Property for CAFM.</p>	Head of Corporate Property 31 March 2016	<p>Estates and Operational data currently being cleansed with a view to migration to TF test environment Apr - Jun 2016.</p> <p>Points 1 - 4 = complete</p> <p>5. Data quality Manager to be recruited. Job Graded and to be approved by Board/. revised implementation date 30/6/16</p> <p>Following a decision taken at the recent CAFM Board the CAFM Project has been re-baselined and data migration for core data is scheduled for October 2016.</p>

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
19	MI Quality within FM CG1513 ISS. 3 Medium	<p>There was no evidence of procedure manuals or other documentation found which instructs Corporate Property staff on how to produce the current suite of Management Information reports. Consistent reporting procedures are not in place and reporting activity is carried out by staff that have not received training in the production of Management Information. Specifically there is no evidence of training on Cognos, the Councils' main Dashboard tool. There was no evidence to suggest that the centralisation of MI production has been considered, which would allow controls and efficiencies to be implemented, reducing the risk of duplication of effort and conflicting reporting, as well as also improving the efficiency of production.</p> <p><b>The lack of documented procedures increases the risk of 'key man' dependency on MI production and the risk of generating multiple MI reports which are contradictory; □ The devolved nature of MI production and lack of training on Cognos increases the risk of the Corporate Property generating multiple MI reports which are contradictory; and □ Increasing the efficiency in the current MI production process could increase the capacity for Officers to perform other roles.</b></p>	<p>CP specific list of performance indicators to be reported out of TF Cloud post Phase 1. (complete) □ Identify and assess current key PI's and implement regular reporting on energy, water and waste PI's, identifying performance improvements and delivering against key actions. Formalise arrangements as to the production of such PI's. The creation of performance specific roles and responsibilities will form part of the AMS Review which is currently in progress. Investigate the potential for developing a dynamic interface with Oracle / Aggresso in order to capture all finance data in TF Cloud. □ TF currently have live interfaces with Aggresso with other clients and CEC are in discussions with TF to understand what they are and what they do so that this opportunity can be brought to the table with Finance / ERP project. □ A change request to CGI will need to be initiated with a review as to when this functionality can be delivered</p>	Head of Corporate Property 30 June 2016	<p>We have uploaded core data for approximately 95% of the council's buildings. However this still leaves a large amount of data outstanding. Following the re-baselining of the CAFM project it is difficult to set the suite of performance indicators at this time. There are now fortnightly CAFM Project Boards in place which will monitor this project.</p>
20	Procurement Arrangements CW1501 ISS.1 ## Medium	<p>The contract registers are currently held in excel with shared open access within C&amp;PS. There are plans to set up the pipeline register as a web application.</p> <p><b>Action should be taken to secure the integrity of the pipeline and contract registers.</b></p>	<p>(ii) The transfer of the pipeline to a Sharepoint database provides an audit trail reducing vulnerability to deliberate or accidental manipulation. In the short term we will introduce password protection for the contracts register or move the live version into a folder with restricted access, but in the medium term intend also to move the register to a database that provides an audit trail and provide wider access to staff to input their updates.</p>	Commercial Insight & Development Manager 31 March 2016	<p>(ii) Short-term - the pipeline register is now held on the Sharepoint database. The contract register is now password protected; only 4 members of the Commercial Operations Team now have access to update the master. Completed.</p> <p>Medium-term - the original intention was to move the contract register to Sharepoint, an Ernst &amp; Young database, but it was considered too risky to hold so much CEC data with a contractor. The register will be held within Business World 4 (the system that is replacing Oracle and Trent) when this goes live in December 2016 with appropriate log in &amp; password controls in place.</p> <p>Revised estimated completion date 31st December 2016.</p>

No	Review and Risk Level	Initial Finding & <b>Recommendation</b>	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
21	CAFM - Corporate Property SFC1406 ISS.3 ## Medium	<p>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.</p> <p><b>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.</b></p>	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.	AMS PMO 30 May 2015	Initial training of FM staff has taken place as part of the user testing of the system prior to it going live. A full training programme will take place prior to the system going fully live, by 1 December 2016.
22	Shared Repairs and Maintenance SFC1507 ISS.1 Medium	<p>A Schedule of Rates has been agreed with each contractor used by ESRS Emergency Service. This is in place to control and monitor the costs charged by the contractors on the framework. We reviewed contractor invoices relating to 15 cases. We were unable to confirm that charges on any of the invoices inspected were all as agreed on the Schedule of Rates. Difficulties and discrepancies identified were as follows: ESRS did not have access to the Schedule of Rates agreed with one contractor, as it is part of a separate Council Framework ; One contractor's Schedule of Rates was coded; however, their invoices consistently included non-coded services; One contractor charged rates for scaffolding between £150 and £690 . There was no explanation for the rate charged on the invoices ; and One Schedule of Rates indicated labour cost was at most £24 per hour; however, the contractor charged labour at £25 per hour.</p> <p><b>Schedules of Rates should be readily available to property officers to enable them to review the accuracy of costs charged by contractors. Any discrepancies identified must be highlighted and challenged with the contractor. ESRS should explore the use of technologies which allow a Schedule of Rates to be programmed into a database. This database could then generate an accurately costed works order by selecting the appropriate service as per the inbuilt Schedule of Rates.</b></p>	Work is currently underway to incorporate SOR's within Uniform which is the services' preferred system as part of the redesign of the ICT services for ESRS. This will allow the officer to select the works and to automatically produce the correct rates for work carried out and will be the base for generating the purchase order. The emergency and finance procedures will be updated to match this process. Variances between the purchase order and the contractor's invoice will be challenged . Variances above an agreed threshold will require approval by the line manager.	Emergency Team Leader 30 June 2016	The work required in order to incorporate the SOR's into Uniform was identified as being a manual process which would take a significant amount of time to incorporate, given the reduction of staff and the demands of the service currently resources are limited to do this task. Therefore, the service wish to work with IDOX (the suppliers of Uniform) in order to find an automated solution to input the SOR's into Uniform. However, IDOX (the suppliers of Uniform) are currently engaging with all Scottish Local Authorities to ensure that all users of Uniform are upgraded to V10 by the 24 <sup>th</sup> August due to a requirement for an electronic planning portal from the Scottish Government and therefore no resource is available until this is completed. Once the upgrades are completed by IDOX (including CEC's) we will engage with them to find a solution to implement the SORs. In the meantime, the officers have a hard copy of the SOR's with which to refer to and each invoice is checked against the SOR's once received before being approved.' New deadline date 30 September 2016.
## = Issue Previously Reported					

# Governance, Risk and Best Value Committee

2pm, Monday, 26 September 2016

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

Item number	7.5
Report number	
Executive/routine	
Wards	

### Executive summary

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

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

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

### Recommendations

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

### Background

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

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

## Main report

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

## Measures of success

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- 4.1 The Council receives an unqualified audit certificate from the external auditor by 30 September 2016.
- 4.2 Agreed measures are implemented to address any actions identified within the Annual Audit Report in accordance with the timescales indicated.

## Financial impact

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- 5.1 There is no direct additional impact arising from the report's contents, although the effectiveness of the Council's current financial management and planning arrangements has been noted in recent external reports.
- 5.2 As a result of the audit process, the Council's reported surplus for the year decreased by £0.076m. On this basis, Council approval will be sought to revise the sum set aside within the Council Priorities Fund, which forms part of the overall General Fund, by this amount. Members are reminded that Council has, subject to confirmation of the outturn, previously agreed to allocate £0.5m from the in-year underspend to take forward precautionary property surveys of buildings of similar construction to those delivered through the PPP1 schools programme.
- 5.3 The General Fund balance stood at £128.396m at 31 March 2016, comprising £115.371m earmarked for specific purposes and £13.025m as an unallocated General Fund balance against the likelihood of unfunded risks crystallising.

## Risk, policy, compliance and governance impact

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

## Equalities impact

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- 7.1 There is no direct relevance of equalities and rights issues to the report's contents.

## Sustainability impact

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



## Consultation and engagement

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- 9.1 The financial statements were made available for public inspection in July for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received one request for further information under these Regulations during this period. Additionally, an individual lodged comments with Audit Scotland. These were, however, received outside the statutory timescales.

## Background reading/external references

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

### Hugh Dunn

Acting Executive Director of Resources

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### Links

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<b>Coalition pledges</b>	P30 – Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 – The Council has efficient and effective services that deliver on agreed objectives
<b>Single Outcome Agreement</b>	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
<b>Appendices</b>	Appendix 1 - ISA260 letter on 2015/16 Financial Statements Appendix 2 - Audited 2015/16 Financial Statements Appendix 3 - Reconciliation of movement in outturn position

Governance, Risk and Best Value Committee  
City of Edinburgh Council

26 September 2016

## City of Edinburgh Council 2015/16 Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. This report sets out for the Governance, Risk and Best Value Committee's consideration the matters arising from the audit of the financial statements for 2015/16 that require to be reported under ISA260. We are drawing to your attention matters for your consideration before the financial statements are approved and certified.
2. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of City of Edinburgh Council and no responsibility to any third party is accepted.

### Status of the audit

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

## Matters to be reported to those charged with governance

### Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Governance, Risk and Best Value Committee on 21 April 2016 and follows the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.

6. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any additional work outwith our planned audit activity this fee remains unchanged.

## Fraud

7. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the Governance, Risk and Best Value Committee we seek confirmation from those charged with governance of any actual, suspected or alleged fraud that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

## Audit opinion & representations

8. Subject to our ongoing peer review process, the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report by 30 September 2016. I draw attention, however, to a failure to achieve a prescribed financial objective. One significant trading operation, Edinburgh Catering Services - Other Catering, failed to achieve the statutory requirement of a cumulative break-even position over the three year period to 31 March 2016. Whilst this does not result in a qualified audit opinion I am required to report this matter by exception. The proposed independent auditor's report is attached at [Appendix A](#).
9. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
10. As part of the completion of our audit we seek written assurances from the Section 95 Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.
11. In presenting this report to the Governance, Risk and Best Value Committee we also seek confirmation from those charged with governance of any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## Accounting and internal control systems

12. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. We did however amend our planned financial statements procedures to take account of some system weaknesses identified during our controls review, including access controls within payroll and online banking systems, and documentation and processing issues around element of the council tax system.

## Significant findings from the audit

13. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
  - Significant difficulties encountered during the audit
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management
  - Written representations requested by the auditor
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
14. During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

### PPP Schools - impairment of assets

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

## Disposal of assets

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

## Lender Option Borrower Option Loans - Embedded derivatives

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

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

### Significant trading operations (STOs)

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

### Outstanding Information

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

### Acknowledgements

34. We would like to express our thanks to the staff of City of Edinburgh Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# APPENDIX A: Proposed Independent Auditor's Report

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

I certify that I have audited the financial statements of City of Edinburgh Council and its group for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Movement in Reserves Statement, the group and council-only Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Council Tax Income Account, and the Non-domestic Rates Income Account, The Common Good Fund Movement in Reserves Statement, the Common Good Fund Comprehensive Income and Expenditure Statement, the Common Good Fund Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

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

### Respective responsibilities of the Acting Executive Director of Resources and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### **Opinion on other prescribed matters**

In my opinion:

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

### **Matters on which I am required to report by exception**

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

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

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

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

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

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

XX September 2016



## APPENDIX B: Letter of Representation (ISA 580)

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

Dear David

### **City of Edinburgh Council Annual Accounts 2015/16**

1. This representation letter is provided in connection with your audit of the financial statements of City of Edinburgh Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of City of Edinburgh Council and its group, as at 31 March 2016 and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the corporate leadership team, the following representations given to you in connection with your audit of City of Edinburgh Council for the year ended 31 March 2016.

### **General**

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

### **Financial Reporting Framework**

6. Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014 including all relevant presentation and disclosure requirements.

7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of City of Edinburgh Council and its group for the year ended 31 March 2016.

### **Accounting Policies & Estimates**

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

### **Going Concern**

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

### **Related Party Transactions**

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Events Subsequent to the Balance Sheet Date**

12. In April 2016, 17 schools built under the PPP contract were closed for remediation work following identification of issues with their construction. The building element of these assets has a net book value of £176 million. Work was undertaken by Edinburgh Schools Partnership (ESP), the PPP provider, with a phased return of all buildings by August 2016, prior to the commencement of the new school term.
13. Information on the costs of remediation lies with the provider, ESP, who consider this to be commercially sensitive information. The council is therefore unable to estimate with sufficient certainty what level of impairment to asset values as at 31 March 2016 had taken place. As the schools were returned to previous condition by August 2016, any impairment would be temporary, and reversed out in 2016/17. However, on the basis of indications from ESP of overall costs, including investigative work, any potential impairment is not considered to be material to the overall asset values within the council's balance sheet.
14. With the exception of the preceding issue, there have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

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

### **Corporate Governance**

16. I acknowledge as Section 95 Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
17. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2016, which require disclosure.

### **Fraud**

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

### **Assets**

19. The assets shown in the Balance Sheet at 31 March 2016 were owned by City of Edinburgh Council, other than assets which have been purchased under operating leases, and except for certain heritage assets which are held on long term loan to the council. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
20. As noted in the accounting policies to the financial statements, it has not been possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore the balance sheet may hold elements of heritage assets that belong to other entities.

### **Liabilities**

21. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2016.

### **Carrying Value of Assets and Liabilities**

22. With the exception of any impairment relating to PPP1 school buildings, as set out in paragraphs 12 and 13, the assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

### **Provisions**

23. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2016 and of which City of Edinburgh Council could reasonably be

expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2016.

Yours sincerely

Hugh Dunn  
Acting Executive Director of Resources  
Section 95 Officer



**2015/2016**

**AUDITED ANNUAL ACCOUNTS**



# The City of Edinburgh Council

## Annual Accounts

Year to 31 March 2016

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# MANAGEMENT COMMENTARY

## Basis of Accounts

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

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

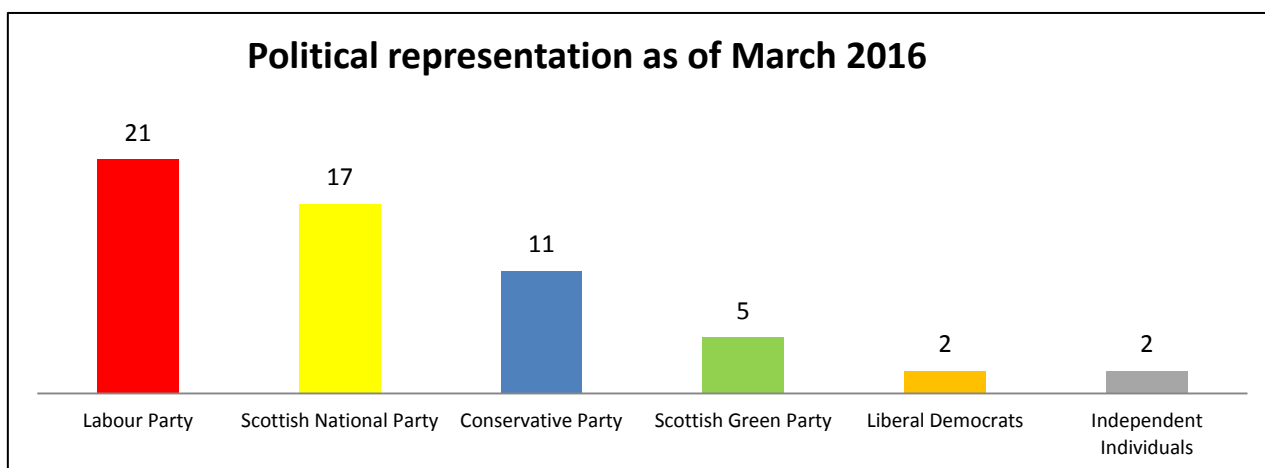
## Statutory Background

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

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

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

Political representation as of March 2016 was as follows:



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

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

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

Details of the senior councillors' remuneration and committee roles are disclosed in the Remuneration Report from page 142 of these financial statements.



# MANAGEMENT COMMENTARY

## Corporate Strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

# MANAGEMENT COMMENTARY

## Risks and Uncertainty

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

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

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

## MANAGEMENT COMMENTARY

### Risks and Uncertainty - continued

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

### Performance Overview

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

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

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

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

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

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

## MANAGEMENT COMMENTARY

### Performance Overview

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

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

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

### Financial Ratios

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

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

# MANAGEMENT COMMENTARY

## Financial Performance

### Revenue - General Fund

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

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

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

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

### Budget performance - General Fund

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

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

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

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Budget performance - General Fund - continued

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

### Principal Sources of Funding - General Fund

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

	<b>£000</b>
Council Tax, net of Council Tax Reduction Scheme (CTRS)	216,390
General revenue funding	354,576
Distribution from non-domestic rates pool	<u>390,862</u>
Total	<u><u>961,828</u></u>

### Reconciliation to Amounts Reported for Resource Allocation Decisions

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

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

### Classification of Community Safety Expenditure

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

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

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Reserves

#### General Fund

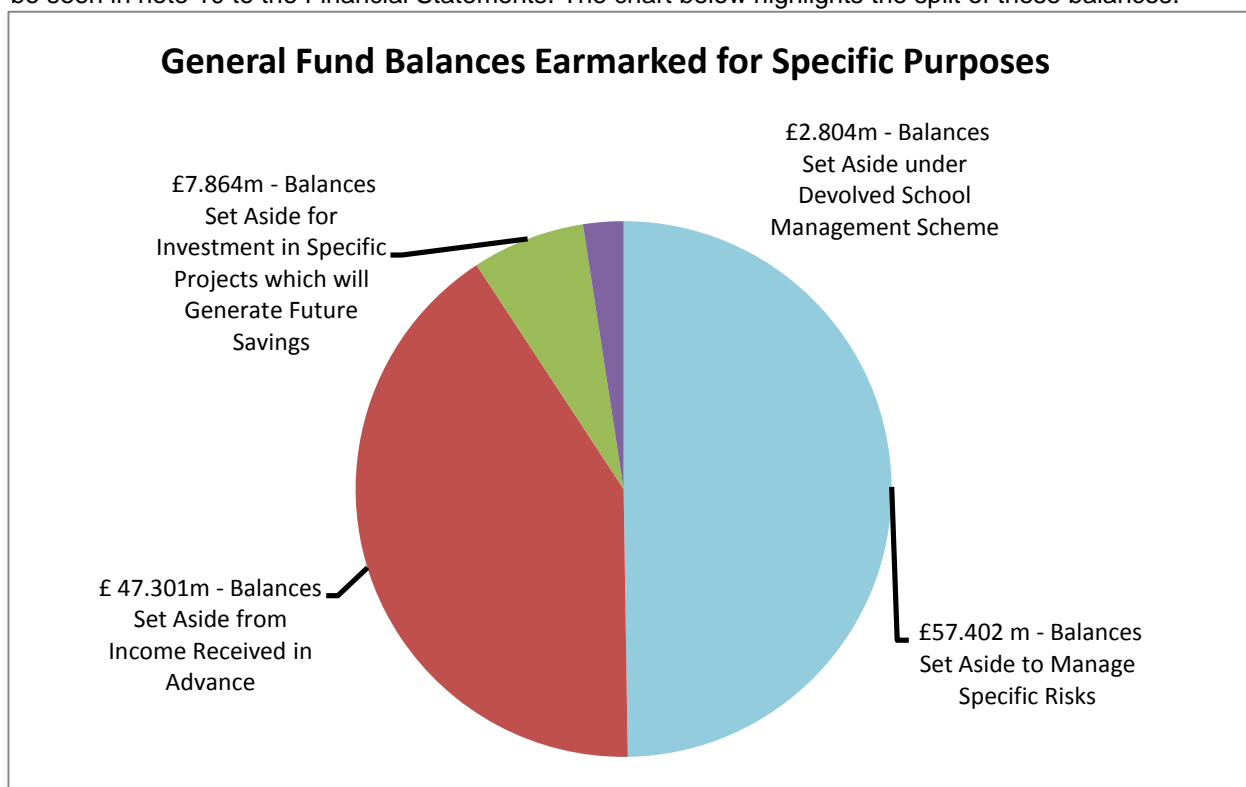
The Council's General Fund reserves comprise two elements:

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

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

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

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



These balances are held for a number of reasons:

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

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

#### Other Reserves

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

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### On-Going and Future Developments

#### Transformation Programme

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

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

#### Budget framework

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

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

#### Health and Social Work Integration

##### The Public Bodies (Joint Working) (Scotland) Bill

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

#### Governance

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

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

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



# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Health and Social Work Integration - continued

#### Resource

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

#### Housing Revenue Account

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

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

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

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

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

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

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

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

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

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

## MANAGEMENT COMMENTARY

### Financial Performance - continued

#### Housing Revenue Account - continued

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

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

#### Capital Expenditure

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

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

The outturn position for capital expenditure is summarised below:

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

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

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

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

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Capital Expenditure - continued

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

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

### Group Accounts

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

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

ANDREW KERR  
Chief Executive

HUGH DUNN, CPFA  
Acting Executive Director of Resources

ANDREW BURNS  
Council Leader

29 September 2016

29 September 2016

29 September 2016

# STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

## The Authority's Responsibilities

The Authority is required:

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

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

ANDREW BURNS  
Council Leader

29 September 2016

## The Section 95 Officer's responsibilities

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

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

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

The Section 95 Officer has also:

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

## Annual Accounts

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

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

29 September 2016

## MOVEMENT IN RESERVES STATEMENT

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

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

## MOVEMENT IN RESERVES STATEMENT

	<b>Total Usable Reserves £000</b>	<b>Council's Unusable Reserves £000</b>	<b>Group Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>2015/16</b>				
Balance at 31 March 2015	<u>199,599</u>	<u>1,449,087</u>	<u>99,107</u>	<u>1,747,793</u>
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	5,148	0	0	5,148
Other Comprehensive Income and Expenditure	<u>29,244</u>	<u>329,667</u>	<u>6,797</u>	<u>365,708</u>
<b>Total Comprehensive Income and Expenditure</b>	<b>34,392</b>	<b>329,667</b>	<b>6,797</b>	<b>370,856</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>(118,802)</u>	<u>119,278</u>	<u>(476)</u>	<u>0</u>
<b>Net (increase) / decrease before transfers to statutory reserves</b>	<b>(84,410)</b>	<b>448,945</b>	<b>6,321</b>	<b>370,856</b>
Transfer (to) / from other statutory reserves (Note 10.3)	<u>163,477</u>	<u>(166,415)</u>	<u>2,938</u>	<u>0</u>
Increase / (decrease) in year	<u>79,067</u>	<u>282,530</u>	<u>9,259</u>	<u>370,856</u>
<b>Balance at 31 March 2016</b>	<b><u>278,666</u></b>	<b><u>1,731,617</u></b>	<b><u>108,366</u></b>	<b><u>2,118,649</u></b>
<b>(re-stated) 2014/15 Comparative Data</b>	<b>General Fund Balance £000</b>	<b>Housing Revenue Account Balance £000</b>	<b>Renewal and Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>
Balance at 31 March 2014	<u>123,310</u>	<u>0</u>	<u>22,504</u>	<u>0</u>
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	(5,004)	17,937	0	0
Other Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,479</u>
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,004)</b>	<b>17,937</b>	<b>0</b>	<b>21,479</b>
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>7,629</u>	<u>(14,973)</u>	<u>0</u>	<u>(21,479)</u>
<b>Net (increase) / decrease before transfers to statutory reserves</b>	<b>2,625</b>	<b>2,964</b>	<b>0</b>	<b>0</b>
Transfer (to) / from other statutory reserves (Note 10.3)	<u>(8,411)</u>	<u>(2,964)</u>	<u>13,329</u>	<u>0</u>
Increase / (decrease) in year	<u>(5,786)</u>	<u>0</u>	<u>13,329</u>	<u>0</u>
<b>Balance at 31 March 2015</b>	<b><u>117,524</u></b>	<b><u>0</u></b>	<b><u>35,833</u></b>	<b><u>0</u></b>

## MOVEMENT IN RESERVES STATEMENT

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

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2016

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



# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2016

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

## RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
139,470	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(331,143)
829	Subsidiary and associate transactions included in the Council's CIES	(761)
15,161	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(34,752)
7,130	Associates	<u>(4,200)</u>
162,590	Group total Comprehensive (Income) / Expenditure for the year	<u><u>(370,856)</u></u>

## GROUP BALANCE SHEET

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

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

## GROUP BALANCE SHEET

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

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

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

## BALANCE SHEET

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

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

## BALANCE SHEET

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

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

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

## GROUP CASH FLOW STATEMENT

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

### Year ended 31 March 2016

(re-stated)

2014/15 £000		Notes	£000	£000
	<b>Operating Activities</b>			
(216,370)	Taxation		(216,032)	
(1,074,651)	Grants		(1,056,916)	
(90,791)	Housing rents		(93,037)	
(543,907)	Sales of goods and rendering of services		(558,274)	
<u>(10,978)</u>	Interest and investment income received	27.	<u>(7,061)</u>	
(1,936,697)	Cash inflows from operating activities			(1,931,320)
647,531	Cash paid to and on behalf of employees		579,077	
202,498	Housing benefits paid out		200,635	
750,202	Cash paid to suppliers of goods and services		847,029	
3,546	Taxation paid		2,245	
<u>95,936</u>	Interest paid	27.	<u>97,540</u>	
<u>1,699,713</u>	Cash outflows from operating activities			<u>1,726,526</u>
(236,984)	Net cash flows from operating activities			(204,794)
	<b>Investing Activities</b>			
183,102	Net cash flows from investing activities	28.		130,808
	<b>Financing Activities</b>			
<u>(4,155)</u>	Net cash flows from financing activities	29.		<u>50,778</u>
<u>(58,037)</u>	Net decrease / (increase) in cash and cash equivalents			<u>(23,208)</u>
<u>(37,467)</u>	Cash and cash equivalents at 1 April			<u>(95,504)</u>
<u>(95,504)</u>	Cash and cash equivalents at 31 March	21.		<u>(118,712)</u>

## CASH FLOW STATEMENT

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

### Year ended 31 March 2016

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

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

### 1.1 Accruals of Income and Expenditure

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

### 1.2 Debt Redemption

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

### 1.3 Cash and Cash Equivalents

Cash and cash equivalents includes:

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

### 1.4 Contingent Assets and Liabilities

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

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

### 1.5 Provisions

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

### 1.6 Employee Benefits

#### • Accruals of Holiday Leave

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

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

#### • Pensions

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

##### • Teachers

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

##### • Other Employees

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.6 Employee Benefits - continued

- Pensions - continued

- Other Employees - continued

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

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

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

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

### 1.7 Financial Instruments

- Financial Liabilities

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

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

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

- Financial Assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.7 Financial Instruments - continued

- **Financial Assets - continued**

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

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

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

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

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

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

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

### 1.8 Government and non-Government Grants and Contributions

- **Revenue**

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

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

- **Capital**

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

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

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

### 1.9 Intangible Assets

Intangible fixed assets represent software licences purchased by the Council.

- **Recognition**

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

- **Measurement**

Intangible fixed assets are initially measured at cost.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.9 Intangible Assets - continued

- **Depreciation**

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

### 1.10 Inventories

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

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

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

### 1.11 Investment Properties

- **Measurement**

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

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

- **Revaluation**

Investment properties are revalued annually.

- **Depreciation**

Investment properties held at fair value are not depreciated.

- **De-recognition**

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

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

### 1.12 Leases

- **Finance Leases**

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

- **Leased-in Assets**

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

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

- **Operating Leases**

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

- **Leased-in Assets**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.12 Leases - continued

- **Operating Leases - continued**

- **Leased-out Assets**

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

### 1.13 Current and Non-Current Assets Held for Sale

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

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

- **Measurement**

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

- **Depreciation**

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

### 1.14 Overheads

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.16 Fair Value measurement - surplus assets and investment properties

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

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

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

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

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

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

### 1.17 Heritage Assets

- **Categories of Assets**

Heritage assets comprise the following:

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

Intangible heritage assets represent three private vehicle registration plates.

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

- **Recognition**

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.17 Heritage assets - continued

- **Measurement**

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

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

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

- **Depreciation**

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

### 1.18 Property, Plant and Equipment

- **Categories of Assets**

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

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

- **Recognition**

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

- **Measurement**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.18 Property, Plant and Equipment - continued

- **Depreciation**

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

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

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

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

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

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

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

- **Revaluations**

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

- **De-recognition**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.18 Property, Plant and Equipment - continued

- **Components**

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

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

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

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

### 1.19 Reserves

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

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

Unusable reserves cannot be applied to fund expenditure.

- **Usable Reserves**

The Council operates the following usable reserves:

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.19 Reserves - continued

#### • Unusable Reserves

The Council operates the following unusable reserves:

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

### 1.20 Revenue Expenditure Funded from Capital Under Statute

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

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

### 1.21 Value Added Tax

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

### 1.22 Group Account Consolidation

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

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

Group accounts have been prepared on the following basis:

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

## 3. Judgements Made in Applying Accounting Policies

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

### 3.1 Provision of School Buildings

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

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

### 3.2 Group Membership

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

### 5. Material Items of Income and Expense

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

### 6. Events After the Balance Sheet Date

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Subsidiaries and Associates

The Council holds shares in various trading companies, either as a controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

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

<b>Subsidiaries:</b>	<b>Shareholding</b>	
• CEC Holdings Limited	100.00%	
• Transport for Edinburgh Limited	100.00%	
<b>Associates:</b>		
• Edinburgh Leisure	33.33%	Board representation
• 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:

	<b>Shareholding</b>	
• Capital City Partnership Limited	100.00%	
• CEC Recovery Limited (formerly tie Limited)	100.00%	
• Marketing Edinburgh Limited	100.00%	
• LPFE Limited	100.00%	
<b>Joint Venture</b>	<b>Interest</b>	
• Edinburgh Integration Joint Board	50.00%	Board representation

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

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.1 Subsidiary Companies

- **Capital City Partnership**

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

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

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

- **CEC Holdings Limited**

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

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

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

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

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

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

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

- **LPFE Limited**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.1 Subsidiary Companies - continued

- **Marketing Edinburgh Limited**

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

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

The most recent audited results of the company are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Net assets	261	262
Net (profit) / loss before taxation	(2)	41
Retained profit carried forward	261	259

- **Transport for Edinburgh Limited**

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Subsidiaries and Associates - continued

#### 7.2 Associates

- **Edinburgh Leisure**

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

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

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

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

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

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

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

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

- **Festival City Theatres Trust**

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.2 Associates - continued

- **Lothian Valuation Joint Board**

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

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

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

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

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

- **Edinburgh Integration Joint Board**

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.3 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

### 7.4 Shareholder Support to Council Companies

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

### 7.5 Financial Impact of Consolidation

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

## 8. Trusts

### ● International Conference Centre Expenditure Trust

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

The Expenditure Trust received interest of £0.03m.

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

### ● International Conference Centre Income Trust

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

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

## 9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

## NOTES TO THE FINANCIAL STATEMENTS

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

2015/16	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	154,075	23,285	0
Movements in the market value of investment properties	(1,146)	0	0
Amortisation and impairment of intangible assets	1,289	0	0
Capital grants and contributions applied	(63,094)	(7,439)	0
Capital funded from revenue	(215)	0	0
Revenue expenditure funded from capital under statute	38,846	0	0
<b>Insertion of items not debited or credited to the CIES</b>			
Statutory provision for the financing of capital investment	(70,297)	(27,328)	0
Capital expenditure charged against General Fund and HRA balances	(38,846)	0	0
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	(35,011)	(2,247)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(116,763)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,440)	(488)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	104,720	2,676	0
Employer's pension contributions and direct payments to pensioners payable in the year	(70,594)	(1,693)	0
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,798)	(78)	0
<b>Total Adjustments</b>	<b>12,489</b>	<b>(13,312)</b>	<b>(116,763)</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

2014/15 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	133,556	18,266	0
Movements in the market value of investment properties	(13,889)	0	0
Amortisation of intangible assets	710	0	0
Capital grants and contributions applied	(64,652)	(4,747)	0
Capital funded from revenue	(25)	(5,649)	0
Revenue expenditure funded from capital under statute	32,641	0	0
<b>Insertion of items not debited or credited to the CIES</b>			
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
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	(5,023)	307	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,479)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,434)	(460)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
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
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,397)	(222)	0
<b>Total Adjustments</b>	<b>7,629</b>	<b>(14,973)</b>	<b>(21,479)</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

2014/15 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	0	0	(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)
<b>Insertion of items not debited or credited to the CIES</b>			
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
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	(943)	0	943
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	4,716
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,479
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,894
<b>Adjustments primarily involving the Pensions Reserve</b>			
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
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,619
<b>Total Adjustments</b>	<b>2,355</b>	<b>0</b>	<b>26,468</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves

#### 10.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year. Comparative data is included for 2014/15 which has been restated.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

#### 10.1 Transfers to and from Usable Reserves - continued

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



## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

#### 10.1 Transfers to and from Usable Reserves - continued

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

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

#### 10.1 Transfers to and from Usable Reserves - continued

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

#### 10.2 Devolved School Management

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

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

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

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

### 11. Other Operating Expenditure

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

### 12. Financing and Investment Income and Expenditure

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

### 13. Taxation and Non-Specific Grant Income

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment

#### 14.1 Depreciation

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

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

#### 14.2 Capital Commitments

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

<b>Cost or Valuation</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property Plant and Equipment £000</b>	<b>PPP Assets £000</b>
At 1 April 2015	12,192	12,634	50,330	<b>4,417,273</b>	572,541
Additions	1,328	137	44,485	<b>149,880</b>	9,432
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	<b>(30,247)</b>	3,062
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(556)	(142)	0	<b>(47,064)</b>	(1,254)
Derecognition - disposals	0	(2,917)	0	<b>(75,435)</b>	0
Derecognition - other	0	0	0	<b>(455)</b>	0
Assets reclassified (to) / from held for sale	0	(10,105)	0	<b>(30,226)</b>	0
Other movements in cost or valuation	0	260	(5,127)	<b>0</b>	0
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u><b>4,383,726</b></u>	<u>583,781</u>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2015	0	(10)	0	<b>(592,919)</b>	(15,231)
Depreciation charge	0	(41)	0	<b>(140,988)</b>	(13,085)
Depreciation charge written out to Revaluation Reserve	0	0	0	<b>27,058</b>	5,498
Depreciation written out to the Surplus on the Provision of Services	0	0	0	<b>11,883</b>	566
Derecognition - disposals	0	16	0	<b>6,791</b>	0
Derecognition - other	0	0	0	<b>455</b>	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	<b>(49)</b>	0
Other movements in cost or valuation	0	35	0	<b>696</b>	0
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u><b>(687,073)</b></u>	<u>(22,252)</u>
<b>Net book value</b>					
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u><b>3,696,653</b></u>	<u>561,529</u>
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u><b>3,824,354</b></u>	<u>557,310</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

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

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
<b>Cost or Valuation</b>					
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
<b>Accumulated Depreciation and Impairment</b>					
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)
<b>Net book value</b>					
At 31 March 2015	12,192	12,624	50,330	3,824,354	557,310
At 31 March 2014	11,347	17,150	79,740	3,836,870	546,910

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.7 Council Dwellings, Other Land and Buildings and Investment Properties

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

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were assumed to be in a reasonable state of repair and have a life expectancy of more than fifty years. Where the Council has a planned replacement programme asset life is reviewed accordingly.
- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board.
- Not all properties were inspected.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.8 Surplus Assets and Investment Properties - Fair Value Disclosure

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

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

### 15. Investment Properties

#### 15.1 Income and Expenses on Investment Properties

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Investment Properties - continued

#### 15.2 Movement in Fair Value

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 16. Intangible Assets

Intangible assets mainly represent purchased software licences.

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.289m in 2015/16 (2014/15 £0.710m) was charged to the following services.

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Heritage Assets

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Heritage Assets - continued

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

	<b>Monuments and Statues £000</b>	<b>Civic Regalia and Artefacts £000</b>	<b>Archival Collections £000</b>
<b>Cost or Valuation</b>			
At 1 April 2014	576	2,047	6,797
Additions	44	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(7)	0	0
At 31 March 2015	<u>613</u>	<u>2,047</u>	<u>6,797</u>
<b>Accumulated Impairment</b>			
At 1 April 2014	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net book value</b>			
At 31 March 2015	<u>613</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2014	<u>576</u>	<u>2,047</u>	<u>6,797</u>
	<b>Libraries' Special Collections £000</b>	<b>Museum and Gallery Collections £000</b>	<b>Total Heritage Assets £000</b>
<b>Cost or Valuation</b>			
At 1 April 2014	1,675	19,296	30,391
Additions	0	0	44
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	300	347	647
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(7)
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>
<b>Accumulated Impairment</b>			
At 1 April 2014	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net book value</b>			
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>
At 31 March 2014	<u>1,675</u>	<u>19,296</u>	<u>30,391</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Heritage Assets - continued

#### 17.2 Details of Heritage Assets

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

### 18. Financial Instruments

#### 18.1 Categories of Financial Instruments

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Financial Instruments - continued

#### 18.1 Categories of Financial Instruments - continued

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

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

	Current	
	31.03.16	31.03.15
	£000	£000
<b>Creditors</b>		
Financial liabilities at amortised cost	(15,277)	(18,597)
PPP and finance leases due within 1 year	<u>(10,813)</u>	<u>(10,736)</u>
Total creditors	<u>(26,090)</u>	<u>(29,333)</u>

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

18.2 Income, Expenses, Gains and Losses	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Available for Sale £000	Unquoted Equity at Amortised Cost £000	Total £000
Interest expense	75,596	0	0	0	75,596
Total expense in Surplus on the Provision of Services	75,596	0	0	0	75,596
Interest income	0	(687)	(326)	0	(1,013)
Dividend Income	0	0	0	(4,925)	(4,925)
Total Interest and investment income	0	(687)	(326)	(4,925)	(5,938)
Net gain for the year	<u>75,596</u>	<u>(687)</u>	<u>(326)</u>	<u>(4,925)</u>	<u>69,658</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Financial Instruments - continued

#### 18.3 Fair Value of Assets and Liabilities

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

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

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

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

The fair values are calculated as follows:

		31.03.16		31.03.15	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,086,887)	(1,365,967)	(1,128,116)	(1,562,608)
Salix	2	(2,004)	(2,042)	(1,813)	(1,813)
Market debt	2	(289,443)	(497,978)	(293,496)	(508,695)
Temporary borrowing	n/a	(17,877)	(17,877)	(16,469)	(16,469)
Other bodies	n/a	0	0	(2,876)	(2,876)
Other long-term liabilities	n/a	(350)	(350)	(350)	(350)
Trade creditors	n/a	(15,277)	(15,277)	(18,597)	(18,597)
Finance Leases	3	(226,600)	(311,832)	(237,325)	(237,325)
Financial liabilities		<u>(1,638,438)</u>	<u>(2,211,323)</u>	<u>(1,699,042)</u>	<u>(2,348,733)</u>

The fair value is higher than the carrying amount because the authority’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The relative reduction in fair value of the PWLB loans is due primarily to the requirement of IFRS13 to estimate the fair value of a financial liability using the price that would be paid to transfer it to another participant of equal credit standing rather than the PWLB Repayment Rate that had been used previously.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Financial Instruments - continued

#### 18.3 Fair Value of Assets and Liabilities - continued

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

#### 18.4 Available for Sale Financial Assets

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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



## NOTES TO THE FINANCIAL STATEMENTS

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

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

### 20.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Debtors - continued

#### 20.3 Current Debtors

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

#### 20.4 Provision for Impairment

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

### 21. Cash and Cash Equivalents

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Assets Held for Sale

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

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

### 23. Creditors

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

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Provisions

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 15 to 17) and Note 10.

### 26. Unusable Reserves

#### 26.1 Summary of Unusable Reserves

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

#### 26.2 Revaluation Reserve

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Unusable Reserves - continued

#### 26.3 Capital Adjustment Account

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Unusable Reserves - continued

#### 26.4 Financial Instruments Adjustment Account

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

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

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

#### 26.5 Available for Sale Financial Assets Reserve

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

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

#### 26.6 Pensions Reserve

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Unusable Reserves - continued

#### 26.6 Pensions Reserve - continued

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

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

#### 26.7 Employee Statutory Adjustment Account

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

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

	<b>2015/16</b> <b>£000</b>	<b>2014/15</b> <b>£000</b>
Balance at 1 April	(20,738)	(26,357)
Settlement or cancellation of accrual made at the end of the preceding year	20,738	26,357
Amount accrued at the end of the current year	<u>(14,862)</u>	<u>(20,738)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5,876	5,619
Balance at 31 March	<u>(14,862)</u>	<u>(20,738)</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 26. Unusable Reserves - continued

#### 26.8 Unusable Reserves - Group Members

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

### 27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Cash Flow Statement - Investing Activities

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

### 29. Cash Flow Statement - Financing Activities

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

### 30. Analysis of Change in Financing Activities

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

### 32. Amounts Reported for Resource Allocation Decisions

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.1 Departmental Income and Expenditure

2015/16	Children and Families £000	Economic Dev't. £000	Corporate Governance £000
Fees, charges and other service income	(7,912)	(692)	(20,518)
Government grants and other contributions	(14,921)	(5,257)	(15,837)
Total Income	(22,833)	(5,949)	(36,355)
Employee expenses	263,163	4,296	42,031
Other service expenses	158,673	13,515	74,134
Total Expenditure	421,836	17,811	116,165
Net Expenditure / (Income)	399,003	11,862	79,810

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.1 Departmental Income and Expenditure - continued

<b>(re-stated) 2014/15 Comparative Data</b>	<b>Children and Families £000</b>	<b>Economic Dev't. £000</b>	<b>Corporate Governance £000</b>	
Fees, charges and other service income	(8,692)	(719)	(23,424)	
Government grants and other contributions	(15,183)	(4,417)	(16,401)	
<b>Total Income</b>	<b>(23,875)</b>	<b>(5,136)</b>	<b>(39,825)</b>	
Employee expenses	260,755	4,516	44,158	
Other service expenses	154,513	13,073	76,745	
<b>Total Expenditure</b>	<b>415,268</b>	<b>17,589</b>	<b>120,903</b>	
<b>Net Expenditure / (Income)</b>	<b>391,393</b>	<b>12,453</b>	<b>81,078</b>	
	<b>Health and Social Care £000</b>	<b>Housing Revenue Account £000</b>	<b>Joint Boards £000</b>	<b>Services for Communities £000</b>
Fees, charges and other service income	(20,736)	(105,025)	0	(213,368)
Government grants and other contributions	(54,302)	(1,586)	0	(34,984)
<b>Total Income</b>	<b>(75,038)</b>	<b>(106,611)</b>	<b>0</b>	<b>(248,352)</b>
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
<b>Total Expenditure</b>	<b>285,275</b>	<b>103,647</b>	<b>3,745</b>	<b>385,668</b>
<b>Net Expenditure / (Income)</b>	<b>210,237</b>	<b>(2,964)</b>	<b>3,745</b>	<b>137,316</b>
	<b>Net Cost of Benefits £000</b>	<b>Equal Pay £000</b>	<b>Other Group Members £000</b>	<b>Total £000</b>
Fees, charges and other service income	0	0	(132,710)	(504,674)
Net income from associates	0	0	(21,412)	(21,412)
Government grants and other contributions	(202,248)	0	(26,851)	(355,972)
<b>Total Income</b>	<b>(202,248)</b>	<b>0</b>	<b>(180,973)</b>	<b>(882,058)</b>
Employee expenses	0	(707)	83,591	633,780
Other service expenses	229,642	0	80,522	1,083,374
Support service recharges	0	0	0	7,989
Depreciation, amortisation and impairment	0	0	9,140	9,140
<b>Total Expenditure</b>	<b>229,642</b>	<b>(707)</b>	<b>173,253</b>	<b>1,734,283</b>
<b>Net Expenditure / (Income)</b>	<b>27,394</b>	<b>(707)</b>	<b>(7,720)</b>	<b>852,225</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.2 Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements for the Group and the Council

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

#### 32.3 Reconciliation to Subjective Analysis

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

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

(re-stated) Group 2014/15 Comparative Data	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	<u>0</u>	<u>1,297</u>	<u>0</u>
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	<u>(61,359)</u>	<u>(1,363)</u>	<u>0</u>
Net Expenditure / (Income)	<u>(61,359)</u>	<u>(66)</u>	<u>0</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

(re-stated) Council 2014/15 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(371,964)	11,619	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(329,121)	9,490	0
<b>Total Income</b>	<b>(701,085)</b>	<b>21,109</b>	<b>0</b>
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
<b>Total Expenditure</b>	<b>1,561,030</b>	<b>11,944</b>	<b>100,676</b>
<b>Net Expenditure / (Income)</b>	<b>859,945</b>	<b>33,053</b>	<b>100,676</b>
	<b>Not Included in CIES £000</b>	<b>Reported Below Cost of Services £000</b>	<b>Allocation of Recharges £000</b>
<b>Council 2014/15 Comparative Data</b>			
Fees, charges and other service income	0	1,297	0
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
<b>Total Income</b>	<b>0</b>	<b>1,297</b>	<b>0</b>
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
<b>Total Expenditure</b>	<b>(61,359)</b>	<b>(1,363)</b>	<b>0</b>
<b>Net Expenditure / (Income)</b>	<b>(61,359)</b>	<b>(66)</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

(re-stated)

Council

2014/15 Comparative Data

	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(359,048)	(15,573)	(374,621)
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	(90,432)	(90,432)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(319,631)	(819,818)	(1,139,449)
Total Income	<u>(678,679)</u>	<u>(1,138,799)</u>	<u>(1,817,478)</u>
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	<u>1,610,928</u>	<u>193,617</u>	<u>1,804,545</u>
Net Expenditure / (Income)	<u>932,249</u>	<u>(945,182)</u>	<u>(12,933)</u>

### 33. Trading Operations

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

#### 33.1 Edinburgh Catering Services - Other Catering

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 33. Trading Operations - continued

#### 33.2 Refuse Collection, including Trade Waste

This trading operation provides refuse collection services for over 239,000 households, with the majority of these properties being served by a containerised waste collection system. Trade waste provides a collection and disposal service to producers of commercial waste throughout the city. In addition the service provides uplifts of bulky household refuse.

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

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

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

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

### 34. Financial Support and Guarantees

#### 34.1 Loans and guarantees

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

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

Adjustments have been made under the requirements of IAS 39 as required by the Code.

The Transport for Edinburgh loan relates to two £500,000 loans to Transport for Edinburgh Ltd. to provide a loan facility to Tramco for its general working capital purposes and funding its business and activities.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 34. Financial Support and Guarantees - continued

#### 34.2 Shared Equity Scheme / Scheme of Assistance

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

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

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

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

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

#### 34.3 National Housing Trust

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 35. Agency Income and Expenditure

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

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

### 36. Audit Costs

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.691m (2014/15 £0.691m). The Council has re-charged £0.048m of the audit fee to Lothian Pension Funds in respect of its audit (2014/15 £0.048m), and £0.004m (2014/15 £nil ) to The City of Edinburgh Council Charitable Trusts.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 37. Grant Income

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 38. Related Parties

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, are shown below.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Related Parties - continued

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Related Parties - continued

#### 38.3 Related Parties - Indebtedness

The following represent material amounts due to / (by) the Council, at 31 March 2016:

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 40. Leases

#### 40.1 Assets Leased in - Finance Leases

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 40. Leases - continued

#### 40.2 Assets Leased in - Operating Leases

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

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

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

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

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

#### 40.3 Assets Leased Out by the Council - Operating Leases

The Council leases out property and equipment under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's length companies for the provision of services such as sport and leisure and theatres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2015/16 £000	2014/15 £000
Not later than one year	14,625	14,116
Later than one year and not later than five years	41,975	41,346
Later than five years	151,887	157,676
	<b>208,487</b>	<b>213,138</b>

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

# NOTES TO THE FINANCIAL STATEMENTS

## 41. Public Private Partnerships and Similar Contracts

### 41.1 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to a high standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespies High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. Construction of the new facility is phased, with the initial phase (comprising the main teaching block) being completed in April 2015, and final phases (including sports hall, social / assembly buildings) due for completion in July 2016. The concession is due to terminate in July 2041.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	<b>Payment for Services £000</b>	<b>Reimburse. of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2016/17	16,818	8,016	18,629	43,463
Payable within two to five years	76,156	32,552	72,497	181,205
Payable within six to ten years	117,530	41,212	81,867	240,609
Payable within eleven to fifteen years	134,421	51,495	71,495	257,411
Payable within sixteen to twenty years	113,926	54,881	52,800	221,607
Payable within twenty one to twenty five years	45,038	30,824	18,634	94,496
Payable within twenty six to thirty years	185	913	112	1,210
	<u>504,074</u>	<u>219,893</u>	<u>316,034</u>	<u>1,040,001</u>

Payments due under the following schemes have been inflated by 1.11% per annum for the PPP1 scheme, 1.67% per annum for the PPP2 scheme and 2.5% per annum for the James Gillespies High School scheme, reflecting the terms of the separate contracts. The actual level of payment to be made in 2016/17 will be adjusted to reflect non-availability of a number of school facilities over the period between April and July 2016.

The amounts disclosed as reimbursement of capital expenditure are included in other long-term liabilities on the Balance Sheet.

The unitary charges paid to the service providers include amounts to compensate them for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Balance at 1 April	227,802	200,831
PPP unitary charge restatement adjustment	0	64
Additions during the year	0	33,847
Repayments during the year	<u>(7,909)</u>	<u>(6,940)</u>
Balance at 31 March	<u>219,893</u>	<u>227,802</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Public Private Partnerships and Similar Contracts - continued

#### 41.2 Provision of Information Technology services

In 2015 the Council entered into a seven year contract for the provision of information technology services. This contract became operational on 1 April 2016.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown). The repayments during the first year of the contract include up to £15m of one off costs.

Future Repayment	Inflationary	
Period	£000	Uplift
2016/17	37,139	2.0%
2017/18 - 2020/21	88,488	2.0%
2021/22 - 2022/23	<u>38,039</u>	2.0%
	<u><u>163,666</u></u>	

The cost of information technology is included in overheads and is re-allocated to services.

#### 41.3 Provision of Parking Enforcement

The Council has entered into a five year contract with NSL for the provision of parking enforcement. The contract commenced on 1 October 2014 and ends on 30 September 2019. There is also a five year extension clause at the end of this period.

Under the agreement the Council is committed to paying the following sums in cash terms: (renegotiated annually)

Future Repayment	£000	
Period		
2016/17	5,761	
2017/18 - 2019/20	<u>14,401</u>	
	<u><u>20,162</u></u>	

#### 41.4 Waste Disposal

The Council entered into a twenty year contract with Viridor in 2000 to supply waste to their landfill site in Dunbar. The contract requires the Council to supply an agreed tonnage to the landfill site each calendar year. Fees are subject to review twice a year, based on civil engineering indices.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an increase of 2% per annum):

Future Repayment	£000	
Period		
2016/17	3,538	
2017/18 - 2020/21	<u>12,631</u>	
	<u><u>16,169</u></u>	

#### 41.5 Food Waste Contract

In 2015 the Council entered into a twenty year contract with Alauna Renewable Energy to supply food waste treatment at Millerhill from 1 April 2016.

Future Repayment	Inflationary	
Period	£000	Uplift
2016/17	309	2.50%
2017/18 - 2020/21	2,156	2.50%
2021/22 - 2025/26	2,896	2.50%
2026/27 - 2030/31	3,136	2.50%
2031/32 - 2035/36	<u>3,406</u>	2.50%
	<u><u>11,903</u></u>	

#### 41.6 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £19.443m.



## NOTES TO THE FINANCIAL STATEMENTS

### 42. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2015/16		2014/15	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	19,715		18,335	
As a percentage of teachers' pensionable pay		17.20		14.90
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2014/15	19,296		21,123	

At 31 March 2016, creditors include £2.731m (2014/15 £2.487m) in respect of teachers' superannuation. The increase in the percentage of teachers' pensionable pay came into effect in September 2015.

### 43. Defined Pension Schemes

#### 43.1 Participation in Pension Scheme

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

In terms of this scheme, in 2015/16 the Council paid an employer's contribution of £55.446m (2014/15 £54.843m) into the Lothian Pension Fund, representing 21.3% (2014/15 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The latest review was in March 2014.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

#### 43.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Defined Pension Schemes - continued

#### 43.2 Transactions Relating to Post-Employment Benefits - continued

	2015/16		2014/15	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	82,023		72,084	
Past service costs	2,087		744	
Effect of Settlements	<u>(159)</u>		<u>0</u>	
		83,951		72,828
<i>Financing and investment income:</i>				
Net interest expense		<u>23,445</u>		<u>23,254</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		107,396		96,082
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(37,286)		(204,649)	
Actuarial (gains) and losses arising on changes in financial assumptions	(253,389)		284,632	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		103,126	
Other experience	<u>(32,463)</u>		<u>(26,361)</u>	
		<u>(323,138)</u>		<u>156,748</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>(215,742)</u>		<u>252,830</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(107,396)</u>		<u>(96,082)</u>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		66,297		55,002
Contributions in respect of unfunded benefits		<u>5,990</u>		<u>6,357</u>
		<u>72,287</u>		<u>61,359</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Defined Pension Schemes - continued

#### 43.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

	2015/16 £000	2014/15 £000
Fair value of employer assets	2,247,877	2,144,897
Present value of funded liabilities	(2,605,380)	(2,782,482)
Present value of unfunded liabilities	<u>(81,437)</u>	<u>(89,384)</u>
Net liability arising from defined benefit obligation	<u>(438,940)</u>	<u>(726,969)</u>

#### 43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	2,144,897	1,862,816
Effect of settlements	(1,917)	0
Interest income	68,568	79,991
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	37,286	204,649
Contributions from employer	66,297	55,002
Contributions from employees into the scheme	16,502	16,416
Contributions in respect of unfunded benefits	5,990	6,357
Benefits paid	(83,756)	(73,977)
Unfunded benefits paid	<u>(5,990)</u>	<u>(6,357)</u>
Closing fair value of scheme assets	<u>2,247,877</u>	<u>2,144,897</u>

#### Reconciliation of Present Value of the Scheme Liabilities

	2015/16 £000	2014/15 £000
Present value of funded liabilities	(2,782,482)	(2,311,390)
Present value of unfunded liabilities	<u>(89,384)</u>	<u>(86,924)</u>
Opening balance at 1 April	(2,871,866)	(2,398,314)
Current service cost	(82,023)	(72,084)
Interest cost	(92,013)	(103,245)
Contributions from employees into the scheme	(16,502)	(16,416)
Re-measurement gain / (loss):		
Change in financial assumptions	253,389	(284,632)
Change in demographic assumptions	0	(103,126)
Other experience	32,463	26,361
Past service cost	(2,087)	(744)
Effects of settlements	2,076	0
Benefits paid	83,756	73,977
Unfunded benefits paid	<u>5,990</u>	<u>6,357</u>
Closing balance at 31 March	<u>(2,686,817)</u>	<u>(2,871,866)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Defined Pension Schemes - continued

#### 43.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2015/16 £000	%	2014/15 £000	%
Consumer *	342,338	15	300,827	14
Manufacturing *	265,121	12	252,298	12
Energy and Utilities *	178,558	8	214,314	10
Financial Institutions *	190,391	8	176,717	8
Health and Care *	149,425	7	146,156	7
Information technology *	134,677	6	134,141	6
Other *	<u>128,664</u>	6	<u>96,065</u>	4
Sub-total Equity Securities	<u>1,389,174</u>		<u>1,320,518</u>	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	0	0
Corporate Bonds (non-investment grade) *	0	0	0	0
UK Government *	144,656	6	124,200	6
Other *	<u>56,864</u>	3	<u>52,894</u>	3
Sub-total Debt Securities	<u>201,520</u>		<u>177,094</u>	
Private Equity				
All *	25,228	1	0	0
All	<u>73,078</u>	3	<u>248,710</u>	12
Sub-total Private Equity	<u>98,306</u>		<u>248,710</u>	
Real Estate:				
UK Property	192,281	9	140,297	7
Overseas Property	<u>0</u>	0	<u>21,751</u>	1
Sub-total Real Estate	<u>192,281</u>		<u>162,048</u>	
Investment Funds and Unit Trusts:				
Equities *	0	0	23,272	1
Equities	0	0	0	0
Bonds *	6,032	0	6,161	0
Bonds	12,180	1	0	0
Commodities *	6,235	0	6,854	0
Infrastructure *	12,509	1	12,898	1
Infrastructure	136,998	6	0	0
Other *	0	0	6,933	0
Other	<u>53,855</u>	2	<u>7,662</u>	0
Sub-total Investment Funds and Unit Trusts	<u>227,809</u>		<u>63,780</u>	
Derivatives:				
Foreign Exchange *	(130)	0	3,289	0
Other *	<u>0</u>	0	<u>0</u>	0
Sub-total Derivatives	<u>(130)</u>		<u>3,289</u>	
Cash and Cash Equivalents				
All *	<u>138,917</u>	6	<u>169,458</u>	8
Sub-total Cash and Cash Equivalents	<u>138,917</u>		<u>169,458</u>	
Total Fair Value of Employer Assets	<u>2,247,877</u>	<u>100</u>	<u>2,144,897</u>	<u>100</u>

**Scheme assets marked with an asterisk (\*) have quoted prices in active markets.**

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Defined Pension Schemes - continued

#### 43.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2016 were those from the beginning of the year (i.e. 31 March 2015) and have not been changed during the year. The main assumptions in the calculations are:

#### Investment returns

Actual return for period from 1 April 2015 to 31 December 2015	1.30%
Estimated return for period from 1 April 2015 to 31 March 2016	4.90%

#### Average future life expectancies at age 65:

		31.03.16	31.03.15
Current pensioners	male	22.1 years	22.1 years
Current pensioners	female	23.7 years	23.7 years
Future pensioners	male	24.2 years	24.2 years
Future pensioners	female	26.3 years	26.3 years

Period ended	31.03.16	31.03.15
Pension increase rate	2.2%	2.4%
Salary Increase rate	4.2%	4.3%
Discount rate	3.5%	3.2%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2016	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	271,586
1 year increase in member life expectancy	3%	80,604
0.5% increase in the Salary Increase Rate	3%	89,601
0.5% increase in the Pension Increase Rate	7%	176,900

#### 43.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. Thereafter, for the next actuarial valuation period of three years, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Defined Pension Schemes - continued

#### 43.8 Information about the defined benefit obligation

	Liability Split		Weighted Average Duration
	£000	%	
Active members	1,434,118	55.1	23.1
Deferred members	297,842	11.4	22.4
Pensioner members	<u>873,420</u>	<u>33.5</u>	<u>11.9</u>
Total	<u>2,605,380</u>	<u>100.0</u>	<u>18.3</u>

The above figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation as at 31 March 2014.

The unfunded pensioner liability at 31 March 2016 comprises approximately £62.141m (2014/15 £68.26m) in respect of LGPS unfunded pensions and £19.296m (2014/15 £21.123m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2016, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

#### 43.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Valuation Joint Board are included in unusable reserves. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

	2015/16 Pension Reserve £000	2014/15 Pension Reserve £000
<b>Unusable Reserves</b>		
Council	(438,940)	(726,969)
Lothian Valuation Joint Board	<u>(3,820)</u>	<u>(7,267)</u>
	<u>(442,760)</u>	<u>(734,236)</u>
<b>Usable Reserves</b>		
CEC Holdings	(1,010)	(1,483)
Festival City Theatres Trust	(75)	(122)
Edinburgh Leisure	(844)	(3,363)
Transport for Edinburgh Ltd	<u>17,936</u>	<u>(10,497)</u>
	<u>16,007</u>	<u>(15,465)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Defined Pension Schemes - continued

#### 43.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2017

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(70,548)	(70,548)	(26.8%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(70,548)	(70,548)	(26.8%)
Interest income on plan assets	78,519	0	78,519	29.9%
Interest cost on defined benefit obligation	0	(94,032)	(94,032)	(35.8%)
Total Net Interest Cost	78,519	(94,032)	(15,513)	(5.9%)
Total included in Profit or Loss	78,519	(164,580)	(86,061)	(32.7%)

The Council's estimated contribution to Lothian Pension Fund for 2016/17 is £55.906m.

#### 43.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £7.994m, including accrued payments (2014/15 £2.705m).

#### 43.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Chief Executive Officer, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

### 44. Contingent Liabilities

- There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.
- The provision for equal pay claims includes an estimate of the costs for all staff with unsettled equal pay claims against the Council as at 31 March 2016. Additional equal pay liabilities may arise if further eligible claims are made. This potential additional liability will be confirmed only by further eligible claims being lodged and its amount cannot be estimated with reasonable accuracy. Consequently, no provision has been made in the financial statements in respect of this.
- Whilst the Council has made an impairment provision for statutory repairs debtors, there may also be further liability claims against the Council in relation to works carried out under statutory repair notices served by the Council. The actual cost of these claims cannot be estimated with reasonable accuracy. It is also not possible to estimate precisely when these claims could become due.
- There may be claims submitted against the Council in relation to a decision by the European Court of Justice under the Working Time Directive. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

# NOTES TO THE FINANCIAL STATEMENTS

## 45. Nature and Extent of Risks Arising from Financial Instruments

### 45.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 10 March 2016 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2016/17 has been set at £1.818bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2016/17 has been set at £1.718bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% of the Council's net debt respectively.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

### 45.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### 45.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.



## NOTES TO THE FINANCIAL STATEMENTS

### 45. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 45.3 Credit Risk - continued

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31 March 2016, the Council had £13.0m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 41.4% were loans to other local authorities, a further 21.4% were UK Government Treasury Bills, 14.4% was held in two AAA rated Money Market Funds, leaving only 22.8% with banks. All of the monies held on deposit with banks at 31 March 2016 was in call or near call accounts.

The Council's cash holding under its treasury management arrangements at 31 March 2016 was £192.5 million (31 March 2015: £96.4m). This was held with the following institutions:

	Standard and Poors Rating	Principal Outstanding 31.03.16 £000	Carry Value 31.03.16 £000	Fair Value 31.03.16 £000	Carry Value 31.03.15 £000
<b>Summary</b>					
Money Market Funds					
Deutsche Bank AG, London	AAA	25,661	25,672	25,672	14,152
Goldman Sachs	AAA	181	183	183	14,135
Bank Call Accounts					
Bank of Scotland	A	12,603	12,608	12,608	9,108
Royal Bank of Scotland	BBB+	2,042	2,042	2,042	1,278
Santander UK	A	16	16	16	8,839
Barclays Bank	A-	13,025	13,048	13,048	9,238
Svenska Handelsbanken	AA-	13,284	13,295	13,295	14,373
Clydesdale Bank	AA-	0	0	0	3,736
HSBC Bank Plc	AA-	19	19	19	14,061
Floating Rate Note					
Rabobank	A+	0	0	0	2,509
Building Society Fixed Term Deposits					
Nationwide Building Society	A	0	0	0	2,491
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	87,295	87,350	89,357	0
UK Government Treasury Bills	AAA	38,364	38,455	38,455	2,490
		<u>192,490</u>	<u>192,688</u>	<u>194,695</u>	<u>96,410</u>

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2016 would have been 'AAA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating, but of the £87.35m above, £5.93m is with a local authority which had an 'Aa2' credit rating from Moodys.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £41.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. Despite continuing concerns over the European Sovereign Debt crisis and the effects that this might have on the banking system, there was no evidence at 31 March 2016 that this risk was likely to crystallise.

## NOTES TO THE FINANCIAL STATEMENTS

### 45. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 45.3 Credit Risk - continued

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council has never had any exposure to Icelandic banks and had no investment in the sector at that time.

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2016 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2016 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2016. This is available on request from the Council's Treasury Section - Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.769m (2014/15 £1.767m), trade debtors past due date can be analysed by age as follows:

	2015/16	2014/15
	£000	£000
Less than two months	13,163	18,283
Two to four months	1,055	2,008
Four to six months	786	2,066
Six months to one year	4,088	2,849
More than one year	10,886	11,093
Total	<u>29,978</u>	<u>36,299</u>

Collateral – During the reporting period the Council held no collateral as security.

#### 45.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs. It is anticipated that some short to medium term borrowing is likely to be required within the next financial year to meet cashflow and working capital requirements. This will be managed as part of the Council's short- and medium-term cashflow monitoring as required.

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

#### 45.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 45.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

## NOTES TO THE FINANCIAL STATEMENTS

### 45. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 45.5 Re-financing and Maturity Risk - continued

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. However, with the increase in borrowing rates announced in the Government's Comprehensive Spending Review in October 2010, it is now unlikely that there will be much scope for any substantial debt rescheduling.

The maturity analysis of the principal outstanding on the Council's financial liabilities is as follows:

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Less than one year	(80,656)	(75,077)
Between one and two years	(66,155)	(65,227)
Between two and five years	(188,770)	(188,310)
Between five and ten years	(264,343)	(260,587)
More than ten years	<u>(996,419)</u>	<u>(1,063,998)</u>
Financial Liabilities	<u>(1,596,343)</u>	<u>(1,653,199)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £15.277m (2014/15 £18.597m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £17.513m (2014/15 £17.854m) nor net equivalent interest rate (EIR) adjustments of £8.954m (2014/15 £9.041m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investment which the Council has with a maturity of greater than one year is £4.6m in EDI loan stock.

#### 45.6 Market risk

##### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

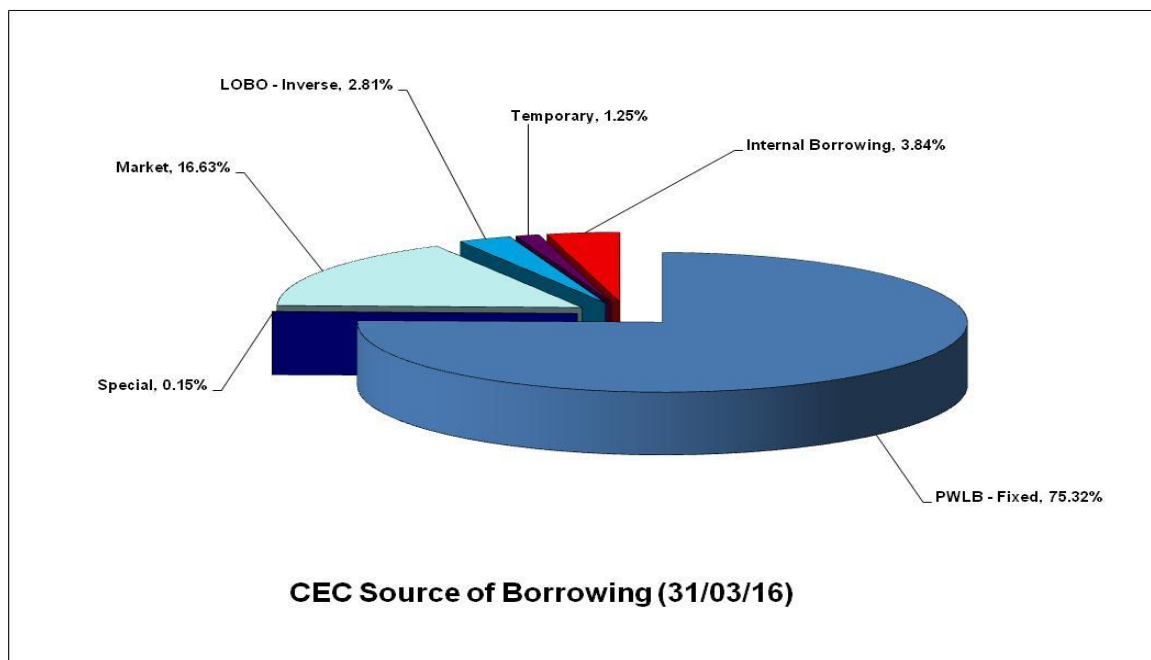
The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Any such strategy is run within the short and medium term liquidity requirements of the Council.

## NOTES TO THE FINANCIAL STATEMENTS

### 45. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 45.6 Market risk - continued

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the PWLB borrowing was variable rate.



#### Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £23.474m (2014/15 £23.511m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

#### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### 46. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BID). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Greater Grassmarket, Queensferry Ambition and Edinburgh's West End.

	2015/16 £000	2014/15 £000
Monies to be recovered from ratepayers at 1 April	190	29
BID Levy Income	3,637	2,389
Less: Payments made / due to schemes	<u>(3,478)</u>	<u>(2,228)</u>
Monies still to be recovered from ratepayers at 31 March	<u>349</u>	<u>190</u>

The monies raised through the BIDs are used to fund activities around similar key themes, including:

- area promotion - advertising, marketing and events
- clean and attractive area - cleaning teams, floral displays, street décor, cleanliness surveys
- safe and secure area - CCTV, improved lighting, transport marshals
- accessibility - pedestrian friendly environment, parking promotions, signage; and
- business initiatives - grants, skills partnerships, start up advice

## NOTES TO THE FINANCIAL STATEMENTS

### 47. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to seven. In 2011/12, 28 charities were consolidated into one new charity, the Edinburgh Education Trust.

#### 47.1 Purpose, and financial position, of the largest of the charitable funds

- **Jean F. Watson Bequest (Scottish Charity Reg. No. SC018971)**

The purpose of the fund is to purchase works of art by artists who have connections with the city.

The financial results of the fund are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Income	(27)	(25)
Expenditure	7	1
Assets	6,173	6,198
Liabilities	0	0

- **Lauriston Castle (Scottish Charity Reg. No. SC020737)**

The purpose of the fund is for the advancement of arts, heritage and culture linked to Lauriston Castle.

The financial results of the fund are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Income	(1)	(1)
Expenditure	1	1
Assets	7,039	7,041
Liabilities	0	0

- **Edinburgh Education Trust (Scottish Charity Reg No SC042754)**

The purposes of the Trust include the advancement of education, citizenship and community development, and the organisation of recreational activities.

The financial results of the fund are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Income	(21)	(21)
Expenditure	17	5
Assets	852	886
Liabilities	0	0

#### 47.2 The funds are:

	<b>Scottish Charity Registration Number</b>	<b>Market Value 31.03.16 £000</b>	<b>Market Value 31.03.15 £000</b>
<b>Scottish Registered Charities</b>			
Lauriston Castle	SC020737	7,039	7,041
Jean F. Watson	SC018971	6,173	6,198
Edinburgh Education Trust	SC042754	852	886
Nelson Halls	SC018946	214	224
Boyd Anderson	SC025067	118	120
Usher Hall Appeal	SC030180	68	70
Royal Scots Memorial Trust	SC018945	30	33
Total market value		<u>14,494</u>	<u>14,572</u>

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

## NOTES TO THE FINANCIAL STATEMENTS

### 47. The City of Edinburgh Council Charitable Funds - continued

#### 47.3 Financial Position of the Scottish Registered Charity Funds

<b>2014/15 Income and Expenditure Account</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
<b>Income</b>	
(64) Investment income	(54)
<u>0</u> Other non-investment income	<u>(2)</u>
(64)	(56)
<b>Expenditure</b>	
10 Prizes, awards and other expenses	24
<u>9</u> Governance Costs	<u>13</u>
19	37
<u>(45)</u> Surplus for the year	<u>(19)</u>
<b>2014/15 Balance Sheet</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
<b>Long-Term Assets</b>	
1,940 Investments	1,843
5,232 Artworks - Jean Watson Trust	5,232
<u>7,020</u> Heritable property	<u>7,020</u>
14,192 <b>Total Long-Term Assets</b>	14,095
<b>Current Assets</b>	
<u>413</u> Cash and bank	<u>420</u>
413	420
<b>Current Liabilities</b>	
<u>(33)</u> Creditors	<u>(21)</u>
(33)	(21)
<u>14,572</u> <b>Total Assets less Liabilities</b>	<u>14,494</u>
<b>Funds</b>	
4,301 Capital at 1 April	3,194
45 Surplus for the year	19
140 Realised and unrealised gains on investments	0
0 Realised and unrealised losses on investments	(97)
<u>(1,292)</u> Surplus Fire Fund Transfer to EVOT	<u>0</u>
3,194	3,116
<u>11,378</u> Revaluation reserve	<u>11,378</u>
<u>14,572</u> <b>Funds at 31 March</b>	<u>14,494</u>

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained from the Council's Finance Division - Business Centre 2.6, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

## NOTES TO THE FINANCIAL STATEMENTS

### 47. The City of Edinburgh Council Charitable Funds - continued

#### 47.4 Financial Position of Other Funds

2014/15 Income and Expenditure Account		2015/16
£000	Income	£000
0	Investment income	0
0		0
<b>Expenditure</b>		
1	Administrative expenses	1
1		1
1	(Surplus) / Deficit for the year	1
<b>Re-stated</b>		
2014/15 Balance Sheet		2015/16
£000	Current Assets	£000
48	Cash and bank	45
48		45
<b>Current Liabilities</b>		
(3)	Balance with City of Edinburgh Council	(1)
(3)		(1)
45	<b>Total Assets less Liabilities</b>	44
46	<b>Capital at 1 April</b>	45
(1)	Deficit for the year	(1)
0	Compensation fund paid	0
45	<b>Capital at 31 March</b>	44

### 48. Scottish Cities Alliance

The Scottish Cities Alliance was created in 2012 to promote collaboration between Scotland's cities and the Scottish Government to grow city economies, create jobs and deliver benefits across the country. Total Scottish Government investment funding of £7m has been provided to take forward a range of relevant initiatives. The Council undertakes, on an agency basis, the associated financial administration. During the year, £0.9m was paid out to the respective lead authorities of the projects concerned.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		4,819		6,045
Contribution from Scottish Government		90		90
Investment income		17		21
Less: Payments made:				
Aberdeen City Council	(4)		(64)	
City of Edinburgh Council	(4)		(749)	
Dundee City Council	0		(140)	
Glasgow City Council	(409)		(367)	
Highland Council	(37)		(15)	
Perth and Kinross Council	(102)		(2)	
Stirling Council	(344)		0	
		(900)		(1,337)
Contribution to SCDI				
2014/15	(90)		0	
2015/16	(90)		0	
		(180)		0
Balance as at 31 March		<b>3,846</b>		<b>4,819</b>

As of April 2016, the Alliance had approved total project funding allocations of £4.66m (£3.96m April 2015), covering a range of initiatives spanning the areas of Infrastructure, Investment Promotion, Low Carbon and Smart Cities.

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments

49.1 The following prior period adjustments have been made. The changes are adopted retrospectively for the prior period 2014/15, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. The 31 March 2014 and 31 March 2015 Balance Sheets and 2014/15 comparative figures have been restated in this statement of accounts to reflect these adjustments.

- **Re-categorisation of long-term debtors**

In 2010/11 the Council approved a shared equity scheme to help buyers purchase homes from PARC, to which the Council provided funding of £0.484m. A prior period adjustment has been made to re-categorise this to long-term debtors from the Capital Adjustment Account.

The Council approved an assisted purchase initiative administered on their behalf to advance monies to home owners to assist with property repairs. Loans were made between 2007 and 2012 and were recorded through the Capital Adjustment Account, with an original loan principal value of £0.762m. A prior period adjustment has been made to re-categorise this to long-term debtors and include estimated valuation increases in proportion to the property values.

- **Re-statement of housing rent**

A prior year adjustment has been made to record an understatement of HRA rental income since 2012, due to a system interface error. The prior year adjustment recognises the income in the long and short-term debtors and the renewal and repairs reserve.

- **Re-classification of creditor**

The Council received monies as a contribution towards the development of the additional function space at EICC. These monies were repayable in the event of a future sale and should therefore have been accounted for on this basis. A prior year adjustment has been made to record this as a creditor.

#### Group Account Changes

- **Lothian Valuation Joint Board - Re-categorisation of Creditor balance**

The Board previously carried forward unspent requisitions in the form of a creditor balance which was contrary to the Valuation Joint Boards (Scotland) Order 1995. Within the Group accounts these are included in Liabilities in Associates and Joint Ventures.

Unspent requisition balances have now been recorded in the form of a usable reserve.

### 49.2 Impact on Financial Statements

Movement in Reserves Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	Lothian Valuation Board £000	2014/15 Re-stated £000
<u>Balance at 31 March 2014</u>						
General Fund Balance	123,309	1	0	0	0	123,310
Renewal and Repairs Fund	21,936	0	568	0	0	22,504
Capital Fund	25,835	0	0	(3,456)	0	22,379
Council's Total Usable Reserves	173,074	1	568	(3,456)	0	170,187
Group Usable Reserves	23,192	0	0	0	258	23,450
Total Usable Reserves	196,266	1	568	(3,456)	258	193,637
Council's Unusable Reserves	1,612,466	1,246	0	(5,915)	0	1,607,797
Total Reserves	1,917,681	1,246	568	(9,370)	258	1,910,383
<u>Surplus on (deficit) on provision of service</u>						
General Fund Balance	(4,301)	47	0	(750)	0	(5,004)
HRA Balance	17,476	0	461	0	0	17,937
Council's Total Usable Reserves	13,175	47	461	(750)	0	12,933
Group Usable Reserves	6,350	0	0	0	108	6,458
Total Usable Reserves	19,525	47	461	(750)	108	19,391
Total Reserves	19,525	47	461	(750)	108	19,391



## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

#### 49.2 Impact on Financial Statements - continued

<b>Movement in Reserves Statement - continued</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>Valuation Board £000</b>	<b>2014/15 Re-stated £000</b>	
<u>Transfers (to) / from other statutory reserves</u>							
General Fund Balance	(9,161)	0	0	750	0	(8,411)	
HRA Balance	(2,503)	0	(461)	0	0	(2,964)	
Renewal and Repairs Fund	12,868	0	461	0	0	13,329	
Capital Fund	(1,206)	0	0	(750)	0	(1,956)	
		<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>2014/15 Re-stated £000</b>	
<u>Balance at 31 March 2015</u>							
General Fund		117,476	48	0	0	117,524	
Renewal and Repairs Fund		34,804	0	1,029	0	35,833	
Capital Fund		35,927	0	0	(4,206)	31,721	
Council's Total Usable Reserves		192,556	48	1,029	(4,206)	189,427	
Council's Unusable Reserves		1,453,756	1,246	0	(5,915)	1,449,087	
<b>Group Comprehensive Income and Expenditure Statement</b>				<b>Council 2014/15 Statements £000</b>	<b>Lothian Valuation Board £000</b>	<b>2014/15 Re-stated £000</b>	
Housing Revenue Account				(32,830)	(461)	0	-33,291
Associates and Joint Ventures Accounted for on an Equity Basis				1,966	0	(108)	1,858
Cost of Services				925,098	(461)	(108)	924,529
Financing and investment income				91,300	703	0	92,003
Surplus on provision of service				(19,525)	242	(108)	-19,391
Total Comprehensive Expenditure				162,456	242	(108)	162,590
<b>Council Comprehensive Income and Expenditure Statement</b>		<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>2014/15 Re-stated £000</b>	
Housing Revenue Account		(32,830)	0	(461)	0	(33,291)	
Cost of Services		932,710	0	(461)	0	932,249	
Financing and investment income		91,625	(47)	0	750	92,328	
Surplus on provision of service		(13,175)	(47)	(461)	750	(12,933)	
Total Comprehensive Expenditure		139,228	(47)	(461)	750	139,470	

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

#### 49.2 Impact on Financial Statements - continued

<b>Group Balance Sheet Statement</b>	<b>2014/15 Statements £000</b>	<b>Council Adjustment (see below) £000</b>	<b>Lothian Valuation Board £000</b>	<b>2014/15 Re-stated £000</b>
Long-term assets				
- Long-term debtors	113,146	1,893	0	115,039
Current assets				
- Short-term debtors	82,940	430	0	83,370
Current liabilities				
- Short-term creditors	(169,986)	(10,121)	0	(180,107)
Long-term liabilities				
- Liabilities in Associates / Joint Ventures	(9,087)	0	364	(8,723)
Net assets	1,755,227	(7,798)	364	1,747,793
Revaluation Reserve	911,395	(5,509)	0	905,886
Capital Adjustment Account	1,339,227	840	0	1,340,067
Unusable Reserves	1,552,863	(4,669)	0	1,548,194
Capital Fund	35,927	(4,206)	0	31,721
Renewal and Repairs Fund	34,804	1,029	0	35,833
General Fund	117,476	48	0	117,524
Group Usable Reserves	9,808	0	364	10,172
Usable Reserves	202,364	(3,129)	364	199,599
Total reserves	1,755,227	(7,798)	364	1,747,793

<b>Group Balance Sheet Statement</b>	<b>2013/14 Statements £000</b>	<b>Council Adjustment (see below) £000</b>	<b>Lothian Valuation Board £000</b>	<b>2013/14 Re-stated £000</b>
Long-term assets				
- Long-term debtors	95,766	1,022	0	96,788
Current assets				
- Short-term debtors	123,600	794	0	124,394
Current liabilities				
- Short-term creditors	(173,775)	(9,372)	0	(183,147)
Long-term liabilities				
- Liabilities in Associates / Joint Ventures	(5,923)	0	258	(5,665)
Net assets	1,917,681	(7,555)	258	1,910,384
Revaluation Reserve	918,790	(5,712)	0	913,078
Capital Adjustment Account	1,306,580	1,043	0	1,307,623
Unusable Reserves	1,721,415	(4,668)	0	1,716,747
Capital Fund	25,835	(3,456)	0	22,379
Renewal and Repairs Fund	21,936	568	0	22,504
General Fund	123,309	1	0	123,310
Group Usable Reserves	23,192	0	258	23,450
Usable Reserves	196,266	(2,887)	258	193,637
Total reserves	1,917,681	(7,555)	258	1,910,384

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

#### 49.2 Impact on Financial Statements - continued

<b>Council Balance Sheet Statement</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>2014/15 Re-stated £000</b>
Long-term assets					
- Long-term debtors	116,646	1,294	599	0	118,539
Current assets					
- Short-term debtors	69,751	0	430	0	70,181
Current liabilities					
- Short-term creditors	(141,325)	0	0	(10,121)	(151,446)
Net assets	1,646,312	1,294	1,029	(10,121)	1,638,514
Revaluation Reserve	911,395	0	0	(5,509)	905,886
Capital Adjustment Account	1,339,227	1,246	0	(406)	1,340,067
Unusable Reserves	1,453,756	1,246	0	(5,915)	1,449,087
Capital Fund	35,927	0	0	(4,206)	31,721
Renewal and Repairs Fund	34,804	0	1,029	0	35,833
General Fund	117,476	48	0	0	117,524
Usable Reserves	192,556	48	1,029	(4,206)	189,427
Total reserves	1,646,312	1,294	1,029	(10,121)	1,638,514

<b>Council Balance Sheet Statement</b>	<b>2013/14 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>2013/14 Re-stated £000</b>
Long-term assets					
- Long-term debtors	99,266	763	258	0	100,287
Current assets					
- Short-term debtors	113,602	484	311	0	114,397
Current liabilities					
- Short-term creditors	(151,613)	0	0	(9,372)	(160,985)
Net assets	1,785,540	1,247	569	(9,372)	1,777,984
Revaluation Reserve	918,790	0	0	(5,712)	913,078
Capital Adjustment Account	1,306,580	1,246	0	(203)	1,307,623
Unusable Reserves	1,612,466	1,246	0	(5,915)	1,607,797
Capital Fund	25,835	0	0	(3,456)	22,379
Renewal and Repairs Fund	21,936	0	568	0	22,504
General Fund	123,309	1	0	0	123,310
Usable Reserves	173,074	1	568	(3,456)	170,187
Total reserves	1,785,540	1,247	568	(9,371)	1,777,984

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

#### 49.2 Impact on Financial Statements - continued

<b>Group Cash Flow Statement</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>L-T Creditor £000</b>	<b>2014/15 Re-stated £000</b>
<b>Operating activities</b>					
- Interest and investment income received	(11,680)	(47)	0	749	(10,978)
Cash inflows form operating activities	(1,937,399)	(47)	0	749	(1,936,697)
- Cash paid to suppliers of goods and services	750,951	0	0	(749)	750,202
Cash outflows from operating activities	1,700,462	0	0	(749)	1,699,713
Net cash flows from operating activities	(236,937)	(47)	0	0	(236,984)
<b>Investing activities</b>					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	183,055	47	0	0	183,102
<b>Council Cash Flow Statement</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>L-T Creditor £000</b>	<b>2014/15 Re-stated £000</b>
<b>Operating activities</b>					
- Interest and investment income received	(11,450)	(47)	0	749	(10,748)
Cash inflows form operating activities	(1,780,277)	(47)	0	749	(1,779,575)
- Cash paid to suppliers of goods and services	695,545	0	0	(749)	694,796
Cash outflows from operating activities	1,565,249	0	0	(749)	1,564,500
Net cash flows from operating activities	(215,028)	(47)	0	0	(215,075)
<b>Investing activities</b>					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	159,177	47	0	0	159,224
<b>Housing Revenue Account Income and Expenditure Statement</b>			<b>2014/15 Statements £000</b>	<b>Housing Rent £000</b>	<b>2014/15 Re-stated £000</b>
<b>Income</b>					
Dwelling rents			(90,840)	(461)	(91,301)
Surplus for the year on HRA services			(17,476)	(461)	(17,937)
<b>Movement on the HRA Statement</b>					
Surplus for the year on the HRA Income and Exp Account			17,476	461	17,937
Contribution to renewal and repairs fund, via the General Fund			(2,503)	(461)	(2,964)

# HOUSING REVENUE ACCOUNT

## INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2016

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

<b>(re-stated)</b>		<b>2015/16</b>	
<b>2014/15</b>		<b>£000</b>	<b>£000</b>
<b>£000</b>	<b>EXPENDITURE</b>		
27,256	Repairs and maintenance	27,765	
21,453	Supervision and management	26,132	
18,266	Depreciation and impairment of non-current assets	23,285	
5,719	Other expenditure	5,609	
1,325	Impairment of debtors	1,073	
<u>74,019</u>			83,864
	<b>INCOME</b>		
(91,301)	Dwelling rents	(93,015)	
(377)	Non-Dwelling rents (gross)	(467)	
<u>(15,632)</u>	Other income	<u>(17,102)</u>	
<u>(107,310)</u>			<u>(110,584)</u>
(33,291)	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(26,720)
319	HRA share of corporate and democratic core		274
72	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		1,005
<u>(32,900)</u>	Net expenditure / (income) for HRA Services		<u>(25,441)</u>
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
307	(Gain) / loss on sale of HRA fixed assets	(2,247)	
18,936	Interest payable and similar charges	19,021	
2,434	Interest cost on defined benefit obligation ( <i>pension-related</i> )	2,494	
(81)	Interest and investment income	(98)	
(1,886)	Interest income on plan assets ( <i>pension-related</i> )	(1,858)	
<u>(4,747)</u>	Capital grants and contributions	<u>(7,439)</u>	
<u>14,963</u>			<u>9,873</u>
<u><u>(17,937)</u></u>	Surplus for the year on HRA services		<u><u>(15,568)</u></u>

# HOUSING REVENUE ACCOUNT

## MOVEMENT ON THE HRA STATEMENT

(re-stated) 2014/15 £000		2015/16 £000
0	Balance on the HRA at the end of the previous year	0
17,937	Surplus for the year on the HRA Income and Exp Account	15,568
(14,973)	Adjustments between accounting basis and funding basis under statute	(13,312)
<u>2,964</u>	<b>Net increase before transfers to reserves</b>	<u>2,256</u>
<u>(2,964)</u>	Contribution to renewal and repairs fund, via the General Fund	<u>(2,256)</u>
<u><u>0</u></u>	<b>Balance on the HRA at the end of the current year</b>	<u><u>0</u></u>

## Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	<b>Adjustments primarily involving the Capital Adjustment Account</b>	
	<b>Reversal of items debited or credited to the Income and Expenditure Statement</b>	
18,266	Charges for depreciation and impairment of non-current assets	23,285
(4,747)	Capital grants and contributions applied	(7,439)
	<b>Insertion of items not debited or credited to the Income and Expenditure Statement</b>	
(23,123)	Statutory provision for the financing of capital investment	(27,328)
(5,649)	Capital funded from revenue	0
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>	
307	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,247)
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>	
(460)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(488)
	<b>Adjustments primarily involving the Pensions Reserve</b>	
1,081	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,676
(426)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,693)
	<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>	
(222)	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(78)
<u>(14,973)</u>		<u>(13,312)</u>

# HOUSING REVENUE ACCOUNT

## Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2016 are as follows:

Types of Houses	2016		2015	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
<b>Main provision Council dwellings</b>				
1 Apartment	302	3,726.00	302	3,653.00
2 Apartment	5,459	4,177.00	5,473	4,100.00
3 Apartment	10,145	4,842.00	10,184	4,752.00
4 Apartment	3,426	5,579.00	3,458	5,473.00
5 Apartment	516	6,015.00	521	5,891.00
6 Apartment	9	6,043.00	9	5,924.00
7 Apartment	4	5,854.00	4	5,739.00
8 Apartment	1	5,854.00	1	5,739.00
<b>Mid-market rent dwellings</b>				
2 Apartment	21	5,447.00	6	5,337.00
3 Apartment	75	6,706.00	39	6,878.00
4 Apartment	22	8,430.00	7	7,924.00
	<u>19,980</u>		<u>20,004</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £6.779m (£5.402m 2014/15) against which a provision amounting to £5.399m (£4.326m 2014/15), has been created in respect of non collectable debts. The 14/15 figure has been restated by £1.029m as a result of a prior year adjustment to record an understatement of HRA rental income since 2012, due to a system interface error.
- Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.
- The total value of uncollectable void rents for main provision properties was £0.464m (2014/15 £0.545m). This has been netted against rental income.

## COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

for the year ended 31 March 2016

2014/15 £000		2015/16 £000	£000
(297,767)	Gross council tax levied and contributions in lieu		(300,827)
48,938	Less: - Exemptions and other discounts	49,860	
8,333	- Provision for bad debts	7,956	
25,785	- Council Tax Reduction Scheme	24,255	
2,107	- Other reductions	2,689	
<u>85,163</u>		<u>84,760</u>	
(212,604)			(216,067)
<u>(307)</u>	Previous years' adjustments		<u>(324)</u>
<u><b>(212,911)</b></u>	<b>Total transferred to General Fund</b>		<u><b>(216,391)</b></u>

### Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.1% (2014/15 95.4%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation.

A Council Tax bill is reduced by 25% where a dwelling has only one occupant or, with certain exceptions, 10% where the property is a second home. Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted for physically disabled people.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

### Calculation of the Council Tax Base 2015/16

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	23,248	79	(3,209)	(3,452)	16,666	6/9	11,111	£779.33
B £27,001 - £35,000	47,011	68	(3,728)	(6,904)	36,447	7/9	28,348	£909.22
C £35,001 - £45,000	43,969	(23)	(3,247)	(5,439)	35,260	8/9	31,342	£1,039.11
D £45,001 - £58,000	37,823	61	(2,845)	(4,123)	30,916	9/9	30,916	£1,169.00
E £58,001 - £80,000	40,177	(24)	(3,383)	(3,682)	33,088	11/9	40,441	£1,428.78
F £80,001 - £106,000	24,402	(38)	(1,343)	(1,955)	21,066	13/9	30,429	£1,688.56
G £106,001 - £212,000	20,893	(93)	(531)	(1,244)	19,025	15/9	31,708	£1,948.33
H Over £212,000	3,910	(30)	(146)	(191)	3,543	18/9	7,086	£2,338.00
							211,381	
							499	
							(6,738)	
							<u><b>205,142</b></u>	



## NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

### for the year ended 31 March 2016

<b>2014/15</b>		<b>2015/16</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
(439,173)	Gross rates levied and contributions in lieu		(444,260)
82,712	Less: - Reliefs and other deductions	85,276	
4,588	- Uncollectable debt written off and provision for impairment	<u>4,752</u>	
<u>87,300</u>			<u>90,028</u>
(351,873)			(354,232)
<u>7,684</u>	Previous years' adjustments		<u>13,161</u>
<b><u>(344,189)</u></b>	<b>Net Non-Domestic Rates Income</b>		<b><u>(341,071)</u></b>
	Allocated to:		
(344,628)	Contribution to National Non-Domestic Rates Pool		(341,540)
439	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		469
<b><u>(344,189)</u></b>			<b><u>(341,071)</u></b>

### Notes to the Non-Domestic Rates Income Account

<b>Rateable Values as at 1 April 2015</b>	<b>Number</b>	<b>Rateable Value £000</b>
Shops, offices and other commercial subjects	14,174	647,392
Industrial and freight transport	2,731	73,733
Telecommunications	9	25
Public service subjects	354	49,186
Miscellaneous	<u>2,734</u>	<u>141,443</u>
	<u>20,002</u>	<u>911,779</u>

### Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £341.540m (2014/15 £344.628m) is the non-domestic rates contributed by the Council through pooling arrangements for government grant purposes. The amount distributed to the Council under these arrangements was £390.862m (2014/15 £364.108m).

With effect from 2011/12, authorities retain in full the income raised locally up to the baseline level assumed in the Local Government Financial Settlement. Any variation from this assumed level is then met by means of a corresponding transfer of funds to or from the Scottish Government.

### Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 48.0p per £ in 2015/16 (2014/15 47.1p per £).

Properties with a rateable value greater than £35,000 (2014/15 £35,000) had their rate charges calculated using the poundage of 49.3p per £ (2014/15 48.2p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less may have received relief as set out below:

100% Relief	below	£10,000
50% Relief	£10,001 to	£12,000
25% Relief	£12,001 to	£18,000
Upper limit for combined rateable value		£35,000

## COMMON GOOD FUND

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh ..... maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

During 2015/16, the Council acquired Custom House, 69 Commercial Street, Leith for £671,540 to use the building as a museum for the benefit of Leith and the wider city. In addition to the acquisition of Custom House, the Council generated two capital receipts for the Common Good. Cathedral Lane was sold with a receipt of £108,000 and land at Granton Road was sold with a receipt of £51,480, both of which were credited to the Common Good Fund. There has been no reduction in the value of the existing Common Good assets in year.

The sale of East Market Street garage as part of package of properties was completed in 2014/15. The Common Good account was credited with a receipt of £1.182m. The receipt, net of costs associated with the disposal, was transferred to the Common Good fund and will be utilised to fund a planned property maintenance programme on Common Good assets as agreed at the January 2016 Finance and Resources Committee. The resulting balance of the Common Good Fund is £2.297m as at 31 March 2016. (£1.654m 2014/15).

### COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Property Maintenance Fund £000	FFF Earmarked Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
<b>2015/16 Movements</b>						
Balance at 31 March 2015	1,654	0	1,182	(22)	21,860	24,674
Movement in reserves during 2015/16						
(Deficit) / Surplus on the provision of service	(538)	0	0	0	0	(538)
Revaluation Reserve	0	0	0	0	134	134
<b>Total Comprehensive Income and Expenditure</b>	(538)	0	0	0	134	(404)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	(538)	0	0	0	134	(404)
Transfer (to) / from reserves	(818)	2,000	(1,182)	0	0	0
Increase / (decrease) in year	(1,356)	2,000	(1,182)	0	134	(404)
<b>Balance at 31 March 2016</b>	298	2,000	0	(22)	21,994	24,270

## COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	FFF Earmarked Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
<b>2014/15 Comparative Data</b>					
Balance at 31 March 2014	<u>1,650</u>	<u>0</u>	<u>(20)</u>	<u>23,928</u>	<u>25,558</u>
Movement in reserves during 2014/15					
Surplus on the provision of services	1,186	0	0	0	1,186
Revaluation Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>(885)</u>	<u>(885)</u>
<b>Total Comprehensive Income and Expenditure</b>	1,186	0	0	(885)	301
Adjustments between accounting basis and funding basis under regulations:	0	0	(2)	(1,183)	(1,185)
<b>Net increase / decrease before transfers to earmarked reserves</b>	1,186	0	(2)	(2,068)	(884)
Transfer (to) / from reserves	<u>(1,182)</u>	<u>1,182</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase / (decrease) in year	<u>4</u>	<u>1,182</u>	<u>(2)</u>	<u>(2,068)</u>	<u>(884)</u>
<b>Balance at 31 March 2015</b>	<u>1,654</u>	<u>1,182</u>	<u>(22)</u>	<u>21,860</u>	<u>24,674</u>

## COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 £000	2015/16 £000	£000
<b>EXPENDITURE</b>		
44 Common Good Fund	38	
44 <b>TOTAL EXPENDITURE</b>	38	
<b>INCOME</b>		
0 <b>TOTAL INCOME</b>	0	
44 <b>COST OF SERVICES</b>		38
(1,218) (Gain) / Loss on disposal of Fixed Assets	511	
(2) Income from redemption of investment bonds	0	
(10) Interest and investment income	(11)	
(1,230) <b>Other Comprehensive Income and Expenditure</b>		500
(1,186) <b>(Surplus) / Deficit on Provision of Services</b>		538
885 (Surplus) / Deficit on revaluation of non-current assets	(134)	
<u>(301) <b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b></u>		<u>404</u>

## COMMON GOOD FUND - BALANCE SHEET

31 March 2015 £000		31 March 2016 £000	£000
<u>21,757</u>	Community Assets	<u>21,892</u>	
<u>21,757</u>	<b>Property, Plant and Equipment</b>		21,892
103	Heritage Assets	103	
<u>0</u>	Long-term Investments	<u>0</u>	
<u>103</u>	<b>Long-term Assets</b>		103
2,756	Short-Term Investments	322	
<u>58</u>	Cash and Cash Equivalents	<u>1,953</u>	
<u>2,814</u>	<b>Current Assets</b>		<u>2,275</u>
<u><b>24,674</b></u>	<b>Net Assets</b>		<u><b>24,270</b></u>
21,860	Revaluation Reserve	21,994	
<u>(22)</u>	Capital Adjustment Account	<u>(22)</u>	
<u>21,838</u>	<b>Unusable Reserves</b>		21,972
1,654	Common Good Fund	298	
<u>1,182</u>	Earmarked Reserve	<u>2,000</u>	
<u>2,836</u>	<b>Usable Reserves</b>		<u>2,298</u>
<u><b>24,674</b></u>	<b>Total Reserves</b>		<u><b>24,270</b></u>

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

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

# COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

## 1. Property, Plant and Equipment and Heritage Assets

### 1.1 Movements on Balances

	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
<b>Cost or Valuation</b>			
At 1 April 2015	21,757	21,757	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	135	135	0
At 31 March 2016	<u>21,892</u>	<u>21,892</u>	<u>103</u>
<b>Accumulated Depreciation</b>			
At 1 April 2015	0	0	0
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Book Value</b>			
At 31 March 2016	<u>21,892</u>	<u>21,892</u>	<u>103</u>
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
<b>Cost or Valuation</b>			
At 1 April 2014	23,824	23,824	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,067)	(2,067)	(1)
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
<b>Accumulated Depreciation</b>			
At 1 April 2014	0	0	0
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
At 31 March 2014	<u>23,824</u>	<u>23,824</u>	<u>104</u>

### 1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2016 include:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	18

## 2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 132).

## COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

### 3. Unusable Reserves

#### 3.1 Revaluation Reserve

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

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

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

	2015/16		2014/15	
	£000	£000	£000	£000
Balance at 1 April		21,860		23,928
Upward revaluation of assets	134		412	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0		(1,297)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		134		(885)
Derecognition of asset disposals				(1,183)
Balance at 31 March		<u>21,994</u>		<u>21,860</u>

#### 3.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2015/16		2014/15	
	£000		£000	
Balance at 1 April	(22)		(20)	
Adjustment for revaluation of Government investment bonds	0		(2)	
Balance at 31 March	<u>(22)</u>		<u>(22)</u>	

# ANNUAL GOVERNANCE STATEMENT

## Scope of Responsibility

The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. This statement outlines how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 39 of the Accounts.

## The Group's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads its communities. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk & Best Value Committee. The rest of the Group observes the principles of the code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. Internal Audit has also reviewed the annual assurance questionnaire process in relation to Arms-Length Companies and has found that this provides the Chief Executive with a level of assurance on the adequacy of the governance arrangements. The Council's Corporate governance framework meets the principles of effective governance.

The key elements of the framework are set out below:

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2016-2020. The plan forms part of a single planning and performance framework that connects the strategic vision of the Council and its partners to the detailed operational plans which guide the delivery of our frontline services, and the Community Plan for the delivery of services in our communities. Audit Scotland has reported its view that "the Council has a clear strategy for changing the way that it delivers services, reducing its workforce, and achieving substantial financial savings."
- The Edinburgh Partnership Community Plan 2015-2018 sets out the shared objectives of the Council and its community planning partners and details their vision, strategic priorities and intended outcomes for the Edinburgh area, its citizens and service users. The Edinburgh Partnership Community Plan 2015-2018 has been agreed by the Council and community planning partners. There are nine strategic partnerships and twelve Neighbourhood Partnerships, which all form part of the Edinburgh Partnership and help deliver the community plan and neighbourhood plans.
- Governance arrangements for the Edinburgh Partnership Community Plan include the Edinburgh Partnership Board to lead the Partnership and be responsible for its effectiveness; a Partnership Executive to act as a vehicle for wider advice, consultation, involvement and communication; and designated strategic partnerships for delivery of intervention and prevention areas.

# ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

- Empowered communities. The Council has created four localities and is using these to restructure and deliver a range of frontline services. This will ensure integrated local services and improved outcomes for citizens. This locality model operates in co-terminosity with our partners (such as police and fire services) enabling closer working and integration of services around our citizens. This is underpinned by formal local community planning arrangements to support and engage with community planning groups and Community Councils, joint working locality teams and Locality Community Plans.
- The Council's long term financial plan sets out how pressures arising from demographic change, inflation and legislative reform, coupled with reducing real-terms resource levels, will need to be addressed on a sustainable basis whilst still meeting the needs of our customers. This is aligned to a re-design of our service structures to make them more efficient and a transformation of the way that services are provided. Audit Scotland noted in February 2016 that "the Council has made substantial progress in developing its longer-term savings plans" and a four year budget framework and business plan which sets out how it is proposed to deliver a balanced budget until 2018/19 has been agreed by Council. Audit Scotland also confirmed that "there is growing evidence that these savings are being achieved."
- Our programme of transformation focuses efforts on achieving priority outcomes by reducing internal business costs, applying channel shift to reduce the cost of simple transactions and enabling customers and staff to do more through self service.
- A performance management framework, incorporating internal and public performance reporting, which focuses on continuous improvement of our services, applying reliable improvement methods to ensure that services are consistently well designed based on the best evidence and are delivered on a right first time basis. Audit Scotland has specifically complimented progress in stating that "the introduction of regular performance 'dashboard' reports is a step forward in summarising complex issues, such as workforce reductions and savings plans, and highlighting areas of concern." They further noted that "Members are provided with regular progress reports and updates on the various strands of the Council's transformation programme and savings plans."
- The Council is embedding a culture of commercial excellence to ensure that our services always deliver Best Value. Focused work is underway to further improve standards in buying practices and processes across the Council and in mainstreaming a consistent and commercial approach to maximising income from our assets and services.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Team, Governance, Risk and Best Value Committee and Council, where appropriate, supports effective scrutiny and service improvement activities.
- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.
- The Chief Executive has overall responsibility to Council, as head of paid service, for all aspects of operational management and overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.
- The Chief Finance Officer has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control.
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.



# ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

- The Council's Governance and Democratic Services Manager, reporting to the Head of Strategy and Insight, has responsibility for advising the Council on corporate governance arrangements.
- The Governance, Risk and Best Value Committee provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides independent scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk based plan, and monitors performance of the internal audit service.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Community Risk Register, Council Risk Register and Service area risk registers identify risks and proposed treatment or actions. These registers are regularly reviewed, updated and reported to the Corporate Leadership Team and Governance, Risk and Best Value Committee for scrutiny and challenge.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate chief officer. Officers have personal work objectives, and receive feedback on their performance through the Council-wide performance review and development process.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of Elected Members' salaries, allowances and expenses is published on the Council's website.
- The Council's Governance and Democratic Services Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.
- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations. Under the mandatory policy awareness programme it is an annual requirement that officers confirm their awareness and understanding of these key policies.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' interests are maintained and available for public inspection.

A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to identify and prioritise risks to the achievement of the Group's objectives. These arrangements were in place throughout the year and up to the signing of the Accounts.

## **Review of Effectiveness**

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services Manager has reviewed the effectiveness of the Code and the result was reported to the Governance, Risk and Best Value Committee in August 2016.

The Council's Governance and Democratic Services manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. Governance arrangements will continue to be monitored and self assessment information provided to the Governance, Risk and Best Value Committee on an annual basis.

## ANNUAL GOVERNANCE STATEMENT

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal and Risk (Interim) but had free access to the Chief Executive, all Executive Directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee.

The Chief Internal Auditor and Council's Head of Strategy and Insight (Interim) have provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- The work of the Corporate Leadership Team which develops and maintains the governance environment;
- The certified annual assurance statements provided by all Executive Directors;
- The certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies;
- Council officers' management activities;
- The Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- An annual review by the Council's Governance and Democratic Services Manager of the Council's compliance with the Local Code of Corporate Governance, reported to the Governance, Risk and Best Value Committee;
- Reports from the Council's external auditor; and
- Reports by external, statutory inspection agencies.

In compliance with standard accounting practice, the Chief Finance Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2016. It is the Chief Finance Officer's opinion that reasonable assurance can be placed upon its effectiveness.

Each Executive Director has reviewed the arrangements in his / her service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered any relevant third party reviews and recommendations. Reliance has also been placed on each organisation's most recent audited accounts together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement with these organisations. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Council. Indeed, Internal Audit have reported that "The Council is on a journey of improvement with regard to the governance, risk management and internal control framework of the Council." Improvements are, however, required to enhance the adequacy and effectiveness of governance, risk management and control. In particular, these reviews have identified the following actions, which have been incorporated with the Council's Business Plan and service plans, to continue to develop in the following activities:-

By the Council:

- To continue to mitigate risks – faced by all councils – regarding uncertainties around future funding and service demands - the Council's expenditure and income assumptions will continue to be reviewed on an at-least quarterly basis, with a particular emphasis on developing transformational and preventative initiatives delivering sustainable savings as part of a longer-term framework;
- To continue to mitigate risks inherent in the Council's major projects portfolio and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the projects; The major projects area is being refreshed and a new model and unit developed that will adopt a best-practice portfolio management approach to the management, delivery and governance of programmes and projects across the Council;

## ANNUAL GOVERNANCE STATEMENT

- To continue to mitigate risks inherent in the Council's transformation programme and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the programme. A Programme Management Office (PMO) has been put in place for the Transformation Programme to support delivery and among its functions it will closely monitor and manage risk and escalate wherever risk tolerances are exceeded;
- To deliver savings and improve service delivery through our Asset Management Strategy. Governance and implementation will be delivered by a Project Management Board that reports to the Council Leadership Team every month and the Finance and Resources committee every two cycles;
- To address recommendations within the internal audit reports issued in 2015/16 with a specific focus on addressing unresolved recommendations. All open audit actions will be reported to the Corporate Leadership Team on a monthly basis;
- To implement action plans agreed with external inspection agencies (Service lead - All);
- To continue to mitigate risks surrounding the delivery of the integrated care programme in respect of Adult Social Care; (Service lead - Chief Officer Edinburgh Health and Social Care Partnership/All); and
- To implement all other actions identified by Executive Directors in statements of assurance (Service lead - All).

By the Group:

- long-term financial planning and links to outcomes; and
- embedding and building on recent structural changes and improvements in governance arrangements to take advantage, as appropriate, of improved economic conditions.

The proposed improvements do not indicate any significant gaps or weaknesses in the existing governance framework.

### Certification

It is our opinion that in light of the foregoing, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

ANDREW KERR  
Chief Executive

ANDREW BURNS  
Council Leader

HUGH DUNN  
Acting Executive Director of  
Resources

29 September 2016

29 September 2016

29 September 2016

# REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration is over £150,000 per annum. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 per annum.

All information disclosed in the tables on pages 142 to 153 in this remuneration report has been audited by Audit Scotland. The other sections of the remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

## Remuneration Arrangements

### Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of Councillors' remuneration, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2015/16, the remuneration for the Leader of the City of Edinburgh Council was £50,180. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2015/16 this was £37,635. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of Senior Councillors shall not exceed £652,340. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below. Posts in italics were remunerated until the dates shown.

	No. of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Children and Families, Culture and Sport, Economy, Education, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	65%
Convener of Licensing Board	1	60%
Convener of Governance, Risk and Best Value	1	50%
Convener of Communities and Neighbourhoods	1	45%
Convener of Police and Fire Scrutiny	1	40%
Vice-Conveners of Children and Families, Culture and Sport, Economy, Education, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	45%
Opposition Group Leaders - Conservative and Green Groups	2	50%

In addition, the Council remunerated the Conveners and Vice Conveners of Joint Boards. The Council has an arrangement with the Joint Boards to reimburse the Council for the additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

# REMUNERATION REPORT

## Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/148 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2015 to March 2017. Circular CO/148 provides a revised Scheme of Salaries and Conditions of Service for Chief Officials.

There is no formal percentage relationship for salaries between the Chief Executive and other chief officers. The national salary points to be applied to Executive Directors and Head of Service posts are determined using the Hay job evaluation method. The decision on whether there is to be an annual pay increase applied to the national salary points, and at what level, for Chief Executive and Chief Officer posts is made by the SJNC for local authority services and thereafter applied locally by the Council.

The Director of Health and Social Care was a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employed the post holder directly. The Integration Joint Board Chief Officer is a joint appointment and the terms and conditions, including pay for the post, are set by the Council, who employ the post holder directly. The appropriate costs are then recharged to NHS Lothian and the Integration Joint Board.

The Council's role in determining the remuneration policies for its companies is currently under review.

## Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Details on roles held by Councillors are set out on pages 143 and 144. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, regardless of whether a senior Councillor role was held for the full year.

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
<b>Council's Leader, Civic Head and Senior Councillors</b>					
A. Burns, Leader of the Council	50,180	0	256	50,436	49,897
D. Wilson, Lord Provost	37,635	0	827	38,462	37,882
S. Cardownie, Depute Leader of the Council ( <i>until 12.03.15</i> ), <i>Depute Convener (from 28.05.15) (Note 1)</i>	23,786	44	417	24,247	35,163
S. Howat, Depute Leader of the Council ( <i>from 12.03.15 until 09.03.16</i> ) and Vice Convener Planning ( <i>until 12.03.15</i> )	36,398	0	732	37,130	23,873
F. Ross, Convener of Economy ( <i>until 09.03.16</i> ) Depute Leader ( <i>from 10.03.16</i> )	32,914	0	626	33,540	34,560
D. Brock, Depute Convener ( <i>until 18.05.15</i> )	4,843	0	17	4,860	25,235
R. Lewis, Convener of Culture and Sport	32,617	0	248	32,865	34,127
P. Godzik, Convener Education, Children and Families	32,617	0	638	33,255	32,561
A. Rankin, Convener Finance and Resources	32,617	23	807	33,447	33,004
R. Henderson, Convener Health, Social Care and Housing	32,617	0	726	33,343	33,002
I. Perry, Convener Planning	32,617	0	214	32,831	32,481

## REMUNERATION REPORT

### Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
<b>Council's Leader, Civic Head and Senior Councillors</b>					
G. Barrie, Convener Regulatory ( <i>until 09.03.16</i> ) Convener Economy ( <i>from 10.03.16</i> )	32,617	0	151	32,768	33,002
L. Hinds, Convener Transport and Environment	32,617	0	758	33,375	33,557
E. Milligan, Convener Licensing Board	30,108	179	0	30,287	30,482
M. Child, Convener Communities and Neighbourhoods	22,581	0	96	22,677	22,452
J. Balfour, Convener Governance, Risk and Best Value	25,090	0	351	25,441	25,282
M. Bridgman, Convener Police and Fire Scrutiny ( <i>until 09.03.16</i> ) Convener Regulatory ( <i>from 10.03.16</i> )	20,814	706	136	21,656	20,567
W. Henderson, Convener Police and Fire Scrutiny ( <i>from 10.03.16</i> )	16,924	0	96	17,020	n/a
<u>Vice-Conveners</u>					
N. Austin-Hart, Vice Convener of Culture and Sport	22,581	0	0	22,581	22,357
G. Munro, Vice Convener of Economy	22,581	0	752	23,333	23,065
C. Fullerton, Vice Convener Education, Children and Families	22,581	0	111	22,692	22,501
B. Cook, Vice Convener Finance and Resources	22,581	0	0	22,581	22,357
C. Day, Vice Convener Health, Social Care and Housing	22,581	0	47	22,628	22,851
A. Blacklock, Vice Convener Regulatory	22,581	0	805	23,386	23,115
A. McVey, Vice Convener Transport and Environment	22,581	0	726	23,307	23,065
D. Dixon, Vice Convener Planning ( <i>from 12.03.15 until 09.03.16</i> )	22,235	135	101	22,471	17,386
A. Lunn, Vice Convener Planning ( <i>from 10.03.16</i> )	17,072	0	724	17,796	n/a
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader	25,090	0	0	25,090	24,940
S. Burgess, Green Group Leader	25,090	0	936	26,026	25,774
<b>Councillors</b>					
N Work, Convener Lothian Valuation Joint Board ( <i>Note 2</i> )	20,909	103	1,696	22,708	21,670

### Notes:

1. The 2014/15 salary for S Cardownie has been restated as the change in role was only processed in 2015/16.
2. The amount recharged to Lothian Valuation Joint Board in 2015/16 was £4,183 (2014/15 £4,142). Expenses relate to Councillor role.

## REMUNERATION REPORT

### Remuneration Paid - continued Members' Salaries and Expenses

The Council paid the following amounts to members of the Council during the year (these sums include the totals shown above):

	2015/16 £	2014/15 £
Salaries	1,271,704	1,266,880
Expenses		
Claimed by councillors	1,723	2,486
Paid directly by the Council	<u>27,072</u>	<u>28,732</u>
Total	<u>1,300,499</u>	<u>1,298,098</u>

Remuneration paid to Senior Officers	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
<b>Council's Senior Officers</b>				
A. Kerr, Chief Executive ( <i>from full year equivalent</i> )	111,652	0	111,652 <i>164,168</i>	n/a
S. Bruce, Chief Executive ( <i>until full year equivalent</i> )	67,392	0	67,392 <i>161,741</i>	161,741
A. Maclean, Deputy Chief Executive ( <i>full year equivalent</i> )	110,881	0	110,881 <i>147,427</i>	134,760
G. Tee, Director Children and Families ( <i>until 31.12.15 full year equivalent</i> )	145,816	0	145,816 <i>147,427</i>	143,505
A. Gaw, Acting Director of Communities and Families ( <i>from 05.01.16 full year equivalent</i> )	35,272	0	35,272 <i>148,901</i>	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer ( <i>from 26.10.15 full year equivalent</i> )	31,903	0	31,903 <i>74,451</i>	n/a
P. Gabbitas, Director Health and Social Care ( <i>until 31.07.15 full year equivalent</i> )	24,587	0	24,587 <i>82,928</i>	65,202
P. Lawrence, Executive Director of Place ( <i>from 30.11.15 full year equivalent</i> )	49,552	0	49,552 <i>148,901</i>	n/a
J. Bury, Acting Director Services for Communities ( <i>from 08.05.14 until 18.10.15 full year equivalent</i> )	67,380	0	67,380 <i>134,760</i>	120,994 <i>134,760</i>
G. Ward, Director of Economic Development ( <i>until 30.11.15 full year equivalent</i> )	79,390	0	79,390 <i>127,758</i>	99,747
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer	101,243	0	101,243	99,747

# REMUNERATION REPORT

## Remuneration Paid - continued

### Remuneration paid to Senior Officers - continued

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
<b>Council's Senior Officers</b>				
H. Dunn, Head of Finance ( <i>until 05.01.16</i> ) and Acting Executive Director of Resources ( <i>from 06.01.16</i> )	116,241	0	116,241	105,003
M. Boyle, Head of Older People and Disability Service ( <i>until 31.01.16</i> )	90,436	122,076	212,512	n/a
G. Crosby, Senior Manager Disabilities ( <i>until 31.01.16</i> )	74,293	91,870	166,163	n/a
P. Campbell, Senior Manager Older People ( <i>until 31.01.16</i> )	77,371	87,199	164,570	n/a
M. Turley, Director Services for Communities ( <i>until 30.06.14</i> ) ( <i>full year equivalent</i> )	n/a	n/a	n/a	69,118
			n/a	134,760
<b>Total</b>	<u>1,183,409</u>	<u>301,145</u>	<u>1,484,554</u>	<u>999,817</u>

#### Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. A Kerr received £408 for Returning Officer Duties in 2015/16.
2. A. Kerr was appointed Chief Executive in July 2015. Salaries shown for A. Kerr and S. Bruce relate to the responsibilities as shown.  
  
H. Dunn was appointed Acting Executive Director of Resources in January 2016. Salaries shown for H. Dunn and A. Maclean relate to the responsibilities as shown.  
  
J. Bury was appointed Acting Director of Services for Communities in May 2014, with P. Lawrence appointed Executive Director of Place in November 2015. Salaries shown for J. Bury and P. Lawrence relate to the responsibilities as shown.  
  
A. Gaw was appointed Acting Director of Communities and Families in January 2016. Salaries shown for A. Gaw and G. Tee relate to the responsibilities as shown.  
  
R. McCulloch-Graham was appointed Integration Joint Board Chief Officer in October 2015. Salaries shown for R. McCulloch-Graham and P. Gabbitas relate to the responsibilities as shown.
3. P. Gabbitas was employed by NHS Lothian and 50% of his salary costs were recharged to the Council. The above figures therefore show the Council's share. R. McCulloch-Graham was employed by the Council with 50% of his salary costs reflected above.
4. Pay in lieu of notice is included within Salary, Fees and Allowances where applicable.



# REMUNERATION REPORT

## Remuneration Paid - continued

### Remuneration paid to Senior Officers - continued

#### Council Subsidiary Companies

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2015 and 2014 respectively.

	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Total Remun. 2015/16 £	Restated Total Remun. 2014/15 £
<b>Council's Subsidiary Companies</b>					
E. Adair, Operations and Finance Director, EDI Group	103,458	0	2,286	105,744	104,129
H. Rissmann, Chief Executive, EICC (until 31.03.15) (full year equivalent)	51,665	0	0	51,665 170,191	158,034
M. Dallas, Chief Executive, EICC (from 01.10.14) (full year equivalent)	131,950	26,520	0	158,470	32,500 130,000
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd (Note 2)	116,600	0	0	116,600	116,600
J. Rafferty, Chief Executive, Capital City Partnership	72,795	0	0	72,795	71,720
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	78,384	0	0	78,384	n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	197,997	0	13,209	211,206	199,526
W. Campbell, Operations Director	114,831	0	1,245	116,076	155,224
W. Devlin, Engineering Director (Note 3)	154,804	46,441	2,262	203,507	202,614
N. Strachan, Finance Director (Note 3)	154,804	46,441	681	201,926	201,158
G. Hughes, HR Director (Note 3)	n/a	n/a	n/a	n/a	198,309
<u>Edinburgh Trams Ltd.</u>					
T. Norris, Director and General Manager (until 26.06.15) (full year equivalent)	39,838	0	3,636	43,474 80,705	91,835
	<u>1,217,126</u>	<u>119,402</u>	<u>23,319</u>	<u>1,359,847</u>	<u>1,531,649</u>

#### Notes:

- Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. Others benefits paid relate to car allowance and personal healthcare within Edinburgh Trams Ltd.
- Marketing Edinburgh Limited entered into two contracts with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive. The cost of these contracts is £116,600 in 2015/16, of which £6,600 is VAT (2014/15 £116,600, £6,600).
- W Devlin and N Strachan were paid a bonus for 2014 in 2016, hence the restatement of the figures for that financial year. G Hughes was paid an exit package of £85,779 in February 2015.
- The only director to be remunerated by Edinburgh Trams was T. Norris. Following his departure, I. Craig was the most senior officer in Edinburgh Trams up to and beyond the reporting date. His costs for the period are included within Lothian Buses.

## REMUNERATION REPORT

### Remuneration Paid - continued

#### Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2015/16	2014/15		2015/16	2014/15
£50,000 - £54,999	192	203	£135,000 - £139,999	1	0
£55,000 - £59,999	139	94	£140,000 - £144,999	1	1
£60,000 - £64,999	58	31	£145,000 - £149,999	1	0
£65,000 - £69,999	46	32	£150,000 - £154,999	0	0
£70,000 - £74,999	29	37	£155,000 - £159,999	0	0
£75,000 - £79,999	32	4	£160,000 - £164,999	1	1
£80,000 - £84,999	12	2	£165,000 - £169,999	1	0
£85,000 - £89,999	7	3	£170,000 - £174,999	0	0
£90,000 - £94,999	3	1	£175,000 - £179,999	0	0
£95,000 - £99,999	4	15	£180,000 - £184,999	0	0
£100,000 - £104,999	9	1	£185,000 - £189,999	0	0
£105,000 - £109,999	3	1	£190,000 - £194,999	0	0
£110,000 - £114,999	3	0	£195,000 - £199,999	0	0
£115,000 - £119,999	2	0	£200,000 - £204,999	0	0
£120,000 - £124,999	2	0	£205,000 - £209,999	0	0
£125,000 - £129,999	1	0	£210,000 - £214,999	1	0
£130,000 - £134,999	0	2			
			<b>Total No. of Employees</b>	<b>548</b>	<b>428</b>

#### Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £000	2014/15 £000
£0 - £20,000								
- Council	0	0	203	32	203	32	2,150	267
- Group companies	0	2	0	0	0	2	0	6
£20,001 - £40,000								
- Council	0	0	203	29	203	29	5,741	915
- Group companies	0	0	0	0	0	0	0	0
£40,001 - £60,000								
- Council	0	0	70	9	70	9	3,505	419
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	31	3	31	3	2,164	210
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	33	2	33	2	2,939	181
- Group companies	0	0	0	1	0	1	0	86
£100,001 - £150,000								
- Council	0	0	34	6	34	6	3,952	702
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	3	0	3	0	511	0
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	1	0	1	0	203	0
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	2	0	2	0	554	0
- Group companies	0	0	0	0	0	0	0	0
	<b>0</b>	<b>2</b>	<b>580</b>	<b>82</b>	<b>580</b>	<b>84</b>	<b>21,719</b>	<b>2,786</b>

# REMUNERATION REPORT

## Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2015/16 were as follows:

<b>Whole Time Pay</b>	<b>Contribution rate</b>
On earnings up to and including £20,500 (2015 £20,235)	5.50%
On earnings above £20,500 and up to £25,000 (2015 £20,235 to £24,853)	7.25%
On earnings above £25,000 and up to £34,400 (2015 £24,853 to £34,096)	8.50%
On earnings above £34,400 and up to £45,800 (2015 £34,096 to £45,393)	9.50%
On earnings above £45,800 (2015 £45,393)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

# REMUNERATION REPORT

## Pension Benefits - continued

### Pension Rights - continued

#### Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
<b>Council's Leader and Civic Head</b>					
A. Burns, Leader of the Council	10,739	10,582	Pension	6	2
			Lump Sum	3	1
D. Wilson, Lord Provost	8,054	7,937	Pension	4	1
			Lump Sum	2	0
<b><u>Senior Councillors</u></b>					
R. Lewis	6,980	6,879	Pension	2	0
			Lump Sum	0	0
F. Ross	7,044	6,879	Pension	2	1
			Lump Sum	0	0
S. Howat	7,789	4,933	Pension	2	1
			Lump Sum	0	0
P. Godzik	6,980	6,879	Pension	4	1
			Lump Sum	2	0
A. Rankin	6,980	6,879	Pension	3	1
			Lump Sum	0	0
R. Henderson	6,980	6,879	Pension	4	1
			Lump Sum	2	0
I. Perry	6,980	6,879	Pension	4	1
			Lump Sum	2	0
G. Barrie	6,980	6,879	Pension	4	1
			Lump Sum	2	0
L. Hinds	6,980	6,879	Pension	6	2
			Lump Sum	6	0
E. Milligan	6,443	6,463	Pension	4	1
			Lump Sum	2	0
M. Child	4,832	4,762	Pension	8	1
			Lump Sum	15	1
M. Bridgman	4,454	4,280	Pension	4	0
			Lump Sum	1	0
W. Henderson	3,622	n/a	Pension	1	n/a
			Lump Sum	0	n/a
N. Austin Hart	4,832	4,762	Pension	3	1
			Lump Sum	1	0
G. Munro	4,832	4,763	Pension	3	0
			Lump Sum	2	0
D. Dixon	4,758	3,594	Pension	1	0
			Lump Sum	0	0

# REMUNERATION REPORT

## Pension Benefits - continued

### Pension Rights - continued

#### Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
A. Blacklock	4,832	4,762	Pension	3	1
			Lump Sum	2	0
A. McVey	4,832	4,762	Pension	2	0
			Lump Sum	0	0
A. Lunn	3,653	n/a	Pension	0	n/a
			Lump Sum	0	n/a
C. Rose	5,369	5,291	Pension	3	1
			Lump Sum	1	0
<u>Councillors</u>					
N. Work ( <i>including role as Convener of Lothian Valuation Joint Board</i> )	4,475	4,410	Pension	3	0
			Lump Sum	2	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

## Senior Employees

The pension entitlements of senior employees for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
A. Kerr, Chief Executive ( <i>from 27.07.15</i> ) ( <i>including returning officer role</i> )	23,981	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
S. Bruce, Chief Executive ( <i>until 31.08.15</i> ) ( <i>including returning officer role</i> )	14,422	34,450	Pension	81	1
			Lump Sum	191	0
A. Maclean, Depute Chief Executive ( <i>until 05.01.16</i> )	23,517	28,704	Pension	16	1
			Lump Sum	0	0
G. Tee, Director Children and Families ( <i>until 31.12.15</i> )	83,567	30,567	Pension	78	3
			Lump Sum	184	3
A. Gaw, Acting Director of Communities and Families ( <i>from 05.01.16</i> )	24,031	n/a	Pension	49	n/a
			Lump Sum	106	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer ( <i>from 26.10.15</i> )	6,827	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Gabbitas, Director Health and Social Care ( <i>Council proportion</i> ) ( <i>until 31.07.15</i> )	3,664	8,859	Pension	10	n/a
			Lump Sum	29	n/a

# REMUNERATION REPORT

## Pension Benefits - continued Pension Rights - continued Senior Employees

	In-year pension contribs.		Accrued Pension Benefits		
	For year to	For year to		As at	Difference
	31.03.16	31.03.15		31.03.16	31.03.15
	£	£		£000	£000
P. Lawrence, Executive Director of Place (from 30.11.15)	10,604	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Bury, Acting Director Services for Communities (from 08.05.14 until 18.10.15)	14,419	25,772	Pension	63	5
			Lump Sum	155	16
G. Ward, Director Economic Development (until 30.11.15)	16,979	21,141	Pension	27	2
			Lump Sum	51	2
M. Miller, Head of Safer and Stronger Communities and Chief Social Work	21,666	21,246	Pension	39	2
			Lump Sum	81	1
H. Dunn, Head of Finance (until 05.01.16) and Acting Executive Director of Resources (from 06.01.16)	24,876	22,366	Pension	47	3
			Lump Sum	101	0
M. Boyle, Head of Older People and Disability Service (until 31.01.16)	55,481	n/a	Pension	48	n/a
			Lump Sum	108	n/a
G. Crosby, Senior Manager Disabilities (until 31.01.16)	13,960	n/a	Pension	34	n/a
			Lump Sum	76	n/a
P. Campbell, Senior Manager Older People (until 31.01.16)	45,989	n/a	Pension	31	n/a
			Lump Sum	67	n/a
M. Turley, Director Services for Communities (until 30.06.14)	n/a	99,521	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<b>Total</b>	<b>383,983</b>	<b>292,626</b>			

### Notes:

All senior employees shown in the previous table above, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas was a member of the National Health Service Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2016, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 149. The contribution rate for P. Gabbitas was 14.7% (2014/15 14.7%).

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

### Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2016 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to	For year to		As at	Difference
	31.03.16	31.03.15		31.03.16	31.03.15
	£	£		£000	£000
E. Adair, Operations and Finance Director, EDI Group	20,237	19,753	Pension	25	2
			Lump Sum	41	1
H. Rissmann, Chief Executive, EICC (until 31.03.15)	5,203	20,813	Pension	n/a	n/a
			Lump Sum	n/a	n/a

# REMUNERATION REPORT

## Pension Benefits - continued

### Council's Subsidiary Companies - continued

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
M. Dallas, Chief Executive, EICC (from 01.10.14)	16,836	3,737	Pension Lump Sum	n/a n/a	n/a n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	40,075	38,201	Pension Lump Sum	27 19	3 0
W. Campbell, Operations Director	33,128	31,579	Pension Lump Sum	36 55	3 0
W. Devlin, Engineering Director	33,128	31,579	Pension Lump Sum	46 83	4 0
N. Strachan, Finance Director	33,128	31,579	Pension Lump Sum	41 70	3 0
G. Hughes, HR Director	n/a	10,353	Pension Lump Sum	n/a n/a	n/a n/a
<u>Edinburgh Trams Ltd.</u>					
T. Norris, Director and General Manager (until 26.06.15)	3,614	7,400	Pension Lump Sum	n/a n/a	n/a n/a
<u>Capital City Partnership</u>					
J. Rafferty, Chief Executive	14,073	16,280	Pension Lump Sum	30 66	1 1
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	16,069	n/a	Pension Lump Sum	13 10	n/a n/a
Total	<u>173,215</u>	<u>166,971</u>			

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2015 and 31 December 2014 respectively.

E. Adair and J. Rafferty are the only members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

ANDREW KERR  
Chief Executive

29 September 2016

ANDREW BURNS  
Council Leader

29 September 2016

# INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of City of Edinburgh Council and its group for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Movement in Reserves Statement, the group and council-only Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Council Tax Income Account, and the Non-domestic Rates Income Account, The Common Good Fund Movement in Reserves Statement, the Common Good Fund Comprehensive Income and Expenditure Statement, the Common Good Fund Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

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

### Respective responsibilities of the Acting Executive Director of Resources and auditor

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



# INDEPENDENT AUDITOR'S REPORT

## Opinion on other prescribed matters

In my opinion:

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

## Matters on which I am required to report by exception

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

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

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

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

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

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

September 2016

**Appendix 3**

**Reconciliation of Outturn Position**

	<b>£m</b>	<b>£m</b>
Outturn position as shown in the Revenue monitoring 2015/16 outturn report (surplus)		(0.861)
Changes arising from the audit of the Financial Statements:		
- Decrease in accrual for parking income	0.085	
- Edinburgh Integration Joint Board VAT adjustments	(0.009)	
	<hr/>	0.076
Revised surplus		<hr/> <hr/> (0.785)

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Capital Monitoring 2015-16 - Outturn and Receipts – referral report from the Finance and Resources Committee

Item number	7.6
Report number	
Executive/routine	
Wards	

### Executive Summary

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On 18 August 2016 the Finance and Resources Committee considered a report that presented the final outturn on the Council's Capital Programme for 2015/16 and included details of capital receipts and slippage/acceleration on projects within the Capital Investment Programme. The report has been referred the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

### Links

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[Coalition Pledges](#)  
[Council Priorities](#)  
[Single Outcome Agreement](#)

# Terms of Referral

## Capital Monitoring 2015-16 - Outturn and Receipts

### 1. Terms of Referral

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- 1.1 The final outturn position reported £10.844 million of slippage on gross expenditure on projects, compared to an estimated £12.529 million variance at month nine. Net capital receipts/grant income exceeded the budgeted level by £94.507 million with the majority of this being as a result of the settlement of Atria in the last week of the financial year. Although this was a planned receipt, its exact timing was unknown, and in order to allow for prudent management of the funding programme, its settlement was not built into in year capital receipt budgeting, although it was built into the Council's longer term borrowing strategy.
- 1.2 Of the £107.659 million capital receipts income generated from asset sales, £51.889 million had been transferred to the Capital Fund. The Head of Finance had carried out a year end review and transferred a proportion of the capital receipt income to the Capital Fund based on approved uses of the Atria settlement and additional capital receipt income.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To note the 2015/16 final unaudited capital positions on the General Fund and Housing Revenue Account (HRA).
  - 1.3.2 To approve the use of £1.2 million earmarked for supplementing planned repairs and maintenance spend through the use of the Capital Fund to fund the high risk priority revenue and maintenance items set out within the report.
  - 1.3.3 To approve the revised Capital Programme for 2016-2021.
  - 1.3.4 To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### 2. For Decision/Action

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- 2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 26 September 2016 for consideration as part of its work-plan.

### 3. Background Reading/External References

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Minute of the Finance and Resources Committee, 18 August 2016

## **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

Contact: Veronica MacMillan, Committee Clerk

E-mail: [veronica.macmillan@edinburgh.gov.uk](mailto:veronica.macmillan@edinburgh.gov.uk) | Tel: 0131 529 4283

## **4. Links**

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**Coalition Pledges**

**Council Priorities**

**Single Outcome**

**Agreement**

**Appendices**

# Finance and Resources Committee

2pm, Thursday, 18 August 2016

## Capital Monitoring 2015/16 – Outturn and Receipts

<b>Item number</b>	7.5
<b>Report number</b>	
<b>Executive/routine</b>	
<b>Wards</b>	

### Executive summary

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The final General Fund outturn (including the settlement of a planned but unbudgeted within year receipt for the sale of the Atria) shows that in 2015/16, the Council did not require borrowing to fund its Capital Programme as it was in receipt of grants and capital income net of the transfer to Capital Fund of £169.035m, a resource position higher than the capital investment funded of £154.393m. This resulted in a reduced in-year borrowing requirement of £14.642m. This position is subject to the external audit process which will be completed in September 2016.

Although the 2015/16 Outturn reflects a reduced borrowing requirement based on a combination of the timing of the settlement of Atria along with net slippage experienced in the year, the current approved Capital Investment Programme (CIP) 2016-2021 projects an approximately balanced over / under programming position over the following five year period.

### Links

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<b>Coalition pledges</b>	P3; P8; P30; P31; P33; P42
<b>Council outcomes</b>	CO1; CO16; CO20; CO23; CO25
<b>Single Outcome Agreement</b>	SO3; SO4

## Capital Monitoring 2015/16 – Outturn and Receipts

### Recommendations

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- 1.1 Members of the Finance and Resources Committee are requested to:
- 1.1.1 Note the 2015/16 final unaudited capital positions on the General Fund and Housing Revenue Account (HRA);
  - 1.1.2 Approve using £1.2m earmarked for supplementing planned repairs and maintenance spend through use of the Capital Fund to fund the high risk priority revenue and maintenance items set out within this report;
  - 1.1.3 Approve the revised Capital Programme for 2016-2021; and
  - 1.1.4 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### Background

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- 2.1 This report presents the final outturn on the Council's Capital Programme for 2015/16, including details of capital receipts and slippage / acceleration on projects within the Capital Investment Programme.

### Main report

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- 3.1 The outturn position is summarised in the table below, while further details can be seen in Appendix 1.

	<b>Final Outturn Variance £000</b>	<b>Outturn Variance at Month Nine £000</b>	<b>Movement from Month Nine £000</b>
Net (slippage) / acceleration in gross expenditure	(10,884)	(12,529)	1,645
Net (surplus) / deficit in capital receipts / grant income	(94,507)	(19)	(94,488)
Capital receipts income transferred to Capital Fund	51,889	0	51,889
<b>Net increase / (decrease) in borrowing requirement</b>	<b>(53,502)</b>	<b>(12,548)</b>	<b>(40,954)</b>

- 3.2 As presented in the table at 3.1 above, the final outturn position reports £10.884m of slippage on gross expenditure on projects, compared to an estimated £12.529m variance at month nine. Net capital receipts / grant income exceeded the budgeted level by £94.507m with the majority of this being as a result of the settlement of Atria in the last week of the financial year. Although this was a planned receipt, its exact timing was unknown and as such, in order to allow for prudent management of funding the programme, its settlement was not built into in year capital receipt budgeting, although it was built into the Council's longer term borrowing strategy.
- 3.3 Of the £107.659m capital receipts income generated from asset sales, £51.889m has been transferred to the Capital Fund. The Head of Finance has carried out a year end review and transferred a proportion of the capital receipt income to the Capital Fund based on approved uses of the Atria settlement and additional capital receipt income.
- 3.4 The net effect of the variances presented in the table in 3.1 above is a decrease of £53.502m in the amount that the Council requires to borrow corporately to support its capital programme relative to budgeted assumptions. Members should note that although the 2015/16 outturn reflects an under programmed position based on a combination of the timing of the settlement of Atria along with net slippage experienced in year, the current approved Capital Investment Programme (CIP) 2016-2021 projects an approximately balanced over / under programming position over the following five year period.
- 3.5 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 net slippage position.
- 3.6 The net slippage position is, in the main, a result of the procurement approach being altered on the early years' improvement project, delay in completing piling operations on the replacement Boroughmuir High School project and delay caused by the contractor falling behind on the originally agreed construction timetable on the replacement Portobello High School project. The slippage experienced on these projects is therefore due to delays or unforeseen circumstances out with the control of the Council which occurred after the revised budget had been approved in August 2015
- 3.7 The slippage on gross expenditure represents a 6.59% variance against budget, which has increased compared to a 1.05% variance on the 2014/15 outturn position. This year's variance is significantly below the 2014/15 Scotland wide average of 16%, demonstrating the continued success of the centralised capital monitoring team in tackling optimism bias within the programme along with promoting delivery.



- 3.8 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 slippage in future years is dependent on how 'shovel-ready' projects are to allow for acceleration in any given year.
- 3.9 The final General Fund outturn shows that in 2015/16, the Council did not require borrowing to fund its Capital Programme as it was in receipt of grants and capital income net of the transfer to Capital Fund of £169.035m, a resource position higher than the capital investment funded of £154.393m. This resulted in a reduced in-year borrowing requirement of £14.642m. This position is subject to the external audit process which will be completed in September 2016.
- 3.10 Further information detailing capital investment activity for major projects totalling £5m and over and an analysis of the source of capital funding for the five year programme including its impact on the revenue budget, is presented in Appendix 3. For major projects, this incorporates information on the cumulative spending to date / projected total spend against total capital budget and estimated completion dates.
- 3.11 This additional information has been provided in direct response to recommendations made by Audit Scotland in their 'Major capital investment in councils' follow up report published in January 2016 which was subsequently summarised in a report to Governance, Risk and Best Value Committee on 21 April 2016. The information provided aims to address specific recommendations made by Governance, Risk and Best Value Committee Members regarding developing capital monitoring to allow for appropriate scrutiny of capital investment activity. This information will be provided on an annual basis going forward as part of capital outturn reporting.

#### **Capital receipts/grant income**

- 3.12 A detailed list of capital receipts, including those ring-fenced for specific projects is shown in Appendix 4.
- 3.13 A total of £107.659m receipts income was generated from asset sales in 2015/16. Net of the unbudgeted but planned Atria receipt, income of £16.408m was realised compared to a budget of £12.852m resulting in a receipts surplus of £3.556m. This surplus reflects receipts settling in advance of projected settlement dates, along with the sale of general assets that count towards an identified £7.9m of additional income over and above that previously budgeted for over the five-year period of the 2015-2020 Capital Investment Programme.

- 3.14 Of the £107.659m capital receipts income generated from asset sales, £51.889m has been transferred to the Capital Fund. This is based on previously approved uses of the Atria settlement and additional capital receipt income. As such, the transfer earmarks resources to fund Council transformation, a top up to the Strategic Investment Fund, to redeem debt related to the Atria's construction, to supplement planned repairs and maintenance spend and to provide funding towards future Local Development Plan (LDP) infrastructure requirements. Based on these uses, the Atria receipt is now fully committed.

#### **Additional capital receipt income identified for 2015-2020 CIP**

- 3.15 A capital budget report presented to Council on 21 January 2016 noted potential additional capital receipt income of £7.9m that may be realised over the period of the 2015/16 to 2019/20 Capital Programme with approval being granted to split this equally between (i) supplementing planned repairs and maintenance spend through use of the Capital Fund and (ii) providing funding towards future LDP infrastructure requirements.
- 3.16 A small number of receipts settled this year that count towards this identified £7.9m of additional income. In total, £2.4m of receipts were settled in 2015/16 of the potential £7.9m additional income target. As such, this has been transferred to the Capital Fund to be split equally and drawn down, in either revenue or capital, at the required point in the future as set out in 3.15 above.
- 3.17 Following a review undertaken in 2015/16 by Corporate Property, a number of high-risk repairs and maintenance issues have been identified as requiring immediate investment. All are predicated on reducing the potential risk of injury or harm. Details of these, including indicative costs, are presented in Appendix 5 and amount to £1.5m. It is proposed that these high risk priority items will be part funded by the £1.2m generated through additional capital receipts, with the remaining £0.3m shortfall being funded by the existing repairs and maintenance budget.

#### **Housing Revenue Account (HRA)**

- 3.18 As can be seen in Appendix 6, the HRA outturn position reports gross expenditure of £35.626m (£38.253m forecast at month nine), grants and capital income of £18.921m (£14.949m forecast at month nine) and prudential borrowing of £16.705m (£23.304m forecast at month nine).
- 3.19 The final outturn reports £13.204m under spend on gross expenditure on projects which is an increase on that reported at month nine (£10.577m).
- 3.20 Of this total, £3.3m is due to direct savings from the kitchen and bathroom tender process and housing service transformation, as well as sites being secured for the 21<sup>st</sup> Century Homes programme through internal transfer, rather than through open market purchase. Internal transfer is subject to debt swap between General Fund and HRA rather than capital expenditure.

- 3.21 A further £3.6m is as a result of short term delays in programme delivery. This has been rephased into 2016/17 and will be delivered in the first quarter of the new financial year.
- 3.22 The remaining £6.3m is as a result of resource planning and over-programming in external fabric upgrade (£4.3m), neighbourhood environmental partnership (£1.2m) and regeneration (£0.8m).
- 3.23 In order to reduce slippage in future years the Council agreed, as part of the five year HRA Budget Strategy, that the HRA would adopt a new budget setting and monitoring process similar to the general fund capital programme. The revised HRA capital programme will now be managed over a two year rolling programme to enable spend to be accelerated where projects are performing well and re-phased where delivery has been delayed.

#### **Revised Capital Investment Programme 2016-2021**

- 3.24 The CIP 2016-2021 approved by Council in January was based on an interim budget which included net slippage / acceleration at month nine.
- 3.25 The remainder of slippage / acceleration since month nine will be carried forward in the capital programme. The revised CIP for 2016-2021, including actual net slippage from 2015/16 is shown in Appendix 7. The CIP has been presented on the basis of the most up to date Council structure as the transformation programme progresses. This may be subject to further change pending finalisation of transformation.
- 3.26 The revised CIP has been realigned and re-phased to ensure that individual project cash flows reflect the most up to date 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.
- 3.27 Where block budgets exist, Finance has sought evidence of the programme of works behind these and clarification of the current stage they are at e.g. design, tender / procurement or construction. Project managers have then been asked to phase budgets accordingly based on the stage of individual projects within a block.

#### **Capital Budget Framework 2016/20 update**

- 3.28 Council approved the five year capital programme for the period 2016-2021 in January 2016. At a general level, the ability to commit additional investment over and above that included in the current programme remains difficult due to:
- i. reductions in the level of General Capital Grant;

- ii. the large number of capital receipts underpinning the existing capital programme or earmarked to supplement planned repairs and maintenance spend through use of the Capital Fund and providing funding towards future LDP Infrastructure requirements;
  - iii. the on-going lack of sustainable “headroom” within the revenue budget to support, on a recurring basis, the additional loans charge expenditure linked to additional borrowing.
- 3.29 As part of the 2016/21 CIP, Directors also identified their respective top three priorities, highlighting unfunded pressures totalling around £142m. Amongst these priorities are:
- South Morningside Primary School with an estimated total cost of £12.7m (note the commencement of this is dependent on the new build Dumbryden Care Home being delivered based on site transfer);
  - New build Dumbryden Care Home with an estimated funding gap of £1m / £4.3m based on whether a 60 bedded or 90 bedded option is progressed;
  - Replacement Meadowbank Sports Centre with an estimated funding gap of £5.9m, however, further work is currently being carried out to provide more cost certainty around the total cost / funding package and will conclude later this financial year;
  - Refurbishment and enhancement programme for North Bridge to address health and safety concerns which is likely to be in the cost range of between £6m to £9m.
- 3.30 The level of General Capital Grant funding in 2016/17, at £41.6m, is £7.2m below that which had been previously assumed would be received, but the Scottish Government has confirmed that £10.3m will be reinstated over the following three years.
- 3.31 As no firm allocations have been advised beyond this, an estimate of each year’s General Capital Grant settlement has been factored in to the CIP for the period 2017/18 to 2020/21 based on a prudent estimate of the possible Scotland-wide funding and adjusted for the £10.3m allocation for 2016/17 which is to be paid over the three year period 2017/18 to 2019/20 based on a prudent assumption of receiving this all in 2019/20.
- 3.32 Current indications suggest that the next Scottish Government Finance Settlement will be announced in late November / early December 2016 and that this will be a one year settlement rather than the previously envisaged three year award confirmation.

- 3.33 It is projected that the Scotland-wide quantum of capital funding for 2017/18 will likely show an increase relative to the figure for 2016/17. However, the precise distribution of this sum across sectors and on to individual councils will depend on Scottish Government priorities and as such the potential for General Capital Grant for 2017/18 to be higher than the estimate factored in to the current CIP is limited. Any confirmed increase in grant funding will be considered for allocation by Members, taking cognisance of capital priorities as part of the 2017/18 budget framework process.

## Measures of success

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- 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

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- 5.1 The final General Fund outturn (including the settlement of a planned but unbudgeted within year receipt for the sale of the Atria) shows that in 2015/16, the Council did not require borrowing to fund its Capital Programme as it was in receipt of grants and capital income net of the transfer to Capital Fund of £169.035m, a resource position higher than the capital investment funded of £154.393m. This resulted in under programming of £14.642m.

## Risk, policy, compliance and governance impact

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- 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) which was transferred to the Transformation Team in the newly created Strategy and Insight Division in February 2016.

## Equalities impact

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- 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

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- 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

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- 9.1 Consultation on the capital budget will be undertaken as part of the budget process.

## Background reading/external references

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[Summary of the Account Commission's Major capital investment in councils' follow up report](#), Governance, Risk and Best Value Committee, 21 April 2016

[Capital Investment Programme/Plan 2016/17 to 2023/24 - referral report from the Finance and Resources Committee](#), The City of Edinburgh Council, 21 January 2016

[Capital Monitoring 2015/16 - Nine Month Position](#), Finance and Resources Committee, 14 January 2016

### Hugh Dunn

Acting Executive Director of Resources

Contact: Sat Patel, Senior Accountant

E-mail: [satyam.patel@edinburgh.gov.uk](mailto:satyam.patel@edinburgh.gov.uk) | Tel: 0131 469 3185

## Links

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<b>Coalition pledges</b>	<p>P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools</p> <p>P8 – Make sure the city’s people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites</p> <p>P30 – Continue to maintain a sound financial position including long-term financial planning</p> <p>P31 – Maintain our City’s reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure</p> <p>P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used</p> <p>P42 – Continue to support and invest in our sporting infrastructure</p>
<b>Council outcomes</b>	<p>CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed</p> <p>CO16 – Edinburgh draws new investment in development and regeneration</p> <p>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</p> <p>CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community</p> <p>CO25 – The Council has efficient and effective services that deliver on objectives</p>
<b>Single Outcome Agreement</b>	<p>SO3 - Edinburgh’s children and young people enjoy their childhood and fulfil their potential</p> <p>SO4 - Edinburgh’s communities are safer and have improved physical and social fabric</p>
<b>Appendices</b>	<ol style="list-style-type: none"><li>1 – Capital Monitoring 2015/16 – Final Position - General Fund</li><li>2 – Slippage / Acceleration on capital projects 2015/16</li><li>3 – Project Delivery and Programme Funding 2015/16</li><li>4 – Capital Receipts Schedule 2015/16</li><li>5 – High Risk Repairs and Maintenance Issues</li><li>6 – Capital Monitoring 2015/16 – Final Position – HRA</li><li>7 – Revised Capital Investment Programme 2016-2021</li></ol>

## Capital Monitoring 2015/16

### General Fund Summary

#### Outturn Position-Unaudited

<b>Expenditure</b>	Revised Budget £000	Adjusts £000	Total Budget £000	Outturn 15/16 £000	Variance	
					£000	%
Children and Families	57,995	2,806	60,801	48,181	(12,620)	-20.76%
Economic Development	52	42	94	42	(52)	-55.32%
Corporate Governance	2,350	3,639	5,989	7,407	1,418	23.68%
Council Wide / Corporate Projects	-	1,418	1,418	1,418	-	0.00%
Health and Social Care	5,598	(559)	5,039	5,680	641	12.72%
Services for Communities	73,097	5,771	78,868	77,149	(1,719)	-2.18%
Services for Communities-Asset Management	13,260	(192)	13,068	14,516	1,448	11.08%
<b>Total Gross Expenditure</b>	<b>152,352</b>	<b>12,925</b>	<b>165,277</b>	<b>154,393</b>	<b>(10,884)</b>	<b>-6.59%</b>

#### Resources

<i>Capital Receipts</i>						
General Services	10,952	-	10,952	12,630	1,678	15.32%
Sale of EICC - Atria	-	-	-	91,251	91,251	n/a
Capital Receipts in lieu of prudential borrowing	-	-	-	272	272	n/a
Ringfenced Asset Sales to be provided as part of carryforward	-	-	-	1,666	1,666	n/a
Asset Sales to reduce Corporate borrowing	1,900	-	1,900	1,840	(60)	-3.16%
Less Fess Relating to Receipts	-	-	-	(300)	(300)	n/a
Less Transfer to Capital Fund	-	-	-	(51,889)	(51,889)	n/a
<i>Total Capital Receipts from Asset Sales</i>	<i>12,852</i>	<i>-</i>	<i>12,852</i>	<i>55,470</i>	<i>42,618</i>	<i>331.61%</i>
Developer and other Contributions	8,063	8,360	16,423	16,423	-	0.00%
Drawdown from Capital Fund	6,600	-	6,600	6,600	-	0.00%
Capital Grants Unapplied Account drawdown	689	-	689	689	-	0.00%
<i>Total Capital Receipts</i>	<i>28,204</i>	<i>8,360</i>	<i>36,564</i>	<i>79,182</i>	<i>42,618</i>	<i>116.56%</i>
<i>Grants</i>						
Scottish Government General Capital Grant	57,461	-	57,461	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%
<i>Total Grants</i>	<i>89,853</i>	<i>-</i>	<i>89,853</i>	<i>89,853</i>	<i>-</i>	<i>0.00%</i>
<b>Total Resources</b>	<b>118,057</b>	<b>8,360</b>	<b>126,417</b>	<b>169,035</b>	<b>42,618</b>	<b>33.71%</b>

<b>Balance to be funded through borrowing</b>	<b>34,295</b>	<b>4,565</b>	<b>38,860</b>	<b>(14,642)</b>	<b>(53,502)</b>	<b>-137.68%</b>
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**CAPITAL MONITORING 2015/2016 - 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: 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 overriding 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
<b><u>Children and Families</u></b>					
Early learning and childcare estate improvements	-4,176	-4,642	466	Now being delivered through the traditional procurement route following protracted difficulties in agreeing an affordable total cost package with the originally envisaged procurement method. The time this has taken has created delays on programme delivery.	1
Duncan Place redevelopment	-732	0	-732	Based on revised cash flow projection. Project at initial design stage and cost incurred this year represents project management fees only.	2
Boroughmuir High School	-3,829	-2,776	-1,053	Due to extensive existing concrete slabs below ground level which have delayed the piling operations. School is now scheduled to be delivered in January 2017 rather than August 2016.	1
Portobello High School	-3,271	-2,043	-1,228	Contractor is 12 weeks behind original construction timetable and therefore school opening is now delayed from August 2016 to October 2016.	1
Upgrade kitchens - free school meals initiative	-760	-658	-102	Delays caused by protracted dialogue with external project manager to agree the affordability cap of individual projects.	1
St John's Primary School	-371	-400	29	Based on revised cash flow projection. Project at initial design stage and cost incurred this year represents project management fees only.	2
Net (slippage) / acceleration on various projects	539	-320	859	Better than anticipated progress.	4

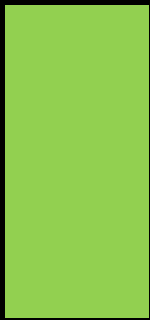
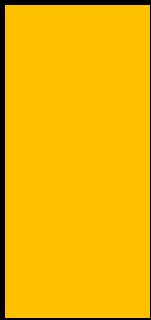
	Outturn £000	Period 9 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Heather Vale Young Person Centre	-128	-128	0	Delay in starting on site due to difficulties procuring structural frame.	1
Fees relating to the cost of sale of assets	108	56	52	Acceleration of spend to be met from future receipts.	4
<b>Total Children and Families</b>	<b>-12,620</b>	<b>-10,911</b>	<b>-1,709</b>		
<b><u>Economic Development</u></b>					
CWSS - Promenade	-52	0	-52	Due to delay in identifying external funding to drive project forward.	1
<b>Total Economic Development</b>	<b>-52</b>	<b>0</b>	<b>-52</b>		
<b><u>Asset Management Works</u></b>					
Acceleration across the Asset Management Works programme	1,448	0	1,448	This represents better than anticipated progress on projects and acceleration of future projects across the asset management works programme.	4
<b>Asset Management Works</b>	<b>1,448</b>	<b>0</b>	<b>1,448</b>		
<b><u>Corporate Governance</u></b>					
Channel Shift ICT infrastructure	1,632	0	1,632	Acceleration of spend originally programmed for 2016/17.	4
Net (slippage) / acceleration on various projects	-214	52	-266	Based on revised cash flow projection.	2
<b>Total Corporate Governance</b>	<b>1,418</b>	<b>52</b>	<b>1,366</b>		
<b><u>Health and Social Care</u></b>					
New Royston care home	829	721	108	Revised cash flow projection based on better than anticipated progress on site.	4
Telecare	-118	0	-118	Based on revised cash flow projection due to revenue funding for this project being utilised in the first instance.	2
Net (slippage) / acceleration on various projects	-109	0	-109	Based on revised cash flow projection.	2
Fees relating to the cost of sale of assets	39	9	30	Acceleration of spend to be met from future receipts.	4
<b>Total Health and Social Care</b>	<b>641</b>	<b>730</b>	<b>-89</b>		
<b><u>Services for Communities</u></b>					
Carriageway/footways enhancement	-1,022	-664	-358	Due to the loss of four members of staff within the in-house design team at short notice. Carriageway and footway works were further impacted by delays around ensuring traffic management in projects in the same local vicinity and issues around progressing works in areas where utility providers are carrying out infrastructure investment.	1
Net (slippage) / acceleration on other transport projects	-1,390	-1,046	-344	Due to the loss of four members of staff within the in-house design team at short notice.	1

	<b>Outturn £000</b>	<b>Period 9 £000</b>	<b>Movement between periods £000</b>	<b>Explanations for Significant Slippage / Acceleration</b>	<b>Variance Category</b>
Water of Leith - Phase 2	630	-32	662	Better than anticipated progress on site preparation including utility diversion works in advance of construction beginning on site in June 2016.	4
Mortonhall cremator replacement	-390	-365	-25	Cremator replacement now to be packaged with roof enhancement project which has made procurement process more complicated and time consuming than originally envisaged creating delay. Packaging together will allow economies of scale and ensure works can be carried out in parallel with more ease.	1
Net (slippage) / acceleration on various projects	453	-293	746	Based on revised cash flow projection.	2
<b>Total Services for Communities</b>	<b>-1,719</b>	<b>-2,400</b>	<b>681</b>		
<b>Total for all Services</b>	<b>-10,884</b>	<b>-12,529</b>	<b>1,645</b>		
<b>Summary of Variance Category</b>					
1. Slippage due to unforeseen delays	-15,018	-12,322	-2,696		
2. Slippage due to optimistic budget	-1,091	-641	-450		
3. Slippage due to timing of payments	0	0	0		
4. Acceleration on a project	5,225	434	4,791		
	<b>-10,884</b>	<b>-12,529</b>	<b>1,645</b>		

**CAPITAL OUTTURN 15/16 - PROJECT DELIVERY AND PROGRAMME FUNDING SUMMARY**

**DELIVERY SUMMARY - FOR PROJECTS (INCLUDING BLOCK BUDGETS) TOTALLING £5M+ THAT ARE IN CURRENT PROGRESS**

RAG STATUS	Time	Budget
	Delivery is significantly off original time and budget target 6 months and greater of original timescale	+ 2% or more of budget, or £0.5m, whichever is less
	Delivery is slightly off original time and budget target 3 to 5 months greater of original timescale	+ 0.5% to 2% of budget, or £0.125m, whichever is less
	Delivery is broadly on original time and budget target 0 to 2 months greater of original timescale	Within + 0.5% of budget or to be delivered under budget

	Total Budget £000	Total Expenditure to Date (31/03/2016) £000	Forecast Total Expenditure £000	Current Milestone	Budget Delivery Status	Time Delivery Status	Current anticipated completion date	Brief Summary of delivery progress and capital investment activity in 15/16
<b>Children and Families</b>								
Early Learning and Childcare Estate Improvements	16,687	5,943	16,687	Phase 1 - complete. Phase 2 - procurement.			Mar-17	Phase one (which includes three new nurseries at Fox Covert PS, Duddingston PS and Wardie PS) is complete. With the exception of the new Tynecastle nursery which is being delivered through Heart of Midlothian Football Club, Phase two is now being delivered through the traditional procurement route following protracted difficulties in agreeing an affordable total cost package with the originally envisaged procurement method. The time this has taken has created delays to programme delivery.

RAG STATUS

	Delivery is significantly off original time and budget target	Time 6 months and greater of original timescale	Budget + 2% or more of budget, or £0.5m, whichever is less
	Delivery is slightly off original time and budget target	3 to 5 months greater of original timescale	+ 0.5% to 2% of budget, or £0.125m, whichever is less
	Delivery is broadly on original time and budget target	0 to 2 months greater of original timescale	Within + 0.5% of budget or to be delivered under budget

	Total Budget £000	Total Expenditure to Date (31/03/2016) £000	Forecast Total Expenditure £000	Current Milestone	Budget Delivery Status	Time Delivery Status	Current anticipated completion date	Brief Summary of delivery progress and capital investment activity in 15/16
Rising School Rolls Estate Investment	19,902	13,037	19,902	RSR1, 2 and 3 complete. RSR4 under construction.			Mar-18	The provision of accommodation solutions for August 2016 at East Craigs, Fox Covert and St Mary's RC Primary Schools (all of which are under construction) represents the fourth year of the primary school Rising Rolls programme. New accommodation was successfully delivered for August 2013 at Granton, Trinity and Wardie Primary Schools; for August 2014 at Broughton, Craigour Park, St David's RC and Victoria Primary Schools and for August 2015 at Clermiston, Flora Stevenson, James Gillespie's, Gilmerton, Pentland, Ratho and Wardie Primary Schools. The reconfiguration and refurbishment of Deanbank Resource Centre to create a new temporary P1 to P2 annexe for South Morningside Primary School was also completed for August 2015. Currently the budget available will allow completion of anticipated future required works to 2020/21 excluding any further costs to deliver the additional capacity which may be required at Stockbridge, Corstorphine and Victoria Primary Schools (the latter including any works required at the former Fort Primary School). Further funding of £2.213m (together with any further costs to deliver the additional capacity which may be required at Stockbridge, Corstorphine and Victoria Primary Schools) is required to be identified to respond to the future challenges arising from primary school rolls to 2020/21 as set out within an update report to Education, Children and Families Committee on 24 May 2016.

## RAG STATUS

	Delivery is significantly off original time and budget target	Time 6 months and greater of original timescale	Budget + 2% or more of budget, or £0.5m, whichever is less
	Delivery is slightly off original time and budget target	3 to 5 months greater of original timescale	+ 0.5% to 2% of budget, or £0.125m, whichever is less
	Delivery is broadly on original time and budget target	0 to 2 months greater of original timescale	Within + 0.5% of budget or to be delivered under budget

	Total Budget £000	Total Expenditure to Date (31/03/2016) £000	Forecast Total Expenditure £000	Current Milestone	Budget Delivery Status	Time Delivery Status	Current anticipated completion date	Brief Summary of delivery progress and capital investment activity in 15/16
Boroughmuir High School Replacement	32,031	13,268	32,031	Construction			Jan-17	Reinforced concrete frame complete. Lower ground, ground and first floor fit out complete, Sports Hall and pitch construction works progressing. Target delivery time has slipped by five months due to delayed piling operations. School opening is delayed from August 2016 to January 2017.
Portobello High School Replacement	38,040	25,215	38,040	Construction			Oct-16	Externals, Fit out and mechanical and engineering works are underway and almost complete. The swimming pool is progressing in line with programme and one of the sports pitches is complete. Contractor is 12 weeks behind original construction timetable with school opening delayed from August 2016 to October 2016.
St John's Primary School Replacement	11,601	107	11,601	Planning			Dec-17	Stage 3 Cost Plan agreed. Detailed designs now submitted for planning.
<b>Health and Social Care</b>								
New build Royston Care Home	8,951	4,973	8,951	Construction			Sep-16	New 60 bed Care Home is 80% complete. Building is now wind and water tight.
<b>Services for Communities</b>								
Development Funding Grant (15/16 block budget allocation only)	31,663	31,663	Non applicable	Completed			Complete	All grant was disbursed to Registered Social Landlords (RSLs) during the financial year. Development Funding Grant is issued by the Scottish Government for the provision of new affordable housing and transferred by the Council to RSLs to supplement the private finance they raise.
National Housing Trust Phase 2	10,367	1,498	10,367	Construction			Oct-16	Phase 1 of the Sandpiper Road development programme delivered 12 completed housing units. A further 72 units will be completed by the end of October.

## RAG STATUS

	Delivery is significantly off original time and budget target	Time 6 months and greater of original timescale	Budget + 2% or more of budget, or £0.5m, whichever is less
	Delivery is slightly off original time and budget target	3 to 5 months greater of original timescale	+ 0.5% to 2% of budget, or £0.125m, whichever is less
	Delivery is broadly on original time and budget target	0 to 2 months greater of original timescale	Within + 0.5% of budget or to be delivered under budget

	Total Budget £000	Total Expenditure to Date (31/03/2016) £000	Forecast Total Expenditure £000	Current Milestone	Budget Delivery Status	Time Delivery Status	Current anticipated completion date	Brief Summary of delivery progress and capital investment activity in 15/16
Water of Leith Flood Prevention Phase 2	25,241	2,446	25,241	Site preparation			Feb-18	Utility diversion works nearing completion at 31st March. Main flood defence construction work to start in July 2016.
Carriageway and Footway Improvements (15/16 revised block budget allocation only)	12,785	11,763	12,785	Construction			Jun-16	There were delays to some projects within the city centre area earmarked within the revised budget. Planned works had to be put on hold due to proximity issues with nearby schemes and the effect of traffic management issues. Slipped projects will progress to completion early in the 16/17 financial year. The main focus of the programme was to provide the following: - Surface enhancement to carriageway - Enhancement to footways - Improvements to setted streets - Dropped crossing and general asset replacement - Improvements to Calder Road barriers
Asset Management Works across Council estate (15/16 revised block budget allocation only)	13,068	14,516	Non applicable	Completed			Complete	Largest projects include external and internal works on Ross Bandstand including roof works, upgraded timbers, tarmac, stone works, windows, doors and lighting. Major refurbishment of Wester Hailes Education Centre including aluminium curtain walling, rewiring, renewal heating and removal of asbestos. Full refurbishment of mechanical services for the Usher Hall. Programme delivery has been accelerated and represents better than anticipated progress on projects.

\* For Children and Families projects, total budget and total forecast spend excludes any monies earmarked for contingency.

**SUMMARY OF CAPITAL FUNDING V EXTERNAL DEBT**

<b>Capital Funding v. External Debt</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debt b/fd	1,412,998	1,369,745	1,317,761	1,293,406	1,268,446	1,294,865
Cumulative capital expenditure b/fd	1,510,154	1,424,417	1,430,588	1,449,554	1,416,492	1,450,200
Over / under borrowed b/fd	-97,156	-54,672	-112,827	-156,148	-148,046	-155,335
GF capital financed by borrowing	-14,151	63,272	69,853	5,934	58,837	1,500
HRA capital financed by borrowing	16,705	23,030	30,929	42,477	56,491	65,226
less scheduled repayments by GF	-57,883	-60,584	-61,068	-59,553	-58,195	-61,059
less scheduled repayments by HRA	-27,156	-16,585	-18,267	-20,345	-22,908	-26,066
less scheduled repayments by Former Joint Boards	-3,252	-2,962	-2,481	-1,575	-517	-544
<b>Underlying Need to Borrow</b>	<b>-85,737</b>	<b>6,171</b>	<b>18,966</b>	<b>-33,062</b>	<b>33,708</b>	<b>-20,943</b>
Plus total maturing debt	43,605	51,984	54,355	54,960	53,581	55,567
Total borrowing requirement	-42,132	58,155	73,321	21,898	87,289	34,624
Planned PWLB or short borrowing for year	352	0	30,000	30,000	80,000	30,000
Debt at end of the year	1,369,745	1,317,761	1,293,406	1,268,446	1,294,865	1,269,298
Cumulative capital expenditure	1,424,417	1,430,588	1,449,554	1,416,492	1,450,200	1,429,257
Cumulative over / under borrowed	-54,672	-112,827	-156,148	-148,046	-155,335	-159,959

In producing the estimates in the table above, the following assumptions have been made:-

- 1) Capital receipts are received as per the most recent forecast and used to repay prudential borrowing
- 2) The Council's underlying temporary cash balance representing earmarked reserves, allocated funds and other items on the balance sheet is in the region of £150m in the short term.

The Council's last borrowing from the PWLB was undertaken in mid-December 2012. Since then, the Council's strategy has been to reduce its temporary investment balances to fund capital expenditure in the short term.

The £0.352m of short term borrowing in 15/16 represents an interest-free loan obtained to fund street-lighting LED investment.

At the end of 2015/16, £55m of the need to borrow was being funded by reducing the Council's temporary investments.



**CAPITAL MONITORING 2015/16****General Fund - Land and Property Asset Sales**

	<b>£000</b>	<b>£000</b>
<b>General asset sales</b>		
Lutton Court	6,298	
South Gyle Wynd - second of third stage payment	2,938	
Dewar / Torphichen Street	2,141	
43 Colinton Mains Drive	360	
17 Johnston Terrace	351	
22 Mcleod Street - first of two stage payment	199	
37-39 Montrose Terrace	135	
47 St Stephen Street - general fund element	81	
14-24 Bothwell Street	45	
Various vehicle sales	34	
Kinleith Mills	25	
Various minor land disposals	<u>23</u>	
		12,630
<b>Sale of planned but unbudgeted within the year EICC - Atria (net)</b>		91,251
<b>Ring fenced asset sales to be provided as part of carryforward to 2016/17</b>		
46 Balcarres Street	795	
Cammo Home Estate	679	
Containerisation sales	<u>192</u>	
		1,666
<b>Asset sales to reduce corporate borrowing on previous expenditure</b>		
Former Leith Waterworld - second and final stage payment	850	
Former Curriehill Primary School - second and final stage payment	678	
Former Oaklands Special School - third and final stage payment	<u>312</u>	
		1,840
<b>Capital receipts in lieu of prudential borrowing</b>		
142 Glenallan Drive	<u>272</u>	
		272
<b>Total Land and Property Asset Sales</b>		<u><u>107,659</u></u>

### **Additional High Priority Items – Repairs and Maintenance Budget 2016/17**

The following, additional, high priority items have been identified to be progressed during 2016/17. All are predicated on identifying risk of injury / harm and / or disruption to Services.

No current separate budget is in place and the matters have been identified as additional commitments to the Property and Facilities Management Repairs and Maintenance (R&M) revenue budget.

Ref	Background	Action	Indicative Cost (all inclusive of surveys)
1	<p>A programme of specialist high-level rope access surveys were commenced in 2015, and are ongoing, to properties on a risk based priority basis. The purpose was to identify condition of roofs and masonry etc, not normally accessible to maintenance staff. The surveys identified Priority 1 (Health &amp; Safety), Priority 2, (Wind and Watertight) and Priority 3, (Preventative Maintenance) items.</p> <p>Priority 1 items were and are immediately progressed as identified.</p>	<p>Planned Preventative Maintenance following Specialist High level surveys</p> <p>A programme of Priority 2 and Priority 3 items to be collated, tendered and actioned during 2016/17.</p>	£600,000
2	<p>Specialist infrastructure surveys to confirm condition, identifying any defects including progressing immediate requirements, to inform any necessary maintenance, upgrade or replacement programmes.</p>	<p>Specialist surveys to include floodlighting towers (depots and sports pitches), access road and car park lighting, large/ornate plaster ceilings (performance venues, town halls, school assembly halls/gyms etc).</p> <p>The high level tactile surveys to be expanded to</p>	£450,000

		<p>include large timber windows or similar (Victorian schools, Central Library etc) to areas normally inaccessible for external inspection.</p> <p>Carbon monoxide alarm review programme including phased installation of any additional requirements based on risk priority.</p>	
3	Lighting and associated Suspended Ceilings	To survey based on a priority basis, inspect and determine condition of existing lighting, fittings and associated suspended ceilings where applicable, to inform any necessary maintenance or replacement programmes. To include phase one of a remediation programme based on survey findings.	£300,000
4	External boundary walls/fencing to Council properties	To determine based on a priority based programme, condition and security integrity identifying any joint ownership/liability responsibilities and inform any necessary maintenance, upgrade or replacement programmes. To include allowance for remediation based on survey findings.	£150,000
		TOTAL	£1,500,000

**CAPITAL MONITORING 2015/16****Housing Revenue Account Summary****Outturn Position - Unaudited**

	Revised Budget £000	Outturn £000	Variance	
			£000	%
Gross Expenditure	48,830	35,626	-13,204	-27.0%
Total Gross Expenditure	48,830	35,626	-13,204	-27.0%

<b>Resources</b>				
Capital Receipts	-7,298	-8,889	-1,591	21.8%
Developers and Other Contributions	-6,484	-1,873	4,611	-71.1%
Specific Capital Grant	-3,780	-8,159	-4,379	115.8%
Total Resources	-17,562	-18,921	-1,359	7.7%

<b>Borrowing</b>				
Borrowing	31,268	16,705	-14,563	-46.6%
Total	31,268	16,705	-14,563	-46.6%

**REVISED  
CAPITAL INVESTMENT  
PROGRAMME 2016-2021**  
(Incorporating full-year slippage from 2015/16)

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021****SUMMARY OF EXPENDITURE AND RESOURCES - GENERAL SERVICES**

2016-2021	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
<b>Expenditure</b>	<b>160,432</b>	<b>130,541</b>	<b>53,472</b>	<b>115,504</b>	<b>41,000</b>	<b>500,949</b>
<b>Resources</b>						
<b>Capital receipts</b>						
General asset sales	19,634	12,634	1,038	6,318	3,000	<b>42,624</b>
Less additional receipt income transferred to capital fund	-5,559	0	0	0	0	<b>-5,559</b>
Asset sales to reduce corporate borrowing	0	1,380	0	0	0	<b>1,380</b>
Ring-fenced asset sales	4,895	3,500	3,500	3,000	0	<b>14,895</b>
Developers and other contributions	7,468	174	0	585	0	<b>8,227</b>
Capital Grants Unapplied account	808	0	0	0	0	<b>808</b>
Total receipts	<b>27,246</b>	<b>17,688</b>	<b>4,538</b>	<b>9,903</b>	<b>3,000</b>	<b>62,375</b>
<b>Grants</b>						
Specific Capital Grant	29,788	0	0	0	0	<b>29,788</b>
General Capital Grant	41,626	44,500	44,500	48,264	38,000	<b>216,890</b>
Total Grants	<b>71,414</b>	<b>44,500</b>	<b>44,500</b>	<b>48,264</b>	<b>38,000</b>	<b>246,678</b>
<b>Borrowing</b>						
Support brought forward	42,678	0	0	0	0	<b>42,678</b>
Prudential framework						
- Through council tax	120	0	0	0	0	<b>120</b>
- Departmentally supported	36,489	47,146	12,690	52,863	0	<b>149,188</b>
Total borrowing	<b>79,287</b>	<b>47,146</b>	<b>12,690</b>	<b>52,863</b>	<b>0</b>	<b>191,986</b>
Over / (under)-programming	-17,515	21,207	-8,256	4,474	0	<b>-90</b>
<b>Total Resources</b>	<b>160,432</b>	<b>130,541</b>	<b>53,472</b>	<b>115,504</b>	<b>41,000</b>	<b>500,949</b>

Grant funding projections from 2017/18 onwards are based on prudent estimates.

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021****SUMMARY OF EXPENDITURE AND RESOURCES - HOUSING REVENUE ACCOUNT**

<b>2016-2021</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>	<b>44,334</b>	<b>65,708</b>	<b>76,500</b>	<b>84,794</b>	<b>85,022</b>	<b>356,358</b>
<b>Resources</b>						
<b>Capital Receipts</b>						
General Asset Sales	4,183	3,371	2,500	2,500	2,500	<b>15,054</b>
Developers' and Other Contributions	10,400	26,670	29,177	21,943	11,922	<b>100,112</b>
Total Receipts	<b>14,583</b>	<b>30,041</b>	<b>31,677</b>	<b>24,443</b>	<b>14,422</b>	<b>115,166</b>
<b>Grants</b>						
Specific Capital Grant	6,721	4,738	2,346	3,860	5,376	<b>23,041</b>
Total Grants	<b>6,721</b>	<b>4,738</b>	<b>2,346</b>	<b>3,860</b>	<b>5,376</b>	<b>23,041</b>
<b>Borrowing</b>						
Prudential Framework						
- House rents	23,030	30,929	42,477	56,491	65,224	<b>218,151</b>
Total Borrowing	<b>23,030</b>	<b>30,929</b>	<b>42,477</b>	<b>56,491</b>	<b>65,224</b>	<b>218,151</b>
<b>Total Resources</b>	<b>44,334</b>	<b>65,708</b>	<b>76,500</b>	<b>84,794</b>	<b>85,022</b>	<b>356,358</b>

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b><u>SUMMARY OF EXPENDITURE</u></b>	Revised Budget 2016/17 £000	Revised Budget 2017/18 £000	Revised Budget 2018/19 £000	Revised Budget 2019/20 £000	Revised Budget 2020/21 £000	<b>Total Budget 2016-2021 £000</b>
<b>General Services</b>						
Chief Executive	15,789	1,125	-	-	-	<b>16,914</b>
City Strategy and Economy	397	1,230	-	-	-	<b>1,627</b>
Communities and Families	45,781	23,064	12,984	6,709	165	<b>88,703</b>
Edinburgh Integration Joint Board Place	4,167	152	-	-	-	<b>4,319</b>
Resources - Asset Management Works	83,362	92,026	32,154	72,698	19,835	<b>300,075</b>
- Communities and Families	8,210	11,726	4,398	7,930	-	<b>32,264</b>
- Edinburgh Integration Joint Board	46	115	-	25	-	<b>186</b>
- Place	2,022	686	1,072	65	-	<b>3,845</b>
- City Strategy and Economy	274	105	265	165	-	<b>809</b>
- Resources - Corporate Property	384	312	1,494	1,596	-	<b>3,786</b>
- Not yet allocated to services	-	-	1,105	19,316	14,000	<b>34,421</b>
Unallocated - indicative 5 year plan	-	-	-	7,000	7,000	<b>14,000</b>
<b>Total General Services</b>	<b>160,432</b>	<b>130,541</b>	<b>53,472</b>	<b>115,504</b>	<b>41,000</b>	<b>500,949</b>



## REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021

<b><u>COMMUNITIES AND FAMILIES</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Early years</b>						
Early learning and childcare	5,145	5,200	-	-	-	10,345
Fox Covert nursery	287	4	-	-	-	291
<b>Early years total</b>	<b>5,432</b>	<b>5,204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,636</b>
<b>Primary schools</b>						
Upgrade kitchens - free school meals initiative	2,521	89	-	-	-	2,610
Waterfront	-	19	-	-	-	19
<b>Primary schools total</b>	<b>2,521</b>	<b>108</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,629</b>
<b>Secondary schools</b>						
Liberton high school replacement gym	1,429	66	-	-	-	1,495
New high school for Craigmillar	-	618	-	-	-	618
Replacement Queensferry high school	50	50	5,674	-	-	5,774
<b>Secondary schools total</b>	<b>1,479</b>	<b>734</b>	<b>5,674</b>	<b>0</b>	<b>0</b>	<b>7,887</b>
<b>Community centres</b>						
Duncan Place improvement works	732	1,227	45	-	-	2,004
<b>Community centres total</b>	<b>732</b>	<b>1,227</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>2,004</b>
<b>Children's services</b>						
Accommodation young person centre	-	295	-	-	-	295
Heather Vale young person Centre	353	14	-	-	-	367
<b>Children's services total</b>	<b>353</b>	<b>309</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>662</b>
<b>Other projects</b>						
Buckstone primary school - development works	95	-	-	-	-	95
Cost of sale of assets	(72)	-	-	-	-	(72)
Gaelic primary school playground	25	-	-	-	-	25
Kirkliston primary school - development works	1,493	25	-	-	-	1,518
Wester Hailes Healthy Living Centre underpass	1	-	-	-	-	1
<b>Other projects total</b>	<b>1,542</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,567</b>
<b>Capital investment new nurseries and gym</b>						
Blackhall new gym	30	-	-	-	-	30
Duddingston nursery	45	-	-	-	-	45
Wardie nursery	33	-	-	-	-	33
<b>Capital investment new nurseries and gym total</b>	<b>108</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>108</b>
<b>Rising school rolls</b>						
Rising school rolls extension works	3,305	698	1,606	1,206	-	6,815
<b>Rising School Rolls total</b>	<b>3,305</b>	<b>698</b>	<b>1,606</b>	<b>1,206</b>	<b>0</b>	<b>6,815</b>

## REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021

<b><u>COMMUNITIES AND FAMILIES</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Wave three school projects</b>						
Boroughmuir high school replacement	18,569	400	-	-	-	18,969
Existing Portobello high school demolition	675	-	-	-	-	675
James Gillespie's campus	609	-	-	-	-	609
New park former Portobello high school	-	-	1,000	-	-	1,000
Portobello high school replacement	9,591	1,359	-	-	-	10,950
St Crispin's special school replacement	-	1,108	107	5,167	-	6,382
St John's new wave 3 School	198	10,273	1,883	171	-	12,525
Wave three inflation contingency	-	9	2,504	-	-	2,513
<b>Wave three school projects total</b>	<b>29,642</b>	<b>13,149</b>	<b>5,494</b>	<b>5,338</b>	<b>0</b>	<b>53,623</b>
<b>Libraries</b>						
Drum Brae library	5	-	-	-	-	5
George IV Bridge library-enhancement works	-	365	-	-	-	365
Peoples Network	40	-	-	-	-	40
Self service terminals	16	-	-	-	-	16
<b>Libraries total</b>	<b>61</b>	<b>365</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>426</b>
<b>Sports</b>						
Edinburgh Leisure	165	165	165	165	165	825
Hunter Hall cycle hub and pitch	42	1,080	-	-	-	1,122
National Performance Centre for Sport additional contribution	200	-	-	-	-	200
Queensferry recreation project	199	-	-	-	-	199
<b>Sports total</b>	<b>606</b>	<b>1,245</b>	<b>165</b>	<b>165</b>	<b>165</b>	<b>2,346</b>
<b>Total Communities and Families</b>	<b>45,781</b>	<b>23,064</b>	<b>12,984</b>	<b>6,709</b>	<b>165</b>	<b>88,703</b>

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b><u>CITY STRATEGY AND ECONOMY</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Museums and arts</b>						
Assembly Rooms - Theatre Strategy	-	166	-	-	-	166
Calton Hill redevelopment	275	753	-	-	-	1,028
Contingency	-	65	-	-	-	65
Custom House external fabric improvements	30	80	-	-	-	110
<b>Museums and arts total</b>	<b>305</b>	<b>1,064</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,369</b>
<b>Strategic support</b>						
City dressing programme	40	166	-	-	-	206
CWSS - Promenade	52	-	-	-	-	52
<b>Strategic support total</b>	<b>92</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>258</b>
<b>Total City Strategy and Economy</b>	<b>397</b>	<b>1,230</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,627</b>

<b><u>EDINBURGH INTEGRATION JOINT BOARD</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Care homes</b>						
Royston care Home	3,876	102	-	-	-	3,978
<b>Care homes total</b>	<b>3,876</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,978</b>
<b>Other projects</b>						
Autism day and respite centre	70	-	-	-	-	70
Generators and Business Continuity	19	-	-	-	-	19
Oxgangs day centre	48	-	-	-	-	48
Sale Land / buildings costs	(34)	-	-	-	-	(34)
Telecare	180	-	-	-	-	180
Unallocated funding	-	50	-	-	-	50
Wester Hailes Living Centre Underpass	8	-	-	-	-	8
<b>Other projects total</b>	<b>291</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>341</b>
<b>Total Edinburgh Integration Joint Board</b>	<b>4,167</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,319</b>

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b><u>CHIEF EXECUTIVE</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Community safety</b>						
Closed Circuit Television combine services	-	1,125	-	-	-	1,125
<b>Community safety total</b>	<b>0</b>	<b>1,125</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,125</b>
<b>ICT function</b>						
CATs ICT capital investment	280	-	-	-	-	280
ICT contract asset purchase	15,000	-	-	-	-	15,000
ICT transformational change investment	509	-	-	-	-	509
<b>ICT function total</b>	<b>15,789</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,789</b>
<b>Total Chief Executive</b>	<b>15,789</b>	<b>1,125</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,914</b>

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b>PLACE</b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Environment</b>						
<u>Waste services</u>						
Containers - household waste	81	-	-	-	-	81
Zero Waste: Millerhill - Capital contribution	-	-	-	28,000	-	28,000
<u>Parks and green spaces</u>						
Cammo estate improvements	29	650	-	-	-	679
Niddrieburn footbridge	30	88	-	-	-	118
Parks and green spaces	101	300	-	-	-	401
Saughton Park improvement works	317	1,208	-	-	-	1,525
<u>Depot Review</u>						
Bankhead depot	-	-	-	10,600	-	10,600
Russell road depot	-	-	-	1,963	-	1,963
Seafield depot - phase 1	4,447	1,355	-	-	-	5,802
Seafield depot - phase 2	-	2,437	-	763	-	3,200
<u>Cemeteries &amp; Crematorium</u>						
Mortonhall memorialisation	98	-	-	-	-	98
Purchase of noise equipment	-	33	-	-	-	33
<b>Environment total</b>	<b>5,103</b>	<b>6,071</b>	<b>0</b>	<b>41,326</b>	<b>0</b>	<b>52,500</b>
<b>Housing and Regeneration</b>						
Commuted sums	200	159	-	-	-	359
Development Funding Grant	29,248	-	-	-	-	29,248
Home owners' adaptation grants	1,000	1,000	1,000	1,000	1,000	5,000
Kirkliston environmentals	82	-	-	-	-	82
National Housing Trust phase 2	10,326	-	-	-	-	10,326
National Housing Trust phase 3	5,007	34,665	4,084	4,366	-	48,122
Stair Lighting LED replacement	1,490	-	-	-	-	1,490
Travelling People's site	14	-	-	-	-	14
<b>Housing and Regeneration total</b>	<b>47,367</b>	<b>35,824</b>	<b>5,084</b>	<b>5,366</b>	<b>1,000</b>	<b>94,641</b>
<b>Transport and Planning</b>						
<u>Roads, Structures &amp; Flood Prevention</u>						
Bridge strengthening	671	545	-	-	-	1,216
Water of Leith - phase 1	120	402	-	-	-	522
Water of Leith - phase 2	10,075	8,568	3,409	-	-	22,052
<u>Roads Asset Management Plan</u>						
Bus stop investment	183	-	-	-	-	183
Carriageway / footway works [block]	11,015	17,755	9,989	12,771	12,771	64,302
Right first time carriageway and footway works	428	127	-	-	-	555

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b>PLACE</b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b><u>Street Lighting &amp; Traffic Signals</u></b>						
Street lighting	1,300	3,123	1,500	1,500	1,500	8,923
Street lighting - City wide LED replacement programme	50	8,689	8,606	7,171	-	24,516
Traffic signals (renewal)	330	330	-	-	-	660
<b><u>Roads &amp; Network</u></b>						
Lower Granton Road realignment	10	-	-	-	-	10
St Andrew Square public realm	436	446	-	-	-	882
Transport asset management	-	1,000	1,000	1,000	1,000	4,000
UTMC and parking guidance	142	140	-	-	-	282
<b><u>Policy &amp; planning</u></b>						
20mph speed limiting [block]	1,132	282	-	-	-	1,414
B924 pedestrian crossing	5	-	-	-	-	5
Bus - priority at signals SVD	51	90	-	-	-	141
Bus lane camera enforcement	1	-	-	-	-	1
Bus priority schemes / bus shelters	280	198	-	-	-	478
Bus Tram integration	92	-	-	-	-	92
Bustracker- RTI extension	16	-	-	-	-	16
Cycle projects [block]	750	302	-	-	-	1,052
Cycling, Walking and Safer Streets	310	-	-	-	-	310
Design of future projects	56	-	-	-	-	56
Developer contributions	-	207	-	-	-	207
Electric vehicles	29	-	-	-	-	29
Frederick Street - Hanover Street	84	1	-	-	-	85
Hermiston Park and Ride (land acquisition)	16	-	-	-	-	16
Local bus priority measures [Block]	1	-	-	-	-	1
Road safety	542	266	-	-	-	808
Road safety	12	-	-	-	-	12
Road safety, cycling and public transport	-	2,090	1,750	1,750	1,750	7,340
Sighthill signalised junction	178	14	-	-	-	192
St Andrew Square bus station	79	200	-	-	-	279
Walking projects [block]	100	422	-	-	-	522
<b><u>Transport - City Centre</u></b>						
Leith Walk Constitution Street	1,176	2,299	-	-	-	3,475
Rose Street - public realm	294	222	-	-	-	516
<b><u>South East Locality</u></b>						
Neighbourhood environmental partnerships	141	370	204	203	203	1,121
Roads ward allocation	89	70	-	-	-	159
<b><u>North East Locality</u></b>						
Neighbourhood environmental partnerships	148	504	204	203	203	1,262
Roads ward allocation	130	145	-	-	-	275
<b><u>North West Locality</u></b>						

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b><u>PLACE</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
Neighbourhood environmental partnerships	181	689	272	272	271	1,685
Roads ward allocation	140	110	-	-	-	250
<u>South West Locality</u>						
Neighbourhood environmental partnerships	95	270	136	136	136	773
Roads ward allocation	4	-	-	-	-	4
<u>Transport Other</u>						
Existing Tram lifecycle replacement	-	-	-	1,000	1,000	2,000
The Causey project	-	19	-	-	-	19
<b>Transport and Planning total</b>	<b>30,892</b>	<b>49,895</b>	<b>27,070</b>	<b>26,006</b>	<b>18,835</b>	<b>152,698</b>
Place - contingency	-	236	-	-	-	236
<b>Total Place</b>	<b>83,362</b>	<b>92,026</b>	<b>32,154</b>	<b>72,698</b>	<b>19,835</b>	<b>300,075</b>

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b><u>RESOURCES - ASSET MANAGEMENT WORKS</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Communities and Families</b>						
Boiler upgrade	199	171	158	762	-	1,290
Early Years property	20	12	-	-	-	32
Energy management	400	1,000	1,000	600	-	3,000
External fabric	1,270	574	23	-	-	1,867
Fabric enhancement	3,092	5,729	726	222	-	9,769
Fire safety	254	600	600	600	-	2,054
Mechanical and engineering upgrade	1,349	2,345	1,345	1,802	-	6,841
Roof and rainwater	449	119	21	879	-	1,468
Stonework/masonry	224	121	25	489	-	859
Water quality upgrading	101	730	412	400	-	1,643
Windows and doors	852	325	88	2,176	-	3,441
<b>Total for Communities and Families</b>	<b>8,210</b>	<b>11,726</b>	<b>4,398</b>	<b>7,930</b>	<b>0</b>	<b>32,264</b>
<b>City Strategy and Economy</b>						
External fabric	-	-	80	-	-	80
Fabric enhancement	54	10	15	-	-	79
Fire Safety	-	95	170	165	-	430
Mechanical and engineering upgrade	110	-	-	-	-	110
Roof and rainwater	100	-	-	-	-	100
Water quality upgrading	10	-	-	-	-	10
<b>Total for City Strategy and Economy</b>	<b>274</b>	<b>105</b>	<b>265</b>	<b>165</b>	<b>0</b>	<b>809</b>
<b>Edinburgh Integration Joint Board</b>						
Fabric enhancement	4	-	-	-	-	4
Lift upgrade	4	-	-	-	-	4
Mechanical and engineering upgrade	38	115	-	25	-	178
Roof and rainwater	-	-	-	-	-	-
Water quality upgrading	-	-	-	-	-	-
<b>Total for Edinburgh Integration Joint Board</b>	<b>46</b>	<b>115</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>186</b>
<b>Place</b>						
Disability Discrimination Act works	-	-	-	-	-	-
External fabric	380	47	-	-	-	427
Fabric enhancement	46	247	575	10	-	878
Fire safety	80	80	-	-	-	160
Fixtures, fittings and equipment upgrade	-	-	-	-	-	-
Internal fabric enhancement	14	-	79	55	-	148
Mechanical and engineering upgrade	24	-	341	-	-	365
Parks infrastructure	300	312	-	-	-	612
Roof and rainwater	56	-	25	-	-	81
Water quality upgrading	22	-	-	-	-	22
Windows and doors	1,100	-	52	-	-	1,152
<b>Total for Place</b>	<b>2,022</b>	<b>686</b>	<b>1,072</b>	<b>65</b>	<b>0</b>	<b>3,845</b>



**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b><u>RESOURCES - ASSET MANAGEMENT WORKS</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
<b>Resources - Corporate Property</b>						
Disability Discrimination Act works	-	-	-	-	-	-
Energy management	10	-	-	500	-	510
External fabric	-	-	119	35	-	154
Fire safety	1	85	50	75	-	211
Internal fabric enhancement	53	-	-	117	-	170
Mechanical and engineering upgrade	190	227	907	610	-	1,934
Roof and rainwater	-	-	322	203	-	525
Stonework/masonry	25	-	56	-	-	81
Water quality upgrading	5	-	-	-	-	5
Windows and doors	100	-	40	56	-	196
<b>Total for Resources - Corporate Property</b>	<b>384</b>	<b>312</b>	<b>1,494</b>	<b>1,596</b>	<b>0</b>	<b>3,786</b>
<b>Funding not yet allocated to projects</b>	<b>-</b>	<b>-</b>	<b>1,105</b>	<b>19,316</b>	<b>14,000</b>	<b>34,421</b>
<b>Total Asset Management Works</b>	<b>10,936</b>	<b>12,944</b>	<b>8,334</b>	<b>29,097</b>	<b>14,000</b>	<b>75,311</b>

**REVISED CAPITAL INVESTMENT PROGRAMME 2016-2021**

<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>Revised Budget 2016/17</b>	<b>Revised Budget 2017-18</b>	<b>Revised Budget 2018-19</b>	<b>Revised Budget 2019-20</b>	<b>Revised Budget 2020-21</b>	<b>Total Budget 2016-2021</b>
	£000	£000	£000	£000	£000	£000
Housing Investment, including SHQS work	29,056	31,000	30,000	29,000	26,500	<b>145,556</b>
Neighbourhood Environment Investment	2,119	2,000	2,000	2,000	2,000	<b>10,119</b>
Community Care	1,642	1,550	1,550	1,550	1,550	<b>7,842</b>
Regeneration	1,059	-	-	-	-	<b>1,059</b>
Other Capital Expenditure	200	2,700	2,700	2,700	2,700	<b>11,000</b>
21st Century Homes Investment	10,258	28,458	40,250	49,544	52,272	<b>180,782</b>
<b>Total Housing Revenue Account</b>	<b>44,334</b>	<b>65,708</b>	<b>76,500</b>	<b>84,794</b>	<b>85,022</b>	<b>356,358</b>

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Capital Monitoring 2016/17 – Month Three Position – referral report from the Finance and Resources Committee

Item number	7.7
Report number	
Executive/routine	
Wards	

### Executive Summary

---

On 18 August 2016 the Finance and Resources Committee considered a report that set out the overall position of the Council's capital budget at month three and the projected outturn of the year. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

### Links

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[Coalition Pledges](#)  
[Council Priorities](#)  
[Single Outcome Agreement](#)

# Terms of Referral

## Capital Monitoring 2016/17 – Month Three Position

### 1. Terms of Referral

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- 1.1 The Capital Monitoring month three position showed that the Council was borrowing £61.772 million and would be in receipt of grants and capital income that amounted to £98.660 million. Together this would fund projected capital investment of £160.432 million. The level of borrowing was projected to be balanced against the budget.
- 1.2 The Finance and Resources Committee agreed:
  - 1.2.1 To note the projected capital outturn positions on the General Fund and Housing Revenue Account (HRA) at month three.
  - 1.2.2 To note the prudential indicators at month three.
  - 1.2.3 To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### 2. For Decision/Action

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- 2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

### 3. Background Reading/External References

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Minute of the Finance and Resources Committee, 18 August 2016

#### **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

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## 4. Links

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**Coalition Pledges**

**Council Priorities**

**Single Outcome  
Agreement**

**Appendices**

# Finance and Resources Committee

2.00pm, Thursday, 18 August 2016

## Capital Monitoring 2016/17 – Month three position

Item number	7.7
Report number	
Executive/routine	
Wards	

### Executive summary

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The month three position shows that the Council is projecting to borrow £61.772m and will be in receipt of grants and capital income amounting to £98.660m. Together this will fund projected capital investment of £160.432m. The level of borrowing is projected to be balanced against budget.

### Links

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Coalition pledges	P3; P8; P30; P31; P33; P42
Council outcomes	CO1; CO16; CO20; CO23; CO25
Single Outcome Agreement	SO3; SO4

## Capital Monitoring 2016/17 – Month three position

### Recommendations

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- 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; and
  - 1.1.3 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### Background

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- 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

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- 3.1 The month three position is based on the revised 2016-2021 Capital Investment Programme incorporating net slippage / acceleration from 2015/16 (the detail of which can be seen in Appendix 7 of the Capital Monitoring 2015/16 – Outturn and Receipts report which is included elsewhere on the agenda).
- 3.2 The position at month three can be seen in Appendix 1. An overall balanced position is projected currently reflecting up to date re-phasing and realignment of the revised capital programme 2016-2021.

#### **Prudential Indicators**

- 3.3 The prudential indicator monitoring at month three is shown in Appendix 2.

#### **Housing Revenue Account (HRA)**

- 3.4 The Housing Revenue Account is forecasting to balance to budget as shown in Appendix 3. At month three, the forecast is gross expenditure of £44.334m, capital receipts / grant income of £21.304m and prudential borrowing of £23.030m.

### Measures of success

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- 4.1 Completion of capital projects as budgeted for in the 2016/17 capital programme.
- 4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

## Financial impact

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- 5.1 The projected 2016/17 general fund outturn outlines capital borrowing of £61.772m. The overall loan charges associated with this borrowing over a 20 year period would be a principal amount of £61.772m, interest of £41.213m, resulting in a total cost of £102.985m 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 £1.585m, followed by an annual cost of £5.070m 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 can be met from this year's revenue budget for loan charges.

## Risk, policy, compliance and governance impact

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- 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) which was transferred to the Transformation Team in the newly created Strategy and Insight Division in February 2016.

## Equalities impact

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- 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 Communities 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

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- 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

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- 9.1 Consultation on the capital budget will be undertaken as part of the budget process.

## Background reading/external references

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None

### Hugh Dunn

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## Links

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<b>Coalition pledges</b>	<p>P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools</p> <p>P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites</p> <p>P30 – Continue to maintain a sound financial position including long-term financial planning</p> <p>P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure</p> <p>P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used</p>
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	P42 – Continue to support and invest in our sporting infrastructure
<b>Council outcomes</b>	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
<b>Single Outcome Agreement</b>	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
<b>Appendices</b>	1 – Capital Monitoring 2016/17 – General Fund 2 – Prudential Indicators 2016/17 3 – Capital Monitoring 2016/17 - HRA

## Capital Monitoring 2016/17

### General Fund Summary

#### Period 3

<b>Expenditure</b>	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
						£000	%
Chief Executive	15,789	-	15,789	-	15,789	-	0.00%
City Strategy and Economy	397	-	397	64	397	-	0.00%
Communities and Families	45,781	-	45,781	7,064	45,781	-	0.00%
Edinburgh Integration Joint Board Place	4,167	-	4,167	1,508	4,167	-	0.00%
Resources - Asset Management Works	83,362	-	83,362	5,638	83,362	-	0.00%
	10,936	-	10,936	1,150	10,936	-	0.00%
<b>Total Gross Expenditure</b>	<b>160,432</b>	<b>-</b>	<b>160,432</b>	<b>15,424</b>	<b>160,432</b>	<b>-</b>	<b>0.00%</b>

#### Resources

<i>Capital Receipts</i>							
General Services	19,634	-	19,634	576	19,634	-	0.00%
Less additional receipt income to capital fund	(5,559)	-	(5,559)	-	(5,559)	-	0.00%
Ring-fenced asset sales	4,895	-	4,895	27	4,895	-	0.00%
<i>Total Capital Receipts from Asset Sales</i>	<i>18,970</i>	<i>-</i>	<i>18,970</i>	<i>603</i>	<i>18,970</i>	<i>-</i>	<i>0.00%</i>
Developer and other Contributions	7,468	-	7,468	1,798	7,468	-	0.00%
Capital Grants Unapplied Account drawdown	808	-	808	649	808	-	0.00%
<i>Total Capital Receipts</i>	<i>27,246</i>	<i>-</i>	<i>27,246</i>	<i>3,050</i>	<i>27,246</i>	<i>-</i>	<i>0.00%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	41,626	-	41,626	10,407	41,626	-	0.00%
Cycling, Walking and Safer Streets	540	-	540	-	540	-	0.00%
Management Development Funding	29,248	-	29,248	-	29,248	-	0.00%
<i>Total Grants</i>	<i>71,414</i>	<i>-</i>	<i>71,414</i>	<i>10,407</i>	<i>71,414</i>	<i>-</i>	<i>0.00%</i>
<b>Total Resources</b>	<b>98,660</b>	<b>-</b>	<b>98,660</b>	<b>13,457</b>	<b>98,660</b>	<b>-</b>	<b>0.00%</b>

<b>Balance to be funded through borrowing</b>	<b>61,772</b>	<b>-</b>	<b>61,772</b>		<b>61,772</b>	<b>-</b>	<b>0.00%</b>
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**PRUDENTIAL INDICATORS 2016/17 - Period 3****Indicator 1 - Estimate of Capital Expenditure**

	2015/16	2015/16	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
	Estimate	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children & Families	46,877	48,181	0	0	0	0	0	0	0	0	0	0
Corporate Governance	2,729	7,407	0	0	0	0	0	0	0	0	0	0
Economic Development	58	42	0	0	0	0	0	0	0	0	0	0
Health & Social Care	6,328	5,680	0	0	0	0	0	0	0	0	0	0
Services for Communities	76,616	77,149	0	0	0	0	0	0	0	0	0	0
SfC - Asset Management Programme	13,224	14,516	0	0	0	0	0	0	0	0	0	0
Other Capital Projects	259	3,014	0	0	0	0	0	0	0	0	0	0
Unallocated funding - indicative 5 year plan 2016/17												
2023 funding	0	0	0	0	0	0	0	0	7,000	7,000	7,000	7,000
Chief Executive	0	0	17,291	15,789	1,125	1,125	0	0	0	0	0	0
City Strategy and Economy	0	0	508	397	363	1,230	0	0	0	0	0	0
Communities and Families	0	0	50,436	45,781	7,595	23,064	10,184	12,984	14,766	6,709	558	165
Edinburgh Integration Joint Board	0	0	4,229	4,167	114	152	0	0	0	0	0	0
Place	0	0	98,896	83,362	72,101	92,026	30,719	32,154	24,201	72,698	19,834	19,835
Resources - Asset Management Works	0	0	24,044	10,936	11,035	12,944	8,436	8,334	19,173	29,097	14,000	14,000
Total General Services	146,091	155,989	195,404	160,432	92,333	130,541	49,339	53,472	65,140	115,504	41,392	41,000
Housing Revenue Account	38,253	35,626	48,508	44,334	65,708	65,708	76,500	76,500	84,794	84,794	85,022	85,022
Total	184,344	191,615	243,912	204,766	158,041	196,249	125,839	129,972	149,934	200,298	126,414	126,022

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget motion in January 2016. Differences between these and the 'forecast' figures relate to further realignment and rephasing that has taken place as part of the revised budget process. Note that 2015/16 is presented in the former council structure whilst 2016/17 onwards represents the most up to date structure based on Council transformation.

**Indicator 2 - Ratio of Financing Costs to Net Revenue Stream**

	2015/16	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
	Estimate	Actual	Estimate	Forecast	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%	%
General Services	12.03	11.51	12.00	12.00	11.94	11.66	11.55	N/A
Housing Revenue Account	35.40	37.31	36.64	35.38	39.33	40.73	42.49	44.60

Figures for 2017/18 onwards are indicative as the Council has not set a General Services or HRA budget for these years. The figures for General Services are based on the current long term financial plan that ends to 2019/20. HRA figures are based on the current business plan.

### Indicator 3 - Capital Financing Requirement

	2015/16 Estimate £000	2015/16 Actual £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	2020/21 Estimate £000	2020/21 Forecast £000
General Services (including finance leases)	1,317,584	1,275,213	1,297,933	1,267,088	1,260,004	1,265,506	1,191,945	1,202,432	1,133,225	1,194,872	1,064,001	1,126,875
Housing Revenue Account	374,029	357,602	377,947	364,047	387,821	376,709	406,950	398,841	437,419	432,424	474,861	471,584
Total	<u>1,691,613</u>	<u>1,632,815</u>	<u>1,675,880</u>	<u>1,631,135</u>	<u>1,647,825</u>	<u>1,642,215</u>	<u>1,598,895</u>	<u>1,601,273</u>	<u>1,570,644</u>	<u>1,627,296</u>	<u>1,538,862</u>	<u>1,598,459</u>

Forecasts include the capital financing requirement relating to PPP assets. Note that the difference between the estimated and actual figure in 15/16 is due to the EICC Atria receipt settling in 15/16 rather than in 16/17 as envisaged, leading to repayment of the outstanding capital advance on this and a reduction in the Capital Financing Requirement.

### Indicator 4 - Authorised Limit for External Debt

	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	2020/21 Estimate £000	2020/21 Rev Est £000
Borrowing	1,591,015	1,591,015	1,617,379	1,617,379	1,630,954	1,630,954	1,558,749	1,558,749	1,507,508	1,507,508
Credit Arrangements	226,589	226,600	215,777	215,787	205,412	205,420	195,958	195,965	187,755	187,763
Total	<u>1,817,604</u>	<u>1,817,615</u>	<u>1,833,156</u>	<u>1,833,166</u>	<u>1,836,366</u>	<u>1,836,374</u>	<u>1,754,707</u>	<u>1,754,714</u>	<u>1,695,263</u>	<u>1,695,271</u>

Credit Arrangements includes both the short and long term liabilities relating to finance leases and PFI assets.

### Indicator 5 - Operational Boundary for External Debt

	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	2020/21 Estimate £000	2020/21 Rev Est £000
Borrowing	1,491,015	1,491,015	1,487,329	1,487,329	1,520,904	1,520,904	1,478,699	1,478,699	1,457,458	1,457,458
Credit Arrangements	226,589	226,600	215,777	215,787	205,412	205,420	195,958	195,965	187,755	187,763
Total	<u>1,717,604</u>	<u>1,717,615</u>	<u>1,703,106</u>	<u>1,703,116</u>	<u>1,726,316</u>	<u>1,726,324</u>	<u>1,674,657</u>	<u>1,674,664</u>	<u>1,645,213</u>	<u>1,645,221</u>

Credit Arrangements includes both the short and long term liabilities relating to finance leases and PFI assets.

**Indicator 6 - Impact on Council Tax and House Rents**

	<b>2016/17</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>Estimate</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
for the band "D" Council Tax	2.46	-2.10	9.17	-1.75	13.68	11.78	18.02	22.80	N/A	N/A
for the average weekly housing rents	-0.19	-0.19	-0.68	-0.68	-0.50	-0.50	0.55	0.55	3.50	3.50

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 the Limited Liability Partnerships (LLPs) 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 2016.

**CAPITAL MONITORING 2016/17****Housing Revenue Account Summary****Period 3**

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	44,334	6,918	44,334	0	0.0%
Total Gross Expenditure	44,334	6,918	44,334	0	0.0%

<b>Resources</b>					
Capital Receipts	-4,183	-77	-4,183	0	0.0%
Developers and Other Contributions	-11,847	-880	-11,847	0	0.0%
Specific Capital Grant	-5,274	-555	-5,274	0	0.0%
Total Resources	-21,304	-1,512	-21,304	0	0.0%

<b>Borrowing</b>					
Borrowing	23,030	5,406	23,030	0	0.0%
Total	23,030	5,406	23,030	0	0.0%

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Revenue Monitoring 2015/16 – Outturn Report – referral report from the Finance and Resources Committee

Item number	7.8
Report number	
Executive/routine	
Wards	

### Executive Summary

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On 18 August 2016 the Finance and Resources Committee considered a report that set out the provisional 2015/16 revenue outturn position for the Council based on the unaudited financial statements. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

### Links

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[Coalition Pledges](#)  
[Council Priorities](#)  
[Single Outcome Agreement](#)



# Terms of Referral

## Revenue Monitoring 2015/16 – Outturn Report

### 1. Terms of Referral

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- 1.1 The Council's statement of accounts for 2015/16 was passed to the external auditor by the statutory deadline of 30 June 2016. The unaudited financial statements were published on the Council website by 30 June 2016 and made available for public inspection from 1 July 2016 for 15 working days, in accordance with relevant regulations.
- 1.2 For 2015/16, the unaudited outturn position showed an overall underspend of £0.861 million, which equated to 0.09% of the Council's total net expenditure. This had been initially set aside within the Council's Priorities Fund, for the purposes of closing the 2015/16 accounts.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To note the contents of the report and the provisional revenue underspend of £0.861 million for the year ended 31 March 2016 and that these monies had been set aside within the Council's Priorities Fund.
  - 1.3.2 To approve the use of £0.5 million of the underspend to be set aside for property surveys and refer the report to Council for ratification.
  - 1.3.3 To note the contributions in 2015/16 to and from the General Fund as detailed in the report and refer the report to Council for ratification for use of funds and Capital Fund.
  - 1.3.4 To note the Housing Revenue Account was balances after making a contribution of £2.3 million to the Renewal and Repairs Fund.
  - 1.3.5 To note the report on the Common Good Fund was also considered by the Finance and Resourced Committee on 18 August 2016.
  - 1.3.6 To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### 2. For Decision/Action

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- 2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

### 3. Background Reading/External References

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Minute of the Finance and Resources Committee, 18 August 2016

#### **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

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### 4. Links

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**Coalition Pledges**

**Council Priorities**

**Single Outcome**

**Agreement**

**Appendices**

# Finance and Resources Committee

2.00pm, Thursday, 18 August 2016

## Revenue Monitoring 2015/16 – outturn report

Item number	7.6
Report number	
Executive/routine	
Wards	

### Executive summary

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The report sets out the provisional 2015/16 revenue outturn position for the Council based on the unaudited financial statements. The statement of accounts shows an overall underspend of £0.861m.

### Links

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Coalition pledges [P30](#)

Council outcomes [C025](#)

Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

# Finance and Resources Committee

## Revenue Monitoring 2015/16 – outturn report

### Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the contents of this report and the provisional revenue underspend of £0.861m for the year ended 31 March 2016 and that these monies have been set aside within the Council Priorities Fund;
  - 1.1.2 approve the use of £0.5m of the underspend to be set aside for property surveys, and refer this to Council for ratification;
  - 1.1.3 note the contributions in 2015/16 to and from the General Fund as detailed in the report and refer to Council for ratification for use of funds and Capital Fund;
  - 1.1.4 note the Housing Revenue Account was balanced after making a contribution of £2.3m to the Renewal and Repairs Fund;
  - 1.1.5 note the Common Good Annual Performance Report will be considered elsewhere on the agenda; and
  - 1.1.6 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

### Background

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- 2.1 The Council's statement of accounts for 2015/16 was passed to the external auditor by the statutory deadline of 30 June. This report sets out the provisional outturn position for the revenue budget as detailed within the unaudited statement.
- 2.2 The unaudited financial statements were published on the Council website by 30 June 2016 and made available for public inspection from 1 July 2016 for 15 working days, in accordance with relevant regulations.
- 2.3 The unaudited annual accounts were prepared on the pre-Transformation management structure and the provisional outturn is reported on the same basis.

## Main report

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- 3.1 The unaudited outturn position for 2015/16 shows an overall underspend of £0.861m, equating to 0.09% of the Council's total net expenditure. The table below outlines the constituent elements of this variance, with additional details provided in Appendices 1 and 2. Executive Committees will receive outturn reports for their areas of responsibility.

	<b>Outturn Variance</b>
<b>Service Variance</b>	<b>£000</b>
Children and Families	(466)
Corporate Governance	(15)
Economic Development	(140)
Health and Social Care	(3,446)
Services for Communities	(105)
<b>Total Service Variances</b>	<b>(4,172)</b>
<b>Corporate Variances</b>	
Council Tax Reduction Scheme	(2,366)
Net Cost of Benefits	(94)
Dividends Receivable	75
Loan Charges / Interest on Rev Bals	(1,552)
Prior-year and other adjustments	(201)
Early release costs centrally funded	9,942
Council Tax	(2,493)
<b>Total Corporate Variances</b>	<b>3,311</b>
<b>In-year (surplus)</b>	<b>(861)</b>

- 3.2 There was an underspend within service areas of £4.172m. Within this amount, four of the five main service areas returned small underspends against their approved budgets. Health and Social Care returned an underspend of £3.446m, having received additional one-off funding during the year of £9.8m, as approved by Council on 17 September 2015. This was in line with the position stated in the month eight monitoring report of the service.
- 3.3 The net underspend of £0.861m has initially been set aside within the Council Priorities Fund, for the purposes of closing the 2015/16 accounts. Members are therefore asked to refer set-aside of the underspend within the Council Priorities Fund, to Council for approval.
- 3.4 Following the incident at Oxgangs Primary School in January 2016, investigative work undertaken across properties constructed as part of the PPP1 schools

programme has highlighted a need for precautionary survey work within other Council properties with similar design features. It is proposed that an initial budget of £0.5m be provided for the surveys by means of earmarking an element of the 2015/16 in-year underspend.

3.5 Service variances are outlined in more detail in Appendix 2.

### **Other variances**

3.6 In addition to the service-specific position summarised above, the overall outturn reflected a number of other variances, the main elements of which are summarised below:

#### *Early Release Costs (centrally funded)*

Costs relating to staff early release under the Transformation programme in 2015/16 were met, as planned, through central funding, amounting to £20.942m. The costs include those for staff leaving during the financial year and any pre-approved exits even if the leaving date is in a subsequent period, in accordance with IAS 19 and will therefore differ to costs shown in the monthly dashboards reported to this Committee. The costs were funded using the service underspends, non-service specific surplus incomes and underspends, along with drawing down on earmarked reserves in the Capital Fund.

The table below summarises voluntary severance and pension strain costs relating to the release of staff as part of the Transformation programme during the year to enable approved savings to be delivered.

<b>Service</b>	<b>Voluntary Severance Costs £000</b>	<b>Pension Strain Costs £000</b>	<b>Total £000</b>	<b>Number of staff</b>
Children and Families	2,020	1,341	3,361	97
Corporate Governance	2,709	2,305	5,014	82
Economic Development	337	377	714	14
Health and Social Care	2,526	1,438	3,964	114
Services for Communities	3,933	3,956	7,889	201
<b>Total</b>	<b>11,525</b>	<b>9,417</b>	<b>20,942</b>	<b>508</b>

Recurring savings of £17.9m will be realised as a result of these staffing reductions and an overall payback period of 14 months is in line with planning assumptions.

#### *Council Tax Reduction Scheme*

The majority of funding for this scheme is included within the Local Government Finance Settlement. The entirely demand-led nature of this scheme exposes

the Council to risks, however the sums paid out in 2015/16 were £2.366m lower than the level of budgetary provision.

### *Loan Charges / Interest on Revenue Balances*

There was an overall favourable variance of £1.552m, largely attributable to the Council's ongoing strategy not to undertake external borrowing to finance capital investment, instead financing this from available cash resources.

### *Council Tax*

Increased property numbers and lower than budgeted levels of exemptions and discounts contributed to a favourable overall variance of £2.493m.

### **Approved budget savings delivery**

- 3.7 The final outturn position for 2015/16 indicates that 88% of approved savings by value were delivered, with non-delivery primarily as a result of shortfalls in Corporate Property and various other functions within Services for Communities. The shortfall in delivery of savings was offset by a variety of one-off mitigating management actions throughout the year, including vacancy management, acceleration of saving proposals and controlling discretionary expenditure.

The need to identify and deliver sustainable savings in these areas is being taken forward as part of the Transformation programme and Asset Management plan.

### **Housing Revenue Account (HRA)**

- 3.8 The HRA achieved a balanced position for 2015/16 after making a contribution of £2.256m to the Renewal and Repairs Fund, which represents sums set aside for the provision of new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform. This contribution was achieved after a voluntary repayment of debt of £10m.

### **Reserves**

- 3.9 Details of the opening and closing amounts in the General Fund, including earmarked balances are shown in Appendix 3. The unallocated General Fund balance remained unchanged at £13.025m, while there was a net increase in reserves held for specific purposes by £10.948m. The main elements of this movement were:

#### Net contributions to General Fund

**Council Tax Discount Fund** - £2.96m - monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to supporting the development of

affordable housing. These funds are allocated in the Council's approved house-building plan to deliver 16,000 new affordable homes by the Council and its not-for-profit housing association partners over the next ten years.

**Dilapidations Fund** - £3.34m – additional set aside of funds to cover costs arising from termination of property leases and other related contractual commitments.

**Unspent Grants** - £1.33m – monies received as income in advance of expenditure that is expected to be incurred in 2016/17.

**Strategic Acquisition Fund** - £4.5m – additional funds allocated to this fund from part of the sale proceeds of the Atria property. Approval was given by Council on 7 February 2013 to earmark funding of up to £7.5m from the sale of capital assets not currently supporting the capital investment programme, to sit alongside private sector investment to open new opportunities for creating jobs and economic growth.

**Devolved School Management** – £1.75m – increase carry forward of funds for the devolved school budgets.

#### Contributions from General Fund

**Council Priorities Fund** – net reduction of £2.161m comprised a combination of (i) approved drawdown of £2.25m to support the Statutory Repair service, (ii) approved funding of £0.28m for tram feasibility works, (iii) approved £0.2m for Health and Social Care transition and (iv) a number of smaller approved drawdowns. The overall movement reflects the addition of the revenue surplus outlined at paragraph 3.3.

**Balances set aside for specific investment** - £1.32m – various additional contributions for specific projects received prior to 2015/16 that were drawn down in year.

#### **Common Good**

- 3.10 During 2015/16, the Council acquired Custom House in Leith for £0.672m to use the building as a museum for the benefit of Leith and the wider city. In addition the Council generated two capital receipts, namely the sale of Cathedral Lane for £0.108m and land at Granton Road sold for £0.051m, both of which were credited to the Common Good Fund. Further details are included in the report elsewhere on today's agenda.
- 3.11 The Common Good account was credited in 2014/15 with a receipt of £1.183m from the sale of East Market Street garage. The receipt, net of costs associated with the disposal, was then transferred to the Common Good fund and will be utilised to fund a planned property maintenance programme on Common Good assets, over the coming five years, as agreed at the Finance and Resources Committee on 14 January 2016.



## Measures of success

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- 4.1 The Council has a statutory duty to set a balanced budget each year and the Financial Regulations further set out the Directors' responsibilities in maintaining expenditure within approved levels. This has in overall terms been achieved and has allowed the level of unallocated reserves to be maintained in accordance with the Council's reserves strategy whilst also forming a solid basis from which to deliver subsequent years' savings requirements.

## Financial impact

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- 5.1 There is no additional financial impact arising from the report's contents but a range of pressures and the corresponding ways in which they were managed during the year is set out.

## Risk, policy, compliance and governance impact

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- 6.1 Risk-based monitoring, including regular tracking of the delivery of approved savings and active management of risks and pressures, forms a key element of effective financial management. This, in turn, serves as a vital aspect of the Council's wider governance framework.

## Equalities impact

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

## Sustainability impact

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- 8.1 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development.

## Consultation and engagement

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- 9.1 There is no direct relevance to the report's contents

## Background reading/external references

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[Capital Coalition Budget Motion](#) – Report to Council, 7 February 2013 para 2.13

[Revenue Monitoring 2015-16 - month 3 Position](#) - Report to Council, 17 September 2015

[Common Good Planned Maintenance Programme and Common Good Reporting](#) - Report to Finance and Resources Committee, 14 January 2016 -

[Unaudited Annual Accounts 2015-16](#) - Report to Council, 30 June 2016

## Hugh Dunn

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## Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 – The Council has efficient and effective services that deliver on agreed objectives
<b>Single Outcome Agreement</b>	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
<b>Appendices</b>	Appendix 1 - Unaudited outturn statement, 2015/16 Appendix 2 - Service outturn commentaries Appendix 3 - General Fund – movements in usable reserves

## THE CITY OF EDINBURGH COUNCIL

## UNAUDITED OUTTURN STATEMENT 2015-16

Service	Revised Budget £000	Outturn £000	Outturn Variance £000
Children and Families	399,469	399,003	(466)
Economic Development	11,877	11,862	(15)
Corporate Governance	79,950	79,810	(140)
Health and Social Care	210,937	207,491	(3,446)
Valuation Joint Board requisition	3,744	3,744	0
Services for Communities	134,395	134,290	(105)
<b>General Fund Services</b>	<b>840,372</b>	<b>836,200</b>	<b>(4,172)</b>
Council Tax Reduction Scheme	26,621	24,255	(2,366)
Net Cost of Benefits	(62)	(156)	(94)
Non Distributed Costs - pension lump sum	3,064	3,064	0
Dividends Receivable	(5,000)	(4,925)	75
Loans Charges / Interest on Revenue Balances	115,082	113,530	(1,552)
Prior Year and Other Adjustments	(269)	(470)	(201)
Transformation / Asset Management Programme costs	2,917	2,917	0
Early Release Costs (centrally funded)	11,000	20,942	9,942
<b>Total Non-Service Specific</b>	<b>153,353</b>	<b>159,157</b>	<b>5,804</b>
<b>Total Expenditure to be Funded</b>	<b>993,725</b>	<b>995,357</b>	<b>1,632</b>
Funded by -			
General Revenue Grant	(354,576)	(354,576)	0
Non Domestic Rates - Contrib from Pool	(390,862)	(390,862)	0
Council Tax	(238,113)	(240,606)	(2,493)
Contribution to Renewals and Repairs Fund	105	105	0
Contribution to Capital Fund	(8,217)	(8,217)	0
Contribution from Earmarked Funds	(2,062)	(2,062)	0
<b>Total Funding</b>	<b>(993,725)</b>	<b>(996,218)</b>	<b>(2,493)</b>
<b>In-year Surplus</b>	<b>0</b>	<b>(861)</b>	<b>(861)</b>

**Children and Families**

Children and Families achieved an underspend of £0.466m for 2015/16. This represents a favourable movement on the forecast balanced budget position report to the Education, Children and Families Committee on 1 March 2016.

A number of unfunded budget pressures were managed by Children and Families during 2015/16, the most significant of which included:

- out of council residential schools and secure units;
- fostering, kinship and residence placements;
- demographic pressures within schools, arising from additional pupil numbers.

Management actions to address pressures and additional savings requirements resulted in a small underspend of £0.466m. The range of measures taken included the application of controls on vacancies and discretionary spend.

**Corporate Governance**

Corporate Governance achieved an underspend of £0.140m for 2015/16.

There were budget pressures within Legal Services and Business Intelligence, which were managed during the year on a one-off basis, by staff vacancy control, contract underspends and favourable income streams.

**Economic Development**

Economic Development achieved an underspend of £0.015m for 2015/16, resulting from a number of minor variances across a range of services.

**Health and Social Care**

Health and Social Care returned an underspend against budget of £3.446m for 2015-16.

The service continued to face significant demand-led pressures in the year and the final outturn position was a net overspend of £6.339m relative to the original approved budget. One-off funding of £9.785m was approved by Council on 17 September 2015, allocated from other services and corporate budgets, resulting in the outturn position of a £3.446m underspend.

The service developed budget action plans which aimed to deliver expenditure reductions during 2015/16 relative to the position reported to the Finance and Resources Committee in September 2015. As a result of these controls the service returned an underspend in line with the reported forecast at period eight, which was earmarked for staff release costs across the Council.

The main gross pressures were in the following areas:

- employee costs £0.555m
- supplies and services £0.803m - computer equipment and legal fees

- spot purchasing £4.454m - across Care at Home £3.103m, Direct Payments £1.579m, Residential Nursing £0.674m, Free Personal Care (£0.795m) and Day Care (£0.107m)
- income £0.960m under recovery - resident recoveries and other local authority contributions

The 2015/16 net revenue budget of £210.9m required delivery of £7.515m of efficiency savings, of which £6.391m was delivered, with the balance being met from under spends in other areas.

### **Services for Communities**

Services for Communities achieved a small underspend of £0.105m in 2015/16. Significant pressures in the Environment service of £4.2m and Corporate Property of £4.0m were offset by vacancy management ahead of organisational reviews and unbudgeted income in the Planning and Transport services.

### **Housing Revenue Account**

The HRA achieved a balanced position for 2015/16 after setting aside £12.256m for new affordable homes. Of the £12.256m contribution, £10m was in the form of voluntary debt repayment, which will reduce borrowing costs going forward and enable investment in site acquisition. The remaining £2.256m has been transferred to the Renewal and Repairs Fund, which represents sums set aside for the provision of new affordable homes through the 21st Century Homes programme.

**General Fund - movement in usable reserves**

**Appendix 3**

	<b>Balance at 31.3.15</b>		<b>Balance at 31.3.16</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Unallocated General Fund		13.025		13.025
<u>Balances set aside to manage future risks</u>				
Balances set aside for specific investment	13.889		12.565	
Council Priorities fund	3.365		1.204	
Contingency funding, workforce management	17.901		18.075	
Dilapidations fund	8.759		12.094	
Insurance fund	<u>12.557</u>		<u>13.539</u>	
		56.471		57.477
<u>Balances set aside from income received in advance</u>				
Licensing income	1.401		1.393	
Lothian Buses	6.000		5.704	
Other minor funds	0.219		0.240	
PPP monies	1.599		1.729	
Recycling monies	1.372		1.372	
National Performance Centre for sport	1.996		1.996	
Council Tax discount fund	18.636		21.596	
Unspent grants	4.482		5.814	
Strategic Acquisition Fund	<u>3.000</u>		<u>7.458</u>	
		38.705		47.302
<u>Balances set aside for investment in specific projects which will generate future savings</u>				
IT transformation	3.481		3.133	
Energy efficiency	0.800		0.847	
Spend to save	<u>3.988</u>		<u>3.884</u>	
		8.269		7.864
Devolved School Management		1.054		2.804
<b>Total General Fund</b>		<b><u><u>117.524</u></u></b>		<b><u><u>128.472</u></u></b>

# Governance, Risk and Best Value Committee

**2.00pm, Monday 26 September 2016**

## **Revenue Monitoring 2016/17 – Month Three Position – referral report from the Finance and Resources Committee**

<b>Item number</b>	7.9
<b>Report number</b>	
<b>Executive/routine</b>	
<b>Wards</b>	

### **Executive Summary**

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On 18 August 2016 the Finance and Resources Committee considered a report that set out the projected month three revenue monitoring position for the Council, based on period 2 data. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

### **Links**

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**Coalition Pledges**  
**Council Priorities**  
**Single Outcome Agreement**

# Terms of Referral

## Revenue Monitoring 2016/17 – Month Three Position

### 1. Terms of Referral

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- 1.1 The on-going analysis of the revenue position was undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required. The introduction of monthly budget review and challenge meetings had also enhanced the focus on the prompt identification of, and development of appropriate mitigating action to address service risks and pressures.
- 1.2 As of period three, the Council was projecting a balanced position after taking account of available funding, projected delivery of approved savings and management of service risks and pressures. Services had, however, identified a number of challenges to attainment of this position and, as in previous years, delivery of a balanced outturn would require proactive management throughout the remainder of the year.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To note the projected balanced position at month three.
  - 1.3.2 To note the on-going risks and challenges and maintaining this position would require further management actions and active and regular scrutiny for the remainder of the year.
  - 1.3.3 To note the balanced position projected on the Housing Revenue Account (HRA) after making a £1.4 million budgeted contribution towards housing investment.
  - 1.3.4 To approve the acceleration into 2016/17 of payment of an element of the Communities and Families approved grant to the West Granton Community Trust and refer to Council for ratification.
  - 1.3.5 To refer the report to the Governance, Risk and Best Value Committee as part of its work programme.

### 2. For Decision/Action

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- 2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 2016 for consideration as part of its work programme.



### 3. Background Reading/External References

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Minute of the Finance and Resources Committee, 18 August 2016

#### **Kirsty-Louise Campbell**

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### 4. Links

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**Coalition Pledges**

**Council Priorities**

**Single Outcome  
Agreement**

**Appendices**

# Finance and Resources Committee

2pm, Thursday, 18 August 2016

## Revenue Monitoring 2016/17 – month three position

Item number	7.8
Report number	
Executive/routine	
Wards	

### Executive summary

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The report sets out the projected month three revenue monitoring position for the Council, based on period two data. The current full-year forecast points to a balanced overall position, albeit this is contingent upon undertaking further actions required to deliver a number of approved savings and active management of significant risks and pressures.

### Links

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Coalition pledges [P30](#)

Council outcomes [CO25](#)

Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

## Revenue Monitoring 2016/17 – month three position

### Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the projected balanced position at month three;
  - 1.1.2 note the on-going risks and challenges in maintaining this position which will require further management actions and active and regular scrutiny for the remainder of the year;
  - 1.1.3 note the balanced position projected on the Housing Revenue Account (HRA) after making a £14m budgeted contribution towards housing investment;
  - 1.1.4 approve the acceleration into 2016/17 of payment of an element of the Communities and Families approved grant to the West Granton Community Trust and refer this to Council for ratification; and
  - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

### Background

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- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2016/17 as at month three, based on analysis of period two data.

### Main report

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- 3.1 This report represents the first of the quarterly revenue monitoring reports for 2016/17. On-going analysis of the revenue position is undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required. The introduction of monthly budget review and challenge meetings has also enhanced the focus on the prompt identification of, and development of appropriate mitigating action to address, service risks and pressures.

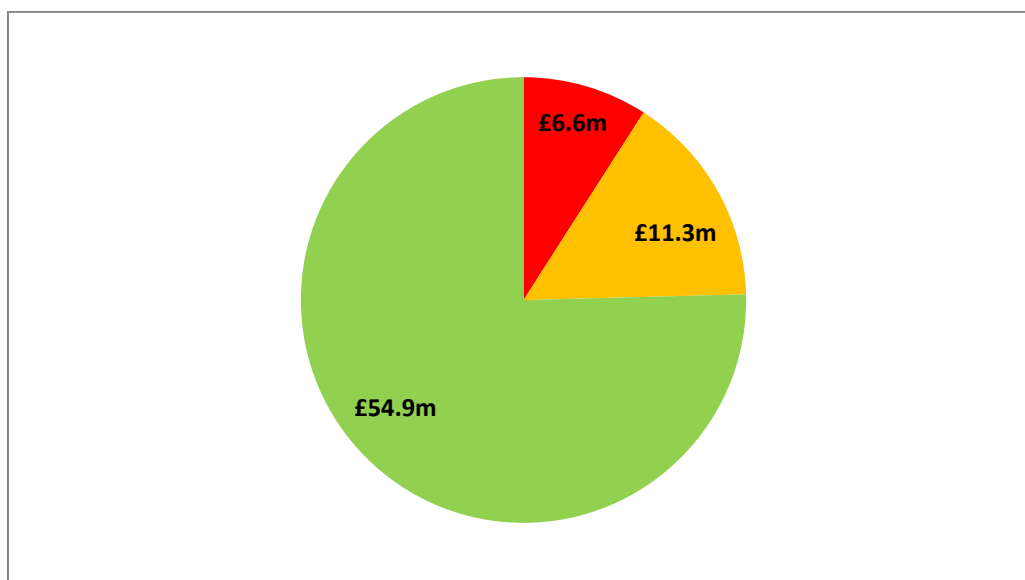
## Overall position

- 3.2 As of period three, the Council is projecting a balanced position after taking account of available funding, projected delivery of approved savings and management of service risks and pressures. Services have, however, identified a number of challenges to attainment of this position and, as in previous years, delivery of a balanced outturn will require proactive management throughout the remainder of the year.

## Savings delivery

- 3.3 As highlighted in a number of recent reports considered by the Committee, regular progress updates on the development and delivery of savings implementation plans for 2016/17 and subsequent years are considered and discussed by both the Council Leadership Team and Capital Coalition elected members at Budget Challenge meetings. This process began well in advance of budget approval in January and has proven effective in highlighting at an early stage potential barriers to full delivery and, where necessary, informing the subsequent development and assessment of alternative required measures.
- 3.4 Members will recall that approval of a balanced budget for 2016/17 was predicated on the delivery of around £70m of service-specific and corporate savings. As of July, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 91% are on target to be delivered in full as shown in the chart below.

### RAG assessment of approved budget savings, 2016/17 – July 2016



- 3.5 The remaining “red” savings, covering a number of approved proposals across Communities and Families and Health and Social Care, are listed in Appendix 1. These comprise a combination of those where there are not, as yet, robust delivery plans or, in a small number of cases, where the level of approved saving is not now deliverable in the current year and a substitute consequently required.

Progress against these savings will continue to be closely monitored and regular updates shared with elected members. The net effect of any risk of shortfall is reflected in the overall position as assessed by service areas in the following sections. An analysis of the most material risks and pressures, alongside any identified mitigating actions, is also included as Appendix 2. These risks include a potential claim in respect of land contamination linked to previous tram-related construction at the Ingliston Park and Ride site.

- 3.6 Given the extent of change affecting the Council through the Transformation Programme, Finance staff have co-ordinated a comprehensive project to allow, once the transition is complete, full reporting of budgeted and actual expenditure based on these new structures. While the complexity and unprecedented scale of the changes means that some of the detail is still being refined, Phase 1, involving full re-alignment of budgets and associated procurement authorisation hierarchies to reflect the Council's new operating structure, has now been completed. Although the commentaries below are presented from the perspective of this new structure, it is anticipated that full details of the respective service budgets, and actual expenditure to date, will be provided in the half-year report considered by the Committee in October. Arrangements for onward, more detailed financial reporting to Executive Committees, aligned to the new structure, will also be considered at that time.

#### **Service-specific budgets - Communities and Families**

- 3.7 At month two, Communities and Families is experiencing significant levels of budget pressure in many areas of the service, including a number of challenges relating to the delivery of approved savings. Areas of significant budget pressure include secure care, out-of-council residential care and fostering.
- 3.8 At this stage in the year, the gross unfunded service pressures are approximately £8m, with around £3m of further mitigation action remaining to be identified. Many of the management actions which have already been identified are one-off in nature, meaning that, although they assist greatly in addressing the immediate challenge in 2016/17, a permanent sustainable solution still needs to be identified.
- 3.9 Communities and Families is, however, projecting a balanced budget position for 2016/17 and is committed to identifying further mitigating management actions to address the residual forecast net pressures. Actions taken forward include application of controls on vacancies and discretionary spend, application of Scottish Government monies, including additional funding to maintain pupil:teacher ratios, and utilisation of service reserves.

#### **Health and Social Care**

- 3.10 The Health and Social Care net budget of £184.4m requires the achievement of savings of £15.0m, with further incremental savings of £6.9m to be achieved in

2017/18. The budget also includes £7.0m of additional funding in 2016/17 approved by Council to address underlying budget pressures.

- 3.11 At its meeting on 13 May 2016, the Edinburgh Integration Joint Board (EIJB) agreed a co-ordinated programme of action across the Council and NHS Lothian to deliver the combined required level of savings in 2016/17. Of the £15.018m total, the largest single element of £5.8m is planned for delivery through a service-wide organisational review, with a further £5.4m to be delivered in 2017/18. The management phase of this organisational review commenced on 31st May. The detailed plan for subsequent phases of the review remains in development and, as such, there is a significant risk that the planned phasing of savings in 2016/17 will not be achieved.
- 3.12 A further £4.1m of the overall savings requirement in 2016/17 is planned to be addressed through the service's transformation programme, including more targeted use of re-ablement, telecare and demand management, with a further £4.9m to be delivered through the programme in 2017/18. Work is progressing on developing detailed business cases and implementation plans for these savings. There is a significant risk, however, that the assumed phasing will not be achieved.
- 3.13 A £3.5m non-recurring funding contribution from the Social Care Fund has been agreed by the EIJB to mitigate, in part, the delay to delivery of savings in 2016/17. This re-emphasises the need for additional robust plans to be developed going forward to maintain the service on a sustainable footing. Some aspects of the conditions of use of the Social Care Fund also remain to be resolved.

### **Place**

- 3.14 At period two, subject to the subsequent identification of agreed mitigating actions, a balanced overall position is forecast. The directorate is delivering over £7m of staff savings through the transformation programme, whilst also mitigating pressures associated with the waste service and with required maintenance of North Bridge through the use of service reserves.
- 3.15 The service has not, however, as yet identified mitigations to cover a potential loss of income during the refurbishment of the crematorium. Going forward, there may also be a knock-on impact of current economic uncertainty on aspects of the service's fee income. The Executive Director is currently reviewing all budgets with a view to containing these pressures.

### **Resources**

- 3.16 The Resources Directorate comprises the areas of Finance, Human Resources, Legal and Risk, Customer and Property and Facilities Management. As of period two, while further actions are required to deliver the approved level of savings associated with some elements of the Transformation Programme, a balanced overall position is forecast.

## **City Strategy and Economy**

- 3.17 As of period two, a balanced overall position is forecast for the service.

### **Chief Executive**

- 3.18 The Executive function comprises the areas of ICT, Strategy and Insight and Communications. As of period two, a balanced overall position is forecast.

### **Safer and Stronger Communities**

- 3.19 Pressures have been identified with regard to full delivery of approved savings associated with CCTV rationalisation and homelessness and housing support services. Vacancy management and acceleration of approved savings in other areas of the service should, however, allow a balanced overall position to be achieved in 2016/17, albeit with a need to identify sustainable solutions in some areas over the longer term.

### **Corporate budgets**

- 3.20 Building on the significant level of savings delivered to support frontline services in recent years, the approved budget assumes a continuing increase in Council Tax collection rates, as well as growth in the overall number of properties. Proactive treasury management and use of available cash balances in lieu of undertaking external borrowing also continues to generate savings to increase investment in priority service areas. As was the case in 2015/16, additional analysis will therefore be undertaken in advance of the mid-year report to determine whether potential exists in this area to fund further staff release costs or manage other known or emerging pressures.

### **PPP1 School Emergency**

- 3.21 Following the temporary closure of Oxfangs Primary School in February 2016, further inspection of all schools delivered through the PPP1 schools programme revealed wider concerns over the standard of construction applied.
- 3.22 Significant costs have been incurred whilst pupils from the affected schools have been decanted to alternative locations, as well as in ensuring that all inspections, modifications and repairs carried out prior to re-occupancy by pupils and staff are completed to an appropriate standard. It is anticipated that there will be no overall cost to the Council arising from this incident.

### **Housing Revenue Account**

- 3.23 The Housing Revenue Account is forecasting a break-even position after making a budgeted £14m contribution towards housing investment.

## **Education Grant Programme, 2016/17 to 2018/19**

- 3.24 On 11 February 2016, the Education, Children and Families Committee approved grant funding awards for the three years from 2016/17 to 2018/19 totalling some £8.75m. Included amongst these awards was an annual grant of £44,000 (i.e. £132,000 over the three years) to the West Granton Community Trust to support the Prentice Centre's playgroup and Supporting Young People at Risk project. Following the ending of the Centre's youth work contract on 31 March 2016, the grant award going forward represents around 50% of the previous annual contract amount.
- 3.25 Representatives of the Centre approached the Council in April asking that phasing of this funding be reconsidered, thereby smoothing the transition to the reduced level of funding with a view to allowing the Centre to remain open. Following discussion, the balance of the Centre's 2016/17 funding award (£22,000) was paid, along with the second quarter's payment, in July.
- 3.26 The Centre has further requested that an element of the approved awards for 2017/18 and 2018/19 be accelerated, with £28,000 of the £88,000 paid in October 2016. The balance of £60,000 would then be paid, by means of quarterly instalments, in 2017/18 and 2018/19. In overall terms, the proposed changes will therefore affect the timing, but not the overall level, of payment over this period.
- 3.27 The Acting Director of Communities and Families will endeavour to manage the resulting pressure within the context of the service's overall budget. Subject to the Committee's approval, the decision to accelerate payment (and, as such, a change to the approved budget) will then be referred to Council for ratification on 25 August.

## **Measures of success**

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- 4.1 Achieving a balanced overall budget outturn position for 2016/17 and successful delivery of approved savings and key service performance indicators.

## **Financial impact**

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- 5.1 The report's contents point to the delivery of a balanced budget for the year, albeit this is subject to active monitoring and management of a range of risks and pressures.



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

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- 6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed and management action is taken as appropriate.
- 6.2 Ongoing communications by the Council's section 95 Officer have reinforced the respective responsibilities of Executive Directors and Heads of Service to maintain expenditure within approved budgets in accordance with the Financial Regulations. Directors also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council. With this in mind, structured plans are in place for review and feedback on current and future years' savings proposals.

## **Equalities impact**

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- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

## **Sustainability impact**

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- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

## **Consultation and engagement**

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- 9.1 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of annual consultation and engagement.

## Background reading/external references

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Service monitoring statements for period two

### Hugh Dunn

Acting Executive Director of Resources

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### Links

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<b>Coalition pledges</b>	P30 – Continue to maintain a sound financial position including long term financial planning
<b>Council outcomes</b>	CO25 – The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	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
<b>Appendices</b>	Appendix 1 – 2016/17 budget savings RAG assessment – savings assessed as red in part or in full Appendix 2 – Service risks and pressures

Savings description	Service area	Approved level of saving, 2016/17 (£000)	RAG Status			Approved further level of saving, 2017/18 to 2019/20 (£000)	RAG Status			Categorisation	Basis of current status	Planned actions and associated timescales for delivery of savings
			Red	Amber	Green		Red	Amber	Green			
Inc1 – Integrate Sports Services	Communities and Families	500	500	0	0	0	0	0	0	Schools and Lifelong Learning	Due diligence arrangements are being considered for the business case submitted by Edinburgh Leisure (EL). However, the business model submitted indicates that the saving will not be delivered in full in 2016/17.	The due diligence process will assess any further costs and savings emerging from this proposal. A full assessment will not be possible until this is complete. However, alternative savings proposals to be identified in 2016/17.
Schools & Lifelong Learning Organisational Review	Communities and Families	2,826	1,883	0	943	209	0	209	0	Schools and Lifelong Learning	The organisational review, which is currently in planning stage, will address management savings targets and a range of approved community services savings. Savings assessed as deliverable to date total £0.943m, with further savings anticipated, largely through staff release prior to consultation. Pending the development and consideration of firm proposals to address the remaining requirement, the balance is assessed as "red" at present.	The design and consultation development process is active. The redesign of library services will also integrate with this new operational model as community and library services are brought together. The integrated structure will be designed to meet savings targets in full by 2017/18.
8.3 Early Years Partner Provider Funding	Communities and Families	382	382	0	0	191	191	0	0	Schools and Lifelong Learning	There is an increasing risk that all neighbouring authorities do not sign up to this new strategy which puts at risk the delivery of the associated saving.	The position will be closely monitored and appropriate management action taken to identify potential alternative savings.
<b>Total, Communities and Families</b>		<b>3,708</b>	<b>2,765</b>	<b>0</b>	<b>943</b>	<b>400</b>	<b>191</b>	<b>209</b>	<b>0</b>			
Transformation: Organisational Review	Health and Social Care	5,818	428	3,851	1,539	5,437	0	5,437	0	Health and Social Care	The Organisational Review consultation process for the first tranche of staff, 15 in number, started on 31st May. The timetable for the review has slipped by six weeks and these factors have led to a review of the deliverability of the savings attached to the programme. A prudent assessment is that 10% of the amber savings still requiring to be identified are therefore now red. The savings identified as green have been achieved through the release of staff from the organisation under VERA and VR.	The structure which has been developed for consultation with CEC and NHSL management teams, EIJB and Leadership Group delivers the targeted financial savings. The detailed phased plan, covering the majority of staff in-scope is currently being drawn up.

Savings description	Service area	Approved level of saving, 2016/17 (£000)	Red	Amber	Green	Approved further level of saving, 2017/18 to 2019/20 (£000)	Red	Amber	Green	Categorisation	Basis of current status	Planned actions and associated timescales for delivery of savings
Transformation: Re-ablement; Demand Management; Telecare	Health and Social Care	4,137	3,376	761	0	4,969	0	4,969	0	Health and Social Care	These savings proposals are being revisited through the H&SC Transformation Programme. Business cases have been submitted for approval and enabling work has begun to implement the required changes. A prudent approach has been taken when assessing in-year delivery and this is reflected in only £0.761m being assessed at amber at this time. A significant (c£4m) step-up in 2017/18 is forecast. In 2016/17 any unachieved saving will be offset against additional funding from the Social Care Fund of £3.5m as agreed by the IJB 13th May 2016.	The next stage is to agree the business cases and develop implementation plans which take account of the preliminary work undertaken.
<b>Total Health and Social Care</b>		<b>9,955</b>	<b>3,804</b>	<b>4,612</b>	<b>1,539</b>	<b>10,406</b>	<b>0</b>	<b>10,406</b>	<b>0</b>			
<b>Total all areas</b>			<b>6,569</b>	<b>4,612</b>								

NB While the analysis above captures, by value, all savings assigned a red status in 2016/17, there are a number of other savings where an element is assessed as amber, hence the total shown is lower than in the equivalent figure in Paragraph 3.4.

SERVICE RISKS AND PRESSURES

Appendix 2

Risk or pressure description	Service area	Estimated financial impact, 2016/17 (£000)	Residual risk after taking account of mitigating actions, 2016/17	Residual risk status, 2016/17	Explanatory notes, including description of any recurring pressures and mitigating measures implemented or proposed to date. This analysis should include consideration of the Council's key risks as they affect the service area's activities.
Waste Service Pressure	Place	1,500	1,500	Red	Following analysis of 2015/16 position and the roll-out of recent service changes (recycling redesign, ceasing commercial waste at CRC sites, etc.) it is estimated that the pressure in waste services for 2016/17 will be around £1.5m, without any further savings measures. The market for recyclate continues to be volatile and there is a risk that the cost of disposing recyclable waste could increase this overspend.
Mortonhall - loss of income due to closure of facility for refurbishment	Place	450	450	Red	The crematorium will be closed for a prolonged period and while some income is anticipated from use of the Chapel, no cremations will take place until the works are complete. It may be possible to offset some of this pressure from savings elsewhere in the Environment budget, particularly the fleet service and work is ongoing to determine the potential for savings in this area.
North Bridge Maintenance	Place	950	0	Green	Significant structural work is required for improvements to North Bridge. Prior to capital funding being made available (c£6m is required), we will incur revenue expenditure of around £0.95m. A funding source has now been identified for the revenue element, however, and, given its anticipated non-recurring nature, the pressure is considered to have been addressed.
Winter Weather	Place	Risk	Risk remains, but level reduced	Yellow	The roads budget for gritting and snow-clearing is based on an average winter. A harsh winter (such as those experienced in 2010 and 2011) could create a substantial pressure. The reserve created to mitigate this pressure was initially used in 2015/16 to address the overspend in Health and Social Care but was able to be reinstated as part of year-end accounts closure and, as such, provides an element of contingency against a severe winter.

## SERVICE RISKS AND PRESSURES

## Appendix 2

Risk or pressure description	Service area	Estimated financial impact, 2016/17 (£000)	Residual risk after taking account of mitigating actions, 2016/17	Residual risk status, 2016/17	Explanatory notes, including description of any recurring pressures and mitigating measures implemented or proposed to date. This analysis should include consideration of the Council's key risks as they affect the service area's activities.
Uncertainty over current economic conditions and impact on income, in particular from planning applications and building warrants	Place	Risk	Risk remains		More work is required to understand any potential implications of the UK's departure from the European Union and an initial report will be brought to the Corporate Policy and Strategy Committee in the autumn.
<b>Place total</b>		<b>2,900</b>	<b>1,950</b>		
Out of Council Residential Care (Pressure)	Communities and Families	1,170	1,170		As at 31 March there were 40 Out-of-Council placements (32 in residential schools and 8 in day schools). Senior managers are conducting face-to-face case reviews with allocated social workers and team leaders in an attempt to devise alternative care plans for some of the high-cost young people. This work is ongoing, there are identified exit plans for some young people but these will need the agreement of Children's Hearings to change the young person's place of residence.
Fostering (Pressure)	Communities and Families	600	600		Work is ongoing to improve the position and also identifying one-off savings to cover shortfall. 19 carers currently working for independent providers are being transferred to City of Edinburgh.
Secure Care (Risk)	Communities and Families	1,375	1,375		The budget for secure places is 8. Average usage for 2015/16 was 13 and in March 2016 this number was 16. If the average usage of 13 continues then the pressure will be £1.375m. Changing this pattern of secure risk requires culture change and practice changes across a range of children's services. Further to the recent transformation process for children's services, front line manager engagement on this issue is in place starting 8 June. In the meantime, all cases escalating to secure are scrutinised by Service Managers in order to consider alternative approaches.
Other Pressures	Communities and Families	425	425		Management action is being developed for a number of smaller pressures relating to kinship care services, translation services, support for families with no access to benefits.
<b>Communities and Families total</b>		<b>3,570</b>	<b>3,570</b>		

SERVICE RISKS AND PRESSURES

Appendix 2

Risk or pressure description	Service area	Estimated financial impact, 2016/17 (£000)	Residual risk after taking account of mitigating actions, 2016/17	Residual risk status, 2016/17	Explanatory notes, including description of any recurring pressures and mitigating measures implemented or proposed to date. This analysis should include consideration of the Council's key risks as they affect the service area's activities.
<b>Total all areas</b>		6,470	5,520		

# Governance, Risk and Best Value Committee

2.00pm, Monday 26 September 2016

## Treasury Management – Annual Report 2015-16 - referral from the City of Edinburgh Council

Item number	7.10
Report number	
Wards	All

### Executive summary

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The City of Edinburgh Council on 25 August 2016 considered a report on Treasury Management activity in 2015/16. The report was referred to the Governance Risk and Best Value Committee for scrutiny.

### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report



# Terms of Referral

## Treasury Management – Annual Report 2015-16

### Terms of referral

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- 1.1 The City of Edinburgh Council on 25 August 2016 considered a report on Treasury Management activity in 2015/16.
- 1.2 The City of Edinburgh Council agreed:
  - 1) To approve the Treasury Management Annual Report 2015/16.
  - 2) To refer the report by the Acting Executive Director of Resources to the Governance, Risk and Best Value Committee for scrutiny.

### For Decision/Action

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- 2.1 The City of Edinburgh Council has referred the attached report to the Governance, Risk and Best Value Committee for scrutiny.

### Background reading / external references

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Minute of the City of Edinburgh Council 25 August 2016

#### **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

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### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report

# The City of Edinburgh Council

10.00am, Thursday 25 August 2016

## Treasury Management: Annual Report 2015/16 – referral report from the Finance and Resources Committee

Item number 8.2  
Report number  
Executive/routine  
Wards

### Executive Summary

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On 18 August 2016 the Finance and Resources Committee considered a report on Treasury Management Activity in 2015/16. The report has been referred to the City of Edinburgh Council for approval and its subsequent referral to the Governance, Risk and Best Value Committee for its scrutiny.

### Links

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Coalition Pledges  
Council Priorities  
Single Outcome Agreement

# Terms of Referral

## Treasury Management: Annual Report 2015/16

### 1. Terms of Referral

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- 1.1 The Council had adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, the Annual Report on Treasury Management had to be submitted to the Council after the end of each financial year. A separate mid-term report would also be produced during the financial year.
- 1.2 In the Strategy set in March 2015 the Council stated that there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments. The only borrowing complete was £0.352 million interest free funding from Salix in relation to street lighting. The overall approach generated significant short-term savings in Loans Charges for the Council and formed part of a successful and sustainable long term borrowing strategy.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To note the Annual Report on Treasury Management for 2015/16.
  - 1.3.2 To refer the report to Council for approval and its subsequent referral by Council to the Governance, Risk and Best Value Committee for their scrutiny.

### 2. For Decision/Action

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- 2.1 The Finance and Resources Committee has referred the report to the City of Edinburgh Council on 25 August 2016 for approval and its subsequent referral by Council to the Governance, Risk and Best Value Committee for its scrutiny.

### 3. Background Reading/External References

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Minute of the Finance and Resources Committee, 18 August 2016

#### **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

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## **4. Links**

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**Coalition Pledges**

**Council Priorities**

**Single Outcome  
Agreement**

**Appendices**

# Finance and Resources Committee

2.00pm, Thursday, 18 August 2016

## Treasury Management: Annual Report 2015/16

<b>Item number</b>	7.11
<b>Report number</b>	
<b>Executive/routine</b>	
<b>Wards</b>	

### Executive summary

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The purpose of this report is to give an update on Treasury Management activity in 2015/16.

In the Strategy set in March 2015 the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments. The only borrowing completed was £0.352m interest free funding from Salix in relation to street lighting. This overall approach generated significant short-term savings in Loans Charges for the Council and forms part of a successful and sustainable long term borrowing strategy.

The investment return for 2015/16 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

## Treasury Management: Annual Report 2015/16

### Recommendations

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- 1.1 It is recommended that the Committee:
- 1.1.1 notes the Annual Report on Treasury Management for 2015/16; and
  - 1.1.2 refers the report to Council for approval and subsequent referral by Council to the Governance Risk and Best Value Committee for their scrutiny.

### Background

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- 2.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management has to be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year.

### Main report

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#### 3.1 Key Points

- 3.1.1 The key points in this report are that:
- the Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £82.5m during the year;
  - £40.84m of PWLB and £4m Market debt naturally matured during the year and was not replaced, reducing overall borrowing costs to the Council;
  - the Council continued its successful long-term strategy of funding capital expenditure from a reduction in temporary investments and was £54.7m under-borrowed at the year end;
  - the Council has not borrowed PWLB or market debt since December 2012; and
  - the average interest rate on the Cash Fund for the year was 0.48%, which continued to outperform the benchmark, which was 0.36% for the year.

## 3.2 Prudential Indicators

### (a) Prudential Indicator 1 - Estimate of Capital Expenditure

This gives a breakdown of the actual capital expenditure incurred during 2015/16.

	2014/15 Actual £'000	2015/16 Original £'000	2015/16 Revised £'000	2015/16 Actual £'000
Children & Families	16,903	68,556	57,995	48,181
Corporate Governance	7,582	3,895	2,350	7,407
Economic Development	0	0	52	42
Health & Social Care	4,616	7,171	5,598	5,680
Services for Communities	85,260	79,371	73,097	77,149
SfC Asset Management Programme	18,657	22,545	13,260	14,516
Other Capital Projects	1,049	5,819	0	3,014
Trams	5,246	0	0	0
Unallocated funding	0	7,500	0	0
Fleet Replacement Programme	0	2,987	0	0
<b>Total General Services</b>	<b>139,313</b>	<b>197,844</b>	<b>152,352</b>	<b>155,989</b>
Housing Revenue Account	37,308	49,830	48,830	35,626
<b>Total</b>	<b>176,621</b>	<b>247,674</b>	<b>201,182</b>	<b>191,615</b>

**Table 1 – Capital Expenditure 2015/16**

The capital programme is re-phased annually once the unaudited out-turn of the previous year is known. The original estimates above reflect the budget position as at January 2015, with the revised figures representing the revised programme reported to the Finance and Resources Committee in August 2015 following the re-phasing of the programme.

Further detail on the capital expenditure is included in the Finance & Resources Committee report 'Capital Monitoring 2015/16 – Out-turn and receipts'.

The following table shows how the £191.6m of capital expenditure incurred in 2015/16 was funded

	Gen Services £'000	HRA £'000	CEC Total £'000	Police £'000	Fire £'000	Total £'000
<b>Net Cap Adv ( 01/04/15)</b>	1,120,647	368,053	<b>1,488,700</b>	18,262	3,192	<b>1,510,154</b>
<b>Gross Cap Ex</b>	155,989	35,626	<b>191,615</b>	0	0	<b>191,615</b>
<b>Cap Income</b>	170,140	18,921	<b>189,061</b>	0	0	<b>189,061</b>
<b>Net Cap Ex</b>	-14,151	16,705	<b>2,554</b>	0	0	<b>2,554</b>
<b>Debt transfer</b>	-173	173	<b>0</b>	0	0	<b>0</b>
<b>Capital Repaid</b>	-57,710	-27,329	<b>-85,039</b>	-2,111	-1,140	<b>-88,291</b>
<b>Net Cap Adv ( 01/04/16)</b>	1,048,613	357,602	<b>1,406,215</b>	16,151	2,052	<b>1,424,417</b>

**Table 2 – Source of Funding for Capital Expenditure 2015/16**

The CEC Total column shows £189.1m being funded by capital grants and capital receipts, leaving £2.6m to be funded by borrowing. However, the Council repaid principal of £85.0m for previous capital advances, giving a net reduction in the need to borrow of £82.5m. In addition, previous capital advances of £3.3m were repaid on behalf of the former Police and Fire joint boards, giving a total reduction in the need to borrow of £85.8m.

**(b) Indicator 2 - Ratio of Financing Costs to Net Revenue Stream**

This gives an indication of the cost of the Council's debt relative to its income.

	<b>2014/15 Actual %</b>	<b>2015/16 Estimate %</b>	<b>2015/16 Actual %</b>
General Services	11.63	12.56	11.51
Housing Revenue Account	33.97	39.63	37.31

**Table 3 – Ratio of Financing Costs to Net Revenue Stream**

The reduction in the General Services ratio is mainly due to the sale of Atria One in March 2016. The reduction in the HRA ratio is due to voluntary contributions made towards outstanding capital advances during the same period.

**(c) Indicator 3 - Capital Financing Requirement (CFR)**

This shows the Council underlying need to borrow / take on other forms of Capital funding.

	<b>2014/15 Actual £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2015/16 Actual £'000</b>
General Services (including finance leases)	1,357,972	1,326,294	1,275,213
Housing Revenue Account	368,053	390,495	357,602
<b>Total</b>	<b>1,726,025</b>	<b>1,716,789</b>	<b>1,632,815</b>

**Table 4 – Capital Financing Requirement**

The reduction in the General Services out-turn is in part due to the capital receipt in relation to the sale of Atria One which was planned in the overall long-term strategy but not budgeted for in 2015/16 given uncertainty as to when the receipt would be realised. The reduction in the HRA CFR is due to a combination of slippage and a voluntary repayment of capital advances. Future measures regarding slippage in the HRA programme are included in the Capital Monitoring 2015/16 – Outturn and Receipts report.

In preparing Tables 4 and 5, all finance lease liabilities have been included for both current and prior year figures as required by the new Borrowing Regulations in Scotland, rather than other long term liabilities as defined by CIPFA's Prudential Code.

	<b>2014/15 Actual £'000</b>	<b>2015/16 Actual £'000</b>
General Services Capital Advances	1,120,647	1,048,613
HRA Capital Advances	368,053	357,602
<b>Total CEC Borrowing CFR</b>	<b>1,488,700</b>	<b>1,406,215</b>
Other Finance Lease Liabilities	237,325	226,600
<b>Total CEC Debt CFR</b>	<b>1,726,025</b>	<b>1,632,815</b>

**Table 5 – Split of Capital Financing Requirement**

3.2.1 The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.



### 3.3 Borrowing Overview

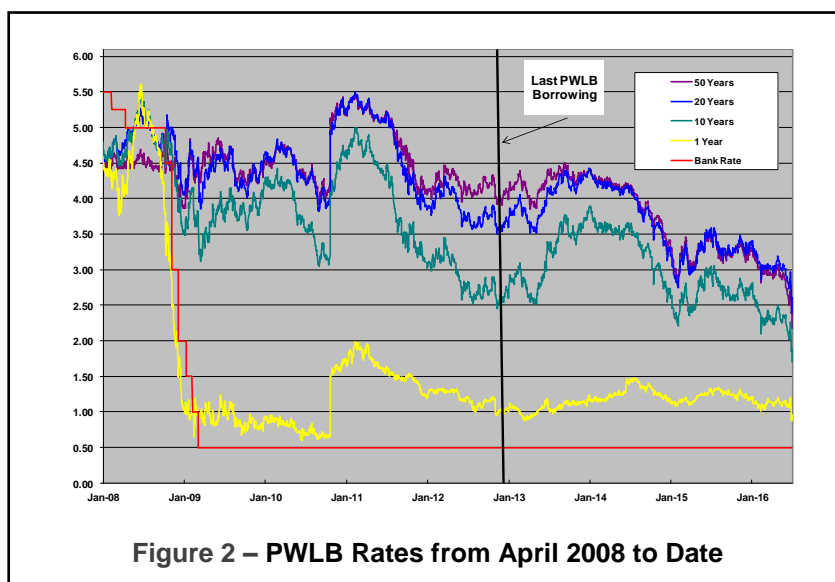
3.3.1 From their lows at the start of April 2015, sovereign bond yields rallied strongly for most of Quarter 2 as expectations of global growth increased. Thereafter, yields fell back to finish the financial back where they started, and during Q2 2016 have fallen further following the result of the UK referendum. Figure 1 below shows the yield on the 10 year German Bund.



Figure 1 - German 10 Year Bund Yield (2011 to date)

3.3.2 Although the UK economy continued to outperform Eurozone countries, the economy slowed slightly in 2015, with GDP falling to 2.3% from 3.0% the year before. Inflation (CPI) continued to hover around 0% turning negative in April, September and October, mainly due to the continued fall in the oil price and relatively weak wage growth. There were further concerns over the growth with the Chinese economy slowing.

3.3.3 Figure 2 shows PWLB borrowing rates since 2008.



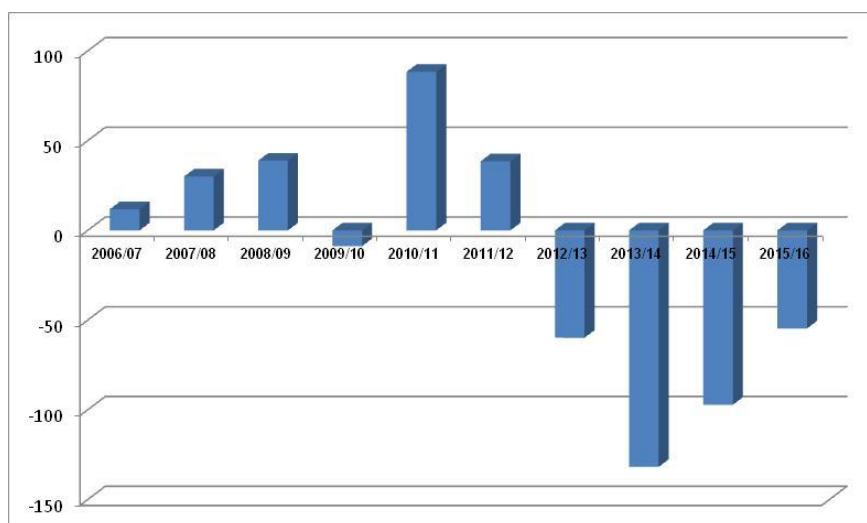
3.3.4 This shows the rise in rates in Quarter 2 2015, followed by a reversal over the remainder of the financial year. It also shows that borrowing rates are substantially lower than they have been, set against drop in interest rates for borrowing last year, particularly for the longer maturities

3.3.5 The strategy for 2015/16 approved in March 2015 was to continue to fund capital expenditure in the short term by reducing the level of temporary investments. Although a significant number of authorities took PWLB Borrowing in advance of the referendum, the Council maintained its strategy of funding any requirement from investments. However, as detailed in Table 2, the total underlying need to borrow actually fell by £85.8m during the year. Table 6 below summarises the outstanding debt portfolio during the year.

Type of Loan	Balance	Borrowing	Borrowing	Balance
	01.04.2015	Raised	Repaid	31.03.2016
	£m	£m	£m	£m
PWLB - fixed	1,113.687	0.000	-40.841	1,072.846
PWLB - variable	0.000	0.000	0.000	0.000
Salix Finance Ltd	1.956	0.352	-0.170	2.138
Market	280.900	0.000	-4.000	276.900
Temp	16.455	4.596	-3.191	17.86
	<u>1,412.998</u>	<u>4.948</u>	<u>-48.202</u>	<u>1,369.744</u>
Capital Advances	<u>1,510.154</u>			<u>1,424.418</u>
Under-borrowed	<u>97.156</u>		Under-borrowed	<u>54.674</u>

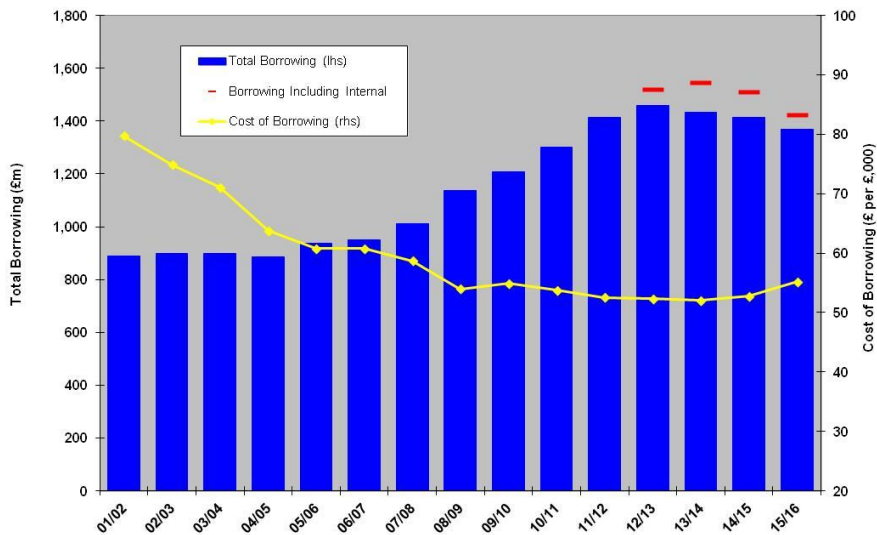
**Table 6 – Outstanding Debt Portfolio 2015/16**

- 3.3.6 £40.84m of PWLB and £4m of Market debt naturally matured during the year, and this was not replaced. The only external borrowing undertaken during the year was £352k in interest free loans from Salix in relation to street lighting replacement projects. The Council's borrowing therefore fell by £43.2m over the year.
- 3.3.7 The net capital advances fell by £85.8m, including a £49.8m repayment for the outstanding capital advances for Atria One. The Council's under-borrowed position therefore reduced from £97m to £55m. Figure 3 below shows how much the Council has been over or under borrowed at financial year end since 2006/07.



**Figure 3 - Over / Under Borrowed position at year end**

- 3.3.8 In the last two years repayment of previous capital advances was greater than new capital advances, giving a significant reduction in the Council's underborrowed position, despite £72m of PWLB and market debt maturing during the period and not being replaced. Figure 4 below shows the Council's total borrowing and cost of the borrowing.



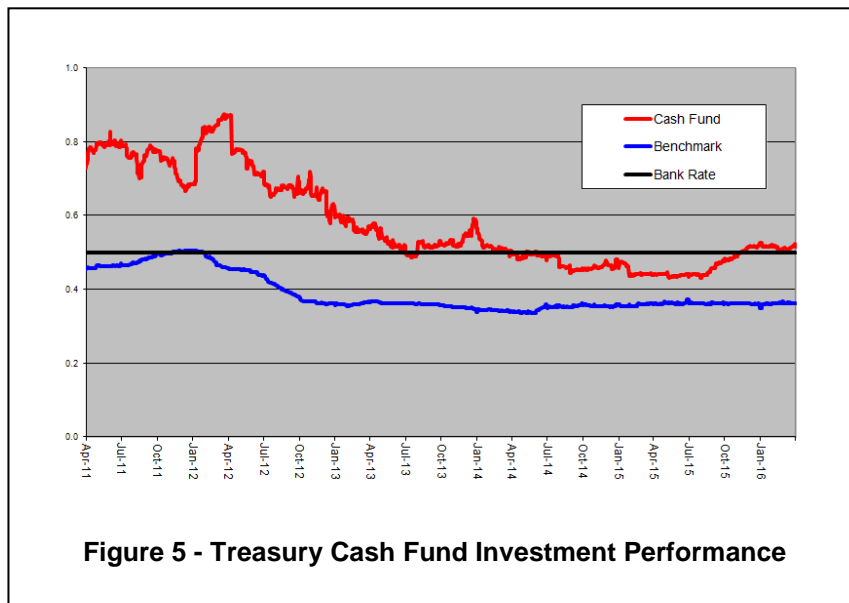
**Figure 4 - Value and Unit Cost of the Council's Borrowing**

3.3.9 Although the total interest cost in servicing the Council's debt fell by £1m from £79.6m to £78.6m, the unit cost of the debt increased slightly due to the proportionately greater fall in the underlying need to borrow shown in Table 2.

**3.4 Investment Out-turn 2015/16**

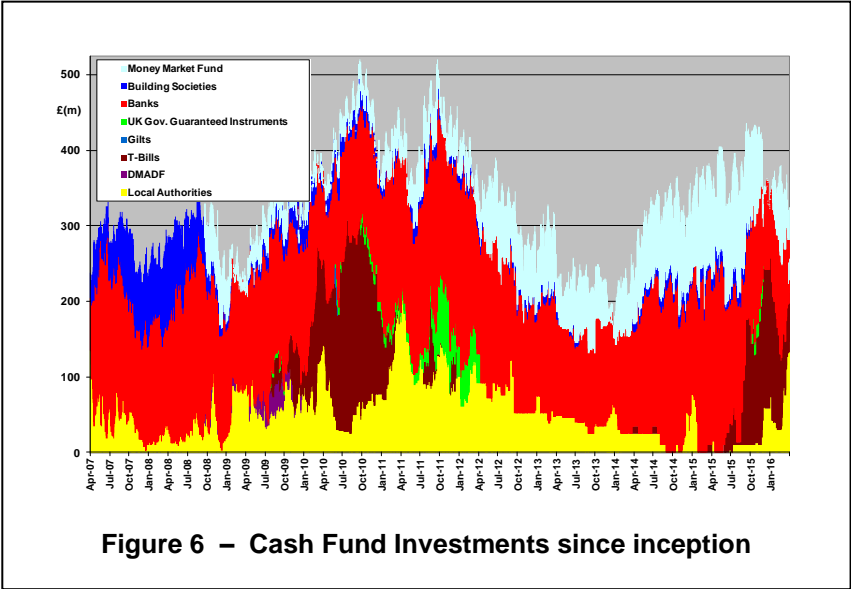
3.4.1 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day LIBID.

3.4.2 Figure 5 below shows the investment performance during the financial year.



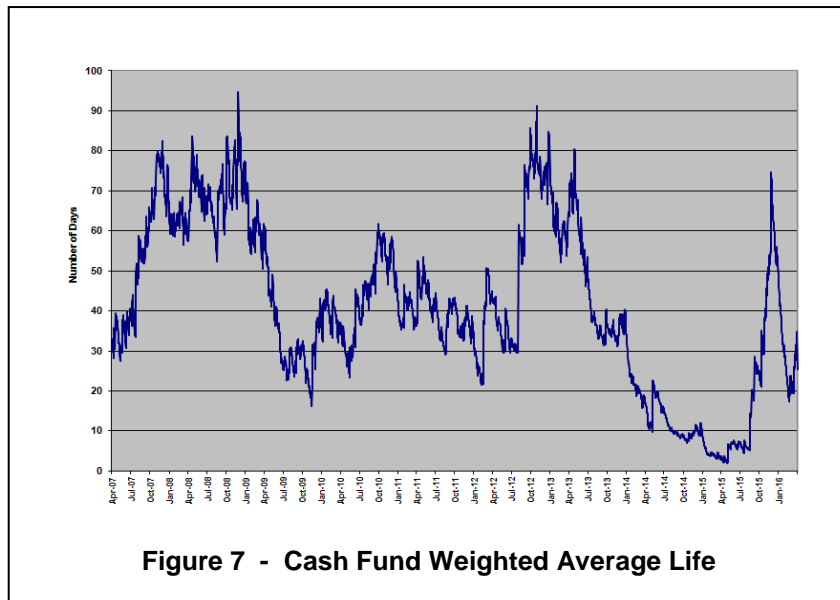
**Figure 5 - Treasury Cash Fund Investment Performance**

- 3.4.3 The average interest rate on the Fund for the year was 0.478%, which continued to outperform the benchmark which was 0.363% for the year. The Fund generated income of just over £482k for the financial year to CEC.
- 3.4.4 The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money invested with banking institutions was held mostly on call or on short term fixed deposit. Figure 6 below shows the distribution of the Cash Fund investments since April 2007
- 3.4.5 The rates on offer on Treasury Bills increased during the year and the opportunity to get a slightly higher yield while maintaining sovereign counterparty was taken, with over £200m invested in them during the year. Rates being achieved with Local Authority deposits have remained low during the year. However there were seasonal opportunities in December and at the end of the financial year which the Council was able to take advantage of, albeit the investments were only relatively short duration.



**Figure 6 – Cash Fund Investments since inception**

- 3.4.6 The Cash Fund’s Investment Strategy continued to be based around the security of the investments. Figure 7 below shows the weighted average life (WAL) of the Cash Fund since inception.



**Figure 7 - Cash Fund Weighted Average Life**

3.4.7 The Fund's weighted average life – i.e. the average time to maturity of the Cash Fund investments – was 25 days at the end of the financial year. The reduction from 70 days in November, its peak in the financial year, was due to maturing Treasury Bills being mostly reinvested in Bank call accounts or into short term Local Authority deposits. During March the Council obtained some 6 month Local Authority fixed deposits at an attractive rate and a large reduction in cash held on call increased the weighted average life to 31 days, although it dropped back to 25 days with significant monies returned near year end.

### 3.5 Conclusions

3.5.1 As part of the Strategy set in March 2015, the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments rather than borrowing. The only borrowing completed was £352k in interest free funding and this approach continues to generate significant short term savings for the Council.

3.5.2 The investment return for 2015/16 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

## Measures of success

4.1 The success of the Treasury Section can be measured by the out-performance of the Treasury Cash Fund against its benchmark and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

## Financial impact

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- 5.1 The Council continues to manage its debt portfolio so as to minimise the medium term cost of funding its capital projects.
- 5.2 The Treasury Cash Fund has generated significant additional income for the Council.

## Risk, policy, compliance and governance impact

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- 6.1 The Council complies with the relevant CIPFA code of practice whilst undertaking Treasury Management activities. The significant financial risks associated with Treasury Management activities have been successfully managed during 2015/16.

## Equalities impact

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- 7.1 There are no adverse equality impacts arising from this report.

## Sustainability impact

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- 8.1 There are no adverse sustainability impacts arising from this report.

## Consultation and engagement

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- 9.1 None.

## Background reading / external references

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None.

### **Hugh Dunn**

Acting Executive Director of Resources

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## Links

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<b>Coalition pledges</b>	P30 - Continue to Maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	C025 - The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all
<b>Appendices</b>	Appendix 1 - Debt Portfolio



## Appendix 1 – PWLB, MARKET, SALIX DEBT PORTFOLIO

### PWLB

Loan Reference	Loan Type	Fixed / Variable	Start Date	Loan Term	Maturity Date	Principal Outstanding	Interest Rate
496093	M	F	13/10/2009	6.5	13/04/2016	5,000,000	2.95
495471	M	F	23/04/2009	7	23/04/2016	5,000,000	2.96
469013	M	F	17/01/1991	25.5	15/05/2016	15,000,000	11.25
495565	M	F	09/06/2009	7	09/06/2016	5,000,000	3.37
470061	M	F	27/09/1991	25	25/09/2016	2,736,307	10.5
469898	M	F	15/08/1991	25.5	15/11/2016	10,000,000	10.875
495143	M	F	10/12/2008	8	10/12/2016	5,000,000	3.61
499194	M	F	02/12/2011	5.5	02/06/2017	5,000,000	2.28
471030	M	F	27/03/1992	25.5	25/09/2017	10,000,000	10.625
494911	M	F	09/10/2008	9	09/10/2017	5,000,000	4.39
471179	M	F	03/04/1992	26	25/03/2018	30,000,000	10.875
495472	M	F	23/04/2009	9	23/04/2018	15,000,000	3.24
471710	M	F	17/09/1992	26	15/05/2018	8,496,500	9.75
495566	M	F	09/06/2009	9	09/06/2018	5,000,000	3.75
473528	M	F	17/09/1993	25.5	15/11/2018	5,000,000	7.875
474273	M	F	23/03/1994	25	15/11/2018	5,000,000	8
474226	M	F	14/03/1994	25	11/03/2019	2,997,451	7.625
473697	M	F	18/10/1993	25.5	25/03/2019	5,000,000	7.875
495414	M	F	30/03/2009	10	30/03/2019	5,000,000	3.46
495457	M	F	21/04/2009	10	21/04/2019	10,000,000	3.4
495473	M	F	23/04/2009	10	23/04/2019	5,000,000	3.38
495030	A	F	12/11/2008	11	12/11/2019	2,071,695	3.96
474274	M	F	23/03/1994	26	15/11/2019	5,000,000	8
474935	M	F	07/12/1994	25	15/11/2019	10,000,000	8.625
495086	A	F	01/12/2008	11	01/12/2019	2,051,805	3.65
496260	M	F	01/12/2009	10	01/12/2019	5,000,000	3.77
496354	M	F	14/12/2009	10	14/12/2019	10,000,000	3.91
475161	M	F	15/02/1995	25.5	25/03/2020	5,000,000	8.625
495458	M	F	21/04/2009	11	21/04/2020	10,000,000	3.54
495501	M	F	12/05/2009	11	12/05/2020	10,000,000	3.96
474801	M	F	21/10/1994	26	15/05/2020	5,000,000	8.625
474936	M	F	07/12/1994	25.5	15/05/2020	5,000,000	8.625
499159	M	F	21/11/2011	8.5	21/05/2020	15,000,000	2.94
476237	M	F	16/08/1995	25	03/08/2020	2,997,451	8.375
474958	M	F	09/12/1994	26	15/11/2020	5,000,000	8.625
497203	A	F	10/05/2010	11	10/05/2021	2,710,315	3.09
474802	M	F	21/10/1994	27	15/05/2021	10,000,000	8.625
475259	M	F	10/03/1995	26.5	15/05/2021	11,900,000	8.75
476031	M	F	12/06/1995	26	15/05/2021	10,000,000	8
497378	M	F	02/06/2010	11	02/06/2021	5,000,000	3.89
474661	M	F	16/08/1994	27	03/08/2021	2,997,451	8.5

474418	M	F	28/04/1994	27.5	25/09/2021	5,000,000	8.125
495474	M	F	23/04/2009	13	23/04/2022	5,000,000	3.76
476030	M	F	12/06/1995	27	15/05/2022	10,200,000	8
497425	M	F	14/06/2010	12	14/06/2022	10,000,000	3.95
475781	M	F	31/03/1995	27.5	25/09/2022	6,206,000	8.625
475176	M	F	16/02/1995	28	03/02/2023	2,997,451	8.625
475822	M	F	24/04/1995	28	25/03/2023	10,000,000	8.5
476731	M	F	05/12/1995	27.5	15/05/2023	5,200,000	8
473573	M	F	20/09/1993	30	14/09/2023	2,997,451	7.875
473574	M	F	20/09/1993	30	14/09/2023	584,503	7.875
477656	M	F	08/05/1996	27.5	25/09/2023	10,000,000	8.375
496094	M	F	13/10/2009	14	13/10/2023	5,000,000	3.87
476732	M	F	05/12/1995	28	15/11/2023	10,000,000	8
497197	M	F	10/05/2010	14	10/05/2024	10,000,000	4.32
476350	M	F	28/09/1995	29	28/09/2024	2,895,506	8.25
501250	M	F	14/05/2012	12.5	14/11/2024	10,000,000	3.36
496355	A	F	14/12/2009	15	14/12/2024	6,637,269	3.66
1478311	M	F	17/10/1996	28.5	25/03/2025	10,000,000	7.875
497199	M	F	10/05/2010	15	10/05/2025	5,000,000	4.37
501723	M	F	16/11/2012	12.5	16/05/2025	20,000,000	2.88
1478760	M	F	13/02/1997	28.5	18/05/2025	10,000,000	7.375
1478830	M	F	20/02/1997	29	15/11/2025	20,000,000	7.375
496261	A	F	01/12/2009	16	01/12/2025	10,358,828	3.64
476771	M	F	21/12/1995	30	21/12/2025	2,397,961	7.875
1479368	M	F	21/05/1997	29	15/05/2026	10,000,000	7.125
1479530	M	F	28/05/1997	29	15/05/2026	10,000,000	7.25
479851	M	F	29/08/1997	29.5	15/11/2026	5,000,000	7
1479594	M	F	24/06/1997	29.5	15/11/2026	5,328,077	7.125
1479783	M	F	07/08/1997	29.5	15/11/2026	15,000,000	6.875
1480039	M	F	13/10/1997	29.5	25/03/2027	10,000,000	6.375
1480175	M	F	22/10/1997	29.5	25/03/2027	5,000,000	6.5
1480241	M	F	13/11/1997	29.5	15/05/2027	3,649,966	6.5
1480257	M	F	17/11/1997	29.5	15/05/2027	5,000,000	6.5
501797	M	F	13/12/2012	14.5	13/06/2027	20,000,000	3.18
1480580	M	F	12/03/1998	30	15/11/2027	8,677,693	5.875
497854	M	F	06/09/2010	18	06/09/2028	10,000,000	3.85
498768	M	F	14/07/2011	18	14/07/2029	10,000,000	4.9
368245	E	F	14/07/1950	80	03/03/2030	3,539	3
498769	M	F	14/07/2011	19	14/07/2030	10,000,000	4.93
80101	E	F	15/06/1951	80	15/05/2031	3,633	3
497855	M	F	06/09/2010	21	06/09/2031	20,000,000	3.95
499252	M	F	15/12/2011	20.5	15/06/2032	10,000,000	3.98
498994	M	F	15/09/2011	25	15/09/2036	10,000,000	4.47
499019	M	F	22/09/2011	25	22/09/2036	10,000,000	4.49
494139	M	F	10/12/2007	30	10/12/2037	10,000,000	4.49
498974	M	F	08/09/2011	27	08/09/2038	10,000,000	4.67
498995	M	F	15/09/2011	28	15/09/2039	10,000,000	4.52

499052	M	F	06/10/2011	32	06/10/2043	20,000,000	4.35
498851	M	F	09/08/2011	34.5	09/02/2046	20,000,000	4.8
491119	M	F	23/01/2006	40.5	23/07/2046	10,000,000	3.7
491226	M	F	23/01/2006	40.5	23/07/2046	10,000,000	3.7
491628	M	F	19/05/2006	40.5	19/11/2046	10,000,000	4.25
494202	M	F	07/01/2008	40	07/01/2048	5,000,000	4.4
491258	M	F	27/01/2006	45.5	27/07/2051	1,250,000	3.7
492718	M	F	16/01/2007	45.5	16/07/2052	40,000,000	4.25
492853	M	F	30/01/2007	45.5	30/07/2052	10,000,000	4.35
492908	M	F	13/02/2007	45.5	13/08/2052	20,000,000	4.35
492937	M	F	20/02/2007	45.5	20/08/2052	70,000,000	4.35
492960	M	F	22/02/2007	45.5	22/08/2052	50,000,000	4.35
493036	M	F	08/03/2007	45.5	08/09/2052	5,000,000	4.25
493334	M	F	30/05/2007	45.5	30/11/2052	10,000,000	4.6
493377	M	F	11/06/2007	45.5	11/12/2052	15,000,000	4.7
493383	M	F	12/06/2007	45.5	12/12/2052	25,000,000	4.75
493428	M	F	05/07/2007	45.5	05/01/2053	12,000,000	4.8
493516	M	F	25/07/2007	45.5	25/01/2053	5,000,000	4.65
493701	M	F	10/08/2007	45.5	10/02/2053	5,000,000	4.55
493872	M	F	24/08/2007	45.5	24/02/2053	7,500,000	4.5
493920	M	F	13/09/2007	45.5	13/03/2053	5,000,000	4.5
493979	M	F	12/10/2007	45.5	12/04/2053	5,000,000	4.6
494045	M	F	05/11/2007	49.5	05/05/2057	5,000,000	4.6
494725	M	F	15/08/2008	49.5	15/02/2058	5,000,000	4.39
499195	M	F	02/12/2011	50	02/12/2061	5,000,000	3.98
<b>Total</b>						<b><u>1,072,846,853</u></b>	

## Market

Loan Reference	Lender	Start Date	Maturity Date	Principal Outstanding	Interest Rate
6000017	BAYERISCHE LANDESBANKGIROZENTRALE	30/03/1992	30/03/2017	1,000,000	10.25
6000019	DRESDNER BANK AG	21/08/1992	21/08/2017	500,000	9.75
6000020	DRESDNER BANK AG	21/08/1992	21/08/2017	500,000	9.75
6000091	DEUTSCHE PFANDBRIEFBANK AG	12/11/1998	13/11/2028	3,000,000	4.75
6000102	FMS WERTMANAGEMENT AoR	15/12/2003	15/12/2053	10,000,000	5.25
6000105	DEXIA CREDIT LOCAL	18/02/2004	18/02/2054	10,000,000	4.54
6000109	FMS WERTMANAGEMENT AoR	28/04/2005	28/04/2055	12,900,000	4.75
6000133	Royal Bank of Scotland plc	25/02/2011	25/02/2060	15,000,000	7.589
6000134	Royal Bank of Scotland plc	25/02/2011	25/02/2060	10,000,000	7.589
6000131	Royal Bank of Scotland plc	26/02/2010	26/02/2060	5,000,000	7.597
6000132	Royal Bank of Scotland plc	26/02/2010	26/02/2060	10,000,000	7.597
6000111	BARCLAYS BANKGLOBAL SERVICES	30/06/2005	30/06/2065	5,000,000	4.4
6000110	DEXIA CREDIT LOCAL	01/07/2005	01/07/2065	10,000,000	3.86
6000112	BARCLAYS BANKGLOBAL SERVICES	07/07/2005	07/07/2065	5,000,000	4.4
6000113	DEXIA CREDIT LOCAL	24/08/2005	24/08/2065	5,000,000	4.4
6000114	EEPKA IN LUXEMBURG S.A.	07/09/2005	07/09/2065	10,000,000	4.99
6000115	EEPKA IN LUXEMBURG S.A.	13/09/2005	14/09/2065	5,000,000	3.95
6000116	KA FINANZ AG	03/10/2005	05/10/2065	5,000,000	4.375
6000117	BARCLAYS BANKGLOBAL SERVICES	21/12/2005	21/12/2065	5,000,000	4.99
6000119	FMS WERTMANAGEMENT AoR	23/12/2005	23/12/2065	10,000,000	4.75
6000118	BARCLAYS BANKGLOBAL SERVICES	28/12/2005	24/12/2065	12,500,000	4.99
6000124	DANSKE BANK LONDON	06/03/2006	04/03/2066	5,000,000	4.625
6000125	BARCLAYS BANKGLOBAL SERVICES	14/03/2006	15/03/2066	15,000,000	5
6000127	DEXIA CREDIT LOCAL	17/03/2006	17/03/2066	10,000,000	5.25
6000120	DEXIA CREDIT LOCAL	03/04/2006	01/04/2066	10,000,000	4.875
6000121	DEXIA CREDIT LOCAL	03/04/2006	01/04/2066	10,000,000	4.875
6000122	DEXIA CREDIT LOCAL	03/04/2006	01/04/2066	10,000,000	4.875
6000123	EEPKA IN LUXEMBURG S.A.	07/04/2006	07/04/2066	10,000,000	4.75
6000128	DEXIA CREDIT LOCAL	05/06/2006	07/06/2066	20,000,000	5.25
6000129	DEXIA CREDIT LOCAL	05/06/2006	07/06/2066	16,500,000	5.25
6000126	BARCLAYS BANKGLOBAL SERVICES	18/08/2006	18/08/2066	10,000,000	5.25
6000130	BARCLAYS BANKGLOBAL SERVICES	01/02/2008	01/02/2078	10,000,000	3.95
<b>Total</b>				<b>276,900,000</b>	

## Other

<b>Loan Reference</b>	<b>Loan Type</b>	<b>Fixed / Variable</b>	<b>Start Date</b>	<b>Loan Term</b>	<b>Maturity Date</b>	<b>Principal Outstanding</b>	<b>Interest Rate</b>
8000029	E	F	07/01/2015	7	01/09/2021	434,264	0
8000030	E	F	31/03/2015	8	01/04/2023	1,352,173	0
8000031	E	F	22/09/2015	8	01/10/2023	351,680	0
	<b>Total</b>					<u><u>2,138,117</u></u>	