

Notice of meeting and agenda

Governance, Risk and Best Value Committee

10:00am, Tuesday, 28 November 2017

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

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

Contact –

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1. Order of Business

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

2. Declarations of Interest

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

3. Deputations

- 3.1 If any

4. Minutes

- 4.1 Minute of the Governance, Risk and Best Value Committee of 31 October 2017 (circulated) – submitted for approval as a correct record

5. Outstanding Actions

- 5.1 Outstanding Actions – 28 November 2017 (circulated)

6. Work Programme

- 6.1 Governance, Risk and Best Value Work Programme – 28 November 2017 (circulated)

7. Reports

- 7.1 Festival City Theatres Trust – Company Performance Report 2016/17 - referral from the Culture and Communities Committee (circulated)
- 7.2 Council Companies - Edinburgh Leisure Annual Report 2016/17 – referral from the Culture and Communities Committee (circulated)
- 7.3 Re-basing the 2017/18 Internal Audit Plan – report by the Chief Internal Auditor (circulated)
- 7.4 Revenue Monitoring 2017/18 – Month Five Position – referral from the Finance and Resources Committee (circulated)
- 7.5 Capital Monitoring 2017/18 – Half Year Position – referral from the Finance and Resources Committee (circulated)
- 7.6 Treasury Management: Mid-term Report 2017/18 – referral from the City of Edinburgh Council (circulated)

- 7.7 ICT in Schools – Update – report by the Executive Director for Communities and Families (circulated)
(Note: This report was continued from the meeting on 31 October 2017)
- 7.8 Corporate Governance Framework 2016/17 – report by the Chief Executive (circulated)
- 7.9 Whistleblowing Update – report by the Chief Executive (circulated)

8. Motions

- 8.1 None.

Laurence Rockey

Head of Strategy and Insight

Committee Members

Councillors Mowat (Convener), Main (Vice-Convener), Jim Campbell, Gordon, Lang, Munro, Rae, Ritchie, Watt, Webber and vacancy .

Information about the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee consists of 11 Councillors appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meet every four weeks in the City Chambers, High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Gavin King, Committee Services, City of Edinburgh Council, Waverley Court, Business Centre 2.1, Edinburgh EH8 8BG, Tel 0131 529 4239, e-mail gavin.king@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.

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

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2017

Present

Councillors Mowat (Convener), Main (Vice-Convener), Jim Campbell, Dickie, Doggart (substitute for Councillor Webber), Donaldson (substitute for Councillor Munro), Gordon, Rae, Neil Ross (substitute for Councillor Lang) and Watt.

1. Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 26 September 2017 as a correct record.

2. Outstanding Actions

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

Decision

- 1) To note the update from the Interim Chief Officer on action 4 – *The Edinburgh Health and Social Care Partnership has developed a high-level plan to address the challenges faced by the Partnership in the short- and medium-term. Objectives and detailed action plans for the priority workstreams will follow and the review of home care services will be included in this, although it is not possible at this stage to say when plans will be available.*
- 2) To note the update from the Chief Internal Auditor on action 5 and amend the expected completion date – *The update for members on the Internal Audit recommendation for Edinburgh Buildings Services would be delayed to coincide with the 17/18 audit plan review on the area which was due to finish in December 2017.*
- 3) To note the remaining outstanding actions.

(Reference – Outstanding Actions – 31 October 2017, submitted.)

3. Work Programme

Decision

To note the work programme.

(Reference – Governance, Risk and Best Value Committee Work Programme – 31 October 2017, submitted.)

4. Complaints Management

The findings of the Council-wide complaints handling review and the resulting development of the improvement plan were considered.

Decision

- 1) To note the development of a Corporate Complaints Improvement Plan to strengthen the management of complaints across the Council.
- 2) To note that an update report would be presented to Committee in Spring 2018.
- 3) To include the previous years' comparative figures any future report.

(References – Governance, Risk and Best Value Committee of 1 August 2017 (item 10); report by the Chief Executive, submitted.)

5. Spot-checking on the Dissemination of Council Policies

The exercise to ensure policies were being effectively communicated to staff was submitted.

Decision

- 1) To note the response to the staff surveys on the dissemination of Council policies and ongoing efforts to improve dissemination.
- 2) To note that a report which explored with directorates more effective ways to monitor the dissemination and understanding of Council policies by employees would be submitted by Spring 2018.

(References – Governance, Risk and Best Value Committee of 20 April 2017 (item 8); report by the Chief Executive, submitted.)

6. Welfare Reform - Update

Committee considered information on the ongoing work to support citizens towards Universal Credit, the benefit cap and funding arrangements for the Council Tax Reduction Scheme and Discretionary Housing Payments.

Decision

- 1) To note the report.
- 2) To request information is circulated to members on the reasons why 72 applications for crisis grants were refused.

(References – Corporate Policy and Strategy Committee of 3 October 2017 (item 2); report by the Executive Director of Resources, submitted.)

7. Edinburgh Catering Services

An outline report on the measures undertaken to bring Edinburgh Catering Services into a balanced and more profitable position was submitted.

Decision

- 1) To note the reasons which led to the underlying deficit position delivered by the service.

- 2) To note the actions proposed as part of a general turnaround and improvement plan for the service and to receive a further report which outlined progress made in March 2018.

(References – Governance, Risk and Best Value Committee of 26 September 2017 (item 8); report by the Executive Director of Resources, submitted.)

8. ICT in Schools – Update

Decision

To note that consideration of the report has been continued to the November Committee.

9. Edinburgh Partnership – Presentation

Committee received a presentation which outlined the planning and governance frameworks within the Edinburgh Partnership.

Decision

- 1) To note the presentation.
- 2) To consider updating the slide on the governance framework to reflect neighbourhoods and communities were at the centre.
- 3) To highlight that responsibility for tackling inequalities lies within each element of the planning framework

(References – Governance, Risk and Best Value Committee of 26 September 2017 (item 2); presentation by the Chief Executive, submitted.)

10. Resolution to Consider in Private

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following item of business 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. External Audit Review of CGI IT Security Controls

Details were provided on the external audit review of the effectiveness of the CGI/Council's security control procedures.

Decision

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

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

Governance, Risk and Best Value Committee

November 2017

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	19/10/2015	Committee Report Process	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	January 2018		The project has been delayed due to other connected ICT projects being re-planned. A meeting has been scheduled with ICT and CGI to agree an expected completion date and discuss the practicalities of e-voting with the current technology.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
2	21/04/2016	Internal Audit – Audit and Risk Service: Delivery Model Update	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.	Executive Director of Resources	April 2018		<p>A verbal update on appointments was provided in February 2017. An update on new service model will be provided after one year.</p> <p>Assurance of progress was provided within the Internal Audit Opinion Report considered on 1 August 2017.</p>
3	26/09/16	Corporate Leadership Team Risk Update	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	Executive Director of Resources	May 2018		<p>An update will be included in the Progress Report on the Wide Structural Investigations. This will be referred to GRBV following consideration at</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Best Value Committee for scrutiny.				the Finance and Resources Committee in March 2018. The expected completion date for phase one is 31 January 2018.
4	24/10/16 29/09/17	Home Care and Re-ablement Service Contact Time	To request an update report 6 months after the implementation of the new ICT system for shift allocation. To ask the Chief Officer, Edinburgh Health and Social Care Partnership to provide an update on why the new ICT system for shift allocation was not implemented earlier in the year	Chief Officer, Edinburgh Health and Social Care Partnership	Date TBC		The Interim Chief Officer provided an update to Committee in Sept 2017. The Shift Allocation System was included in a wider review, the results of which would be reported as soon as possible. The Edinburgh Health and Social Care Partnership

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							developed a high-level plan to address the challenges faced by the Partnership in the short- and medium-term. Objectives and detailed action plans for the priority workstreams would follow. The review of home care services would be included in this, although it is not possible at this stage to say when plans would be available.
5.	22/12/2016	Internal Audit Quarterly Update Report: 1 July 2016 – 30	To request an update report on the recommendation for Edinburgh Buildings Services by November	Executive Director of Place	January 2018		The update for members on the Internal Audit recommendation for Edinburgh

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		September 2016	2017.				Buildings Services would be delayed to coincide with the 17/18 audit plan review on the area which was due to finish in December 2017.
6	09/03/2017 26/09/17	Outstanding Actions Outstanding Actions – 26 September 2017	To request that the report on the Governance of the Edinburgh Partnership would be referred from the Communities and Neighbourhoods Committee to the Governance, Risk and Best Value Committee. To request a timeline for the development of governance arrangements for the Edinburgh Partnership	Chief Executive Chief Executive	January 2018		The Edinburgh Partnership Board (EP) will agree on the refreshed governance arrangements in March 2018. This is linked with locality committee developments which will also come early 2018. A report will be provided to members on potential proposals in

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							January 2018.
7.	20/04/2017	Governance of Major Projects: progress report	<p>To note the review underway for how change was reported and managed across the Council which will also include strengthening of governance arrangements around project and programme delivery. This would be reported to the Governance, Risk and Best Value Committee with developed proposals in the next reporting period.</p> <p>To request that members of Governance, Risk and Best Value Committee have input into the scope of the lessons learned report to be drafted on the New Boroughmuir High School and that this report was</p>	Chief Executive	March 2018		<p><i>Action 1</i> - The report on Portfolio of Change, key themes, schedule of delivery and the refreshed governance arrangements is due in January 2018 following consideration at CP&S.</p> <p><i>Action 2</i> - The lessons learned exercise will be carried out as part of the normal project activity at the end of the project. The scope will be shared with elected members for comment.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>referred to the Governance, Risk and Best Value Committee following consideration at the Education, Children and Families Committee.</p> <p>To request communication with teachers, parents and parent councils on the progress with WIFI provision in schools</p>				<p><i>Action 3</i> – The Chief Information Officer has met with the Parent Council of JGHS to update them on the progress of WiFi in the school</p>
8.	29/08/2017	Status of the ICT Programme	<p>To ask the Executive Director for Communities and Families for a report on:</p> <p>1) How the decision was taken to enable pupils attending James Gillespie's High School to bring their own IT devices rather</p>	Executive Director for Communities and Families	January 2018		An updated report on this item is on the November 2017 agenda.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>than Council devices.</p> <p>2) What advice James Gillespie's High School were given by the directorate on the implications of their decision.</p> <p>3) Further information of other schools within the City who are in the same situation and their experiences.</p> <p>4) Possible solutions to the issue raised by the deputation on the lack of wi-fi at the High School and related timescales.</p>				

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
9	01/08/2017	Governance, Risk and Best Value Work Programme – 1 August 2017	To note an investigation report on retention of case records would be reported to the appropriate committee and a timescale for this would be provided as soon as possible.	Executive Director for Communities and Families	March 2018		<p>The Executive Director for Communities and Families will provide an update once the Chief Internal Auditor's investigation is concluded.</p> <p>The final audit report would be referred from the Corporate Policy and Strategy Committee to GRBV in March 2018.</p>
10	01/08/2017	Property Conservation Project Closure Review	<p>To request a report on forecasting for potential problems with major projects and plans from the Resilience team to prevent these.</p> <p>To provide members</p>	Chief Executive	January 2018		The report on Portfolio of Change, key themes, schedule of delivery and the refreshed governance arrangements to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			with information on the progress of appointing a single point of contact for all major projects.				ensure required management and scrutiny of project/programme delivery will be referred to GRBV following consideration at Corporate Policy and Strategy in December 2017
11	01/08/2017	Employee Engagement Update 2017	To request the action plan drafted following the 2017 employee survey was reported to GRBV for scrutiny and approval prior to implementation	Executive Director of Resources	January 2018		The report will be provided following completion of the employee survey and the development of an action plan to address the results.
12	01/08/2017	Monitoring Officer	To request a review report	Chief Executive	January 2018		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Investigation	on Project Management within the Council.				
13	29/08/2017	Roads Services Improvement Plan	To ask for a report back in 6 months time	Executive Director of Place	February 2018		
14	26/09/2017	Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017	To request information on: the total spend on homelessness provision the checks in place for recovering money from the Government. the governance of the Homelessness Taskforce	Chief Internal Auditor	January 2018		A report on the total spend on homelessness provision, recovery of money from the government and governance of the Homelessness Taskforce will be referred to GRBV following consideration by the Housing and Economy Committee.
15	26/09/2017	Internal Audit: Overdue Recommendations and Late	To request an update on: the progress of actions	Chief Internal Auditor	January 2018		The requested updates were circulated to members on 9

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Management Responses	<p>due to close in September.</p> <p>Mortuary Services</p> <p>To request a scoping report with proposals to address the outstanding actions for Health and Social Care back to GRBV with an appendix highlighting who is responsible for each area.</p>				<p>October 2017.</p> <p>An update will be provided to Committee in November 2017 on the scoping report for proposals to address outstanding H&SC actions.</p>
16	26/09/2017	Principles to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh	To accept the high-level principles subject to further information on how elected members could best engage with the process.	Chief Internal Auditor	November 2017		An update will be provided to Committee in November 2017 on how elected members can best engage with the process.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Integrated Joint Board Audit and Risk Committee					
17	26/09/2017	City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit	<p>To request an update report in January 2018 on the progress of the improvements recommended in the action plan.</p> <p>To request a briefing to members on Edinburgh Catering Services including the current situation and a breakdown of what has caused the deficit</p>	Chief Executive	January 2018		The briefing on Edinburgh Catering Services was circulated to members on 9 October 2017. A report on this matter was on the October 2017 agenda.
18	31/10/2017	Complaints Management	<p>To note that an update report would be presented to Committee in Spring 2018</p> <p>To include the previous years' comparative figures any</p>	Chief Executive	May 2018		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			future report.				
19	31/10/2017	Spot-checking on the Dissemination of Council Policies	To note that a report which explored with directorates more effective ways to monitor the dissemination and understanding of Council policies by employees would be submitted by Spring 2018.	Chief Executive	May 2018		
20	31/10/2017	Welfare Reform Update	To request information is circulated to members on the reasons why 72 applications for crisis grants were refused.	Executive Director of Resources	November 2017	November 2017	Recommended for Closure A briefing was provided to members on 15 November 2017.
21	31/10/2017	Edinburgh Catering Services	To note the actions proposed as part of a general turnaround and improvement plan for the service and to receive a further report which outlined progress made in	Executive Director of Resources	March 2018		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			March 2018.				
22	31/10/2017	External Audit Review of CGI IT Security Controls (B Agenda item)	<p>To agree that a further update on progress with the implementation of the improvement actions identified would be provided to the Committee in January 2018.</p> <p>To invite the appropriate officers from CGI to attend for consideration of the update report in January 2018; which would cover the progress with the action plan against the audit recommendations but would also address the progress with the wider ICT transformation programme</p>	Executive Director of Resources	January 2018		

Governance, Risk and Best Value Committee

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
Section A – Regular Audit Items								
1	Internal Audit: Overdue Recommendations and Late Management Responses		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	Quarterly	16 January 2018 8 May 2018 September 2018
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	Quarterly	16 January 2018 8 May 2018 September 2018

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	5 June 2018
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	20 March 2018
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Resources	Council Wide	Annually	16 January 2018
6	Accounts Commission	Annual report	Local Government in Scotland: Performance and Challenges	External Audit	Executive Director of Resources	Council Wide	Annually	Autumn/Winter 2017
7	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Executive Director of Resources	Council Wide	Annually	Spring 2018
8	Annual ISA 260 Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Executive Director of Resources	Council Wide	Annually	September 2018
9	Interim Audit Report	Scott Moncrieff	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Resources	Council Wide	Annually	September 2018
10	IT Audit Report	Scott Moncrieff	Scope agreed during annual external audit planning cycle	External Audit	Executive Director of Resources	Council Wide	Annually	October 2018

Section B – Scrutiny Items								
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	16 January 2018
12	Welfare Reform	Review	Regular update reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	20 February 2018
13	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	16 January 2018 8 May 2018 September 2018
14	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Six-monthly	20 February 2018
15	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	20 February 2018
16	Workforce Control	Staff	Annual report	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	Date TBC Re-examine after improved information tracking.
18	Monitoring of Council Policies	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Annual	Spring 2018
19	Edinburgh Shared Repairs	Review	Progress reports	Scrutiny	Executive Director of Resources	All	Six-	20 February 2018

	Service and Legacy Closure Programme						monthly	
20	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	January 2018 February 2018	16 January 2018
21	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	January 2018 February 2018	16 January 2018
22	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
23	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
24	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
25	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2018
26	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	16 January 2018
Section C – Council Companies								
27	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director for Communities and Families	Council Wide	Annual	November 2018

28	Festival City Theatres Trust	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	November 2018
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Governance Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

Festival City Theatres Trust Company Performance Report 2016/17- referral from Culture and Communities Committee

Item number	7.1
Report number	
Wards	All
Council Commitments	

Executive summary

On 14 November 2017, the Culture and Communities Committee considered the annual performance report for the Festival City Theatres Trust covering the period 2016/17. The report is now referred to the Governance, Risk and Best Value Committee for scrutiny.

Festival City Theatres Trust Company Performance Report 2016/17- referral from Culture and Communities Committee

Terms of referral

- 1.1 In June 2016 following a review by Internal Audit, Council approved actions to improve the scrutiny of Council companies. This included a range of actions regarding governance and reporting to Council committees, whereby scrutiny was separated to allow executive committees to scrutinise future plans of the relevant company and for the Governance, Risk and Best Value Committee to scrutinise past performance and accounts.
- 1.2 On 14 November 2017, the Culture and Communities Committee considered the annual performance report for the Festival City Theatres Trust covering the period 2016/17. The report is now referred to the Governance, Risk and Best Value Committee for scrutiny as per the agreed procedure.
- 1.3 The Culture and Communities Committee agreed:
 - 1.3.1 To note the positive performance of the Festival City Theatres Trust during 2016/17
 - 1.3.2 To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

For Decision/Action

- 2.1 The Culture and Communities Committee has referred the report to the Governance, Risk and Best Value Committee for scrutiny.

Background reading / external references

[City of Edinburgh Council – 30 June 2016](#)

[Culture and Communities Committee - 14 November 2017](#)

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Place

Appendix 2 – Annual Report for year ended 31 March 2017

Appendix 3 – Annual Report and Consolidated Financial Statements for year ended 31 March 2017

Appendix 4 – Annual Review 2016-17

Culture and Communities Committee

10.00am, Tuesday, 14 November 2017

Festival City Theatres Trust Company Performance Report 2016/17

Item number	9.4
Report number	
Executive/routine	Executive
Wards	All
Council Commitments	C46

Executive Summary

This is the fourth annual performance report prepared as a requirement of the Services and Funding Agreement process adopted in 2013/14.

The Festival City Theatres Trust, responsible for the programming and management of both the King's and Festival Theatres, and the Studio at the Festival Theatre, has had a successful year, with positive growth in programming, income and attendances.

Festival City Theatres Trust Company Performance Report 2016/17

1. Recommendations

- 1.1 It is recommended that the Culture and Communities Committee notes the positive performance of the Festival City Theatres Trust during 2016/17.

2. Background

- 2.1 This is the fourth annual performance report prepared as a requirement of the Services and Funding Agreement process adopted in 2013/14.

3. Main report

- 3.1 The Festival City Theatres Trust (FCTT) reports on its performance to Council Monitoring Officers as required by the Services and Funding Agreement on a monthly, quarterly and annual basis.
- 3.2 The Services and Funding Agreement for 2016/17 was aligned to Council Pledges and had 25 Targets aligned to five key performance headings.

These were:

- leadership;
- resources and sustainability;
- communications and responding to feedback;
- Inclusion, Diversity, Equality and Access; and
- facilitation, partnership, developing and promoting joint working.

FCTT performed well against all of the targets.

- 3.3 The programme continues to reflect work by international and national theatre and dance companies, alongside performances and participation activities by local non-professional groups across the three venues.

3.4 2016/17 programme examples included:

- the Mary Poppins musical (a show from Cameron Macintosh in a co-production with Disney Productions);
- Christmas programming demonstrated appeal across ages and interests with the successful King's Pantomime, Scottish Ballet's 'Hansel and Gretel' and 'Too many Penguins?' in the Studio;
- the continued and growing partnerships with the city's festivals included the Fringe, Film and Children's Festivals amongst others, as well as festivals such as Luminare and the Jazz and Blues Festival;
- the Opera programme continued to flourish with Scottish Opera's 'The Marriage of Figaro' and Opera North's 'Billy Budd';
- dance is well represented with Rambert and Alvin Ailey American Dance Theater amongst others;
- both the Festival and King's Theatres also hosted a strong drama programme including the return of the National Theatre's 'The Curious Incident of the Dog in the Night-time' and at the King's a diverse programme included 'A Tale of Two Cities' and a debut production of 'The Broons'.

3.5 The Learning and Participation programme continues to go from strength to strength working across four key areas of:

- working in schools;
- overcoming barriers to access;
- supporting emerging talent; and
- encouraging public engagement.

3.6 The Forget Me Not programme (a project to make the theatres dementia-friendly) delivered 168 events and engaged over 3,000 participants. Events included the first dementia-friendly performance of a major touring musical, 'Chitty Chitty Bang Bang', the UK's first dementia-friendly opera – a special performance of 'The Marriage of Figaro', and the world première of 'Curious Shoes', a bespoke piece of theatre for people living with dementia.

3.7 The first 'Awfey Huge Variety Show' took place on the Festival Theatre main stage. This was a show created and performed by the children of Edinburgh's special schools.

3.8 The Attic Collective was launched, a new theatre company for young people in Scotland. The 18 company members participated in a rigorous selection and audition process, which began with over 350 applicants, and delivered their first production in January 2017.

- 3.9 The three year 'Start' project ended this year. The programme gave primary school children who are new to theatre an inspiring free programme of visits to professional shows, workshops to develop new skills, support to create their own work and the opportunity to share their work on Scotland's biggest stage.
- 3.10 The theatres programme also received very positive reviews and press coverage with four and five star reviews for their top ten performing shows. A link to the online FCTT Annual Review is provided at point ten in this report.

4. Measures of success

- 4.1 The FCTT contributes effectively to the delivery of the Council's Business Plan.
- 4.2 The Services and Funding Agreement ensures performance reporting requirements are monitored and met.
- 4.3 Success is also measured against the following objectives within the Culture Plan:
- ensure that everyone has access to world class cultural provision;
 - encourage the highest standards of creativity and excellence in all aspects of cultural activity;
 - support greater partnership working in the cultural and creative sectors and maximise resources available to help them thrive all year round; and
 - articulate the positive impact of culture in Edinburgh and promote Edinburgh's cultural success locally, nationally and internationally.

5. Financial impact

- 5.1 FCTT is a Creative Scotland Regularly Funded Organisation and 2016/17 is the second year of a three year commitment of a grant of £105,000 per annum supporting drama and dance. The Council awarded a grant of £646,489 to FCTT in 2016/17.
- 5.2 FCTT ticket income was increased by 25% to total ticket income over 155 shows of £9.9M.

6. Risk, policy, compliance and governance impact

- 6.1 This report is required under the Council's governance arrangements for Council Companies. There are no risk, policy or compliance implications arising from this report.

7. Equalities impact

- 7.1 FCTT actively promotes access to services for different equalities groups; provides data on the level of use of services by equalities groups; provides evidence of quality analysis relating to equality groups.

8. Sustainability impact

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

9. Consultation and engagement

None

10. Background reading/external references

- 10.1 FCTT website [Home | edtheatres.com](http://edtheatres.com)
- 10.2 FCTT Annual review 2016/17 [About us | edtheatres.com](http://edtheatres.com)
- 10.3 Previous Committee Reports:
- 10.4 Culture and Sport Committee Item 7.5 on 19 August 2014 [Culture and Sport Committee | The City of Edinburgh Council](#)
- 10.5 Culture and Sport Committee Item 7.6 on 16 December 2014 [Culture and Sport Committee | The City of Edinburgh Council](#)
- 10.6 Culture and Sport Committee Item 7.2 on 18 August 2015 [Culture and Sport Committee | The City of Edinburgh Council](#)
- 10.7 Culture and Sport Committee Item 7.2 on 23 August 2016 [Culture and Sport Committee | The City of Edinburgh Council](#)

Paul Lawrence

Executive Director of Place

Contact: Lindsay A Robertson, Service Manager, Cultural Strategy

E-mail: lindsay.robertson@edinburgh.gov.uk | Tel: 0131 529 6719

11. Appendices

None

Festival City Theatres Trading Limited
Annual report
For the year ended 31 March 2017

Registered in Scotland No SC133567

Festival City Theatres Trading Limited
Annual report
for the year ended 31 March 2017

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Festival City Theatres Trading Limited

Directors and Advisors

Directors

Professor Dame Joan K Stringer DBE FRSE
Duncan Hendry

Company Secretary

Iain Ross

Registered office

13/29 Nicolson Street
Edinburgh
EH8 9FT

Auditor

Chiene + Tait LLP
Chartered Accountants & Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Solicitors

Shepherd & Wedderburn
Level 2
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Festival City Theatres Trading Limited

Directors' report for the year ended 31 March 2017

The Directors have pleasure in submitting their annual report and accounts for the year ended 31 March 2017.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under part 15 of the Companies Act 2006.

Principal Activities and Review of the Business

The company provides bar, catering, programme and ice cream sales and other supporting services in the Festival Theatre, King's Theatre and the Potterrow Studio in Edinburgh. The operating surplus is donated to Festival City Theatres Trust utilising Gift Aid.

The profit and loss account for the year is set out on page 6. The positive trading performance reflects a busy year in all our venues and the Directors consider the operating surplus of £322,445 (2016: £284,525) to be very satisfactory.

Directors

Professor Dame Joan K Stringer DBE FRSE and Duncan Hendry served as directors throughout the year.

Statement as To Disclosure of Information to the Auditor

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Festival City Theatres Trading Limited

Directors' report for the year ended 31 March 2017 (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On Behalf of the Board



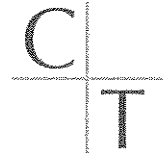
Professor Dame Joan K Stringer DBE FRSE

Director

30th May 2017

Festival City Theatres Trading Limited

Independent auditor's report to the members of Festival City Theatres Trading Limited



We have audited the financial statements of Festival City Theatres Trading Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

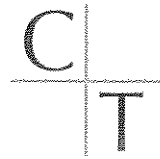
Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Festival City Theatres Trading Limited

Independent auditor's report to the members of Festival City Theatres Trading Limited (continued)



Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)
For and on behalf of
CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

30th May 2017

Festival City Theatres Trading Limited

Profit and loss account for the year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover	2	1,168,160	960,286
Cost of sales		(396,065)	(296,651)
Gross profit		772,095	663,635
Administrative expenses		(449,650)	(379,110)
Amount Gift Aided to parent		(322,445)	(284,525)
Operating profit		-	-
Other income		-	-
Profit on ordinary activities before taxation	3	-	-
Taxation	5	-	-
Profit for the financial year	12	-	-

All activities were continuing activities.

The company has no recognised gains and losses other than those included in the results above.

There is no difference between the results on ordinary activities before taxation and the results for the year stated above and their historical cost equivalents.

Festival City Theatres Trading Limited

Notes to the financial statements for the year ended 31 March 2017

Balance sheet as at 31 March 2017

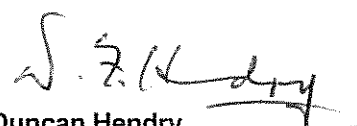
	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	6	102,714	96,992
Current assets			
Stock	8	27,498	17,479
Debtors	9	4,059	9,863
Cash at bank and in hand		38,249	31,066
		69,806	58,408
Creditors: amounts falling due within one year	10	(166,332)	(149,212)
Net current liabilities		(96,526)	(90,804)
Net assets		6,188	6,188
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	6,186	6,186
Equity shareholder's funds	13	6,188	6,188

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland.

The financial statements on pages 6 to 13 were approved by the Board of Directors and authorised for issue on 30th May 2017 and were signed on its behalf by:-



Professor Dame Joan K Stringer DBE FRSE
Director



Duncan Hendry
Director

Registered in Scotland No SC133567

Festival City Theatres Trading Limited

Notes to the financial statements for the year ended 31 March 2017

1 Company information

Festival City Theatres Trading Limited is incorporated and domiciled in Scotland with registered company number SC133567. The registered office is 13/29 Nicolson Street, Edinburgh EH8 9FT. The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the company.

2 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been consistently applied is set out below.

Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards, including Financial Reporting Standard 102, section 1a – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102").

Going concern

The directors consider the company to be a going concern and the financial statements have been prepared on that basis

Further details of the going concern assumption and status of the parent company can be found in the consolidated financial statements of the Festival City Theatres Trust for the year ended 31 March 2017.

The financial statements of the company have therefore been drawn up on a going concern basis which assumes that, at the date of approval of the financial statements, the parent company has sufficient reserves to continue to operate for the foreseeable future and therefore provide ongoing trading opportunities and support to the company.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents sales of food, drink, merchandise and function fees, net of value added tax, and is recognised in the period in which the service is made.

Significant judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Festival City Theatres Trading Limited

Notes to the financial statements for the year ended 31 March 2017

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 6 for carrying amounts of tangible assets.

ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 9 for carrying amount of debtors.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition.

Fixtures and fittings are depreciated using the straight line method at a rate of 20%.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Pensions

The company makes pension contributions to employees' personal pension plans which are charged to the profit and loss account when paid.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments, which include trade and other receivables and cash and bank balances, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Basic financial liabilities, which include trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Other financial instruments are subsequently measured at fair value, with any changes recognised through profit or loss.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Festival City Theatres Trading Limited

Notes to the financial statements for the year ended 31 March 2017

3 Profit on ordinary activities before taxation

Profit is stated after charging:

	2017	2016
	£	£
Auditor's remuneration:		
- As Auditor	1,600	1,575
Depreciation of tangible fixed assets (see note 6)	19,521	10,771

4 Directors' emoluments

The Directors received no emoluments during the year (2016: £nil).

5 Taxation

There is no taxation liability on the profit for the year due to the Gift Aid payment of the taxable profit to the company's holding company, which has charitable status.

The tax assessed for the year is lower than the Small Profits corporation tax rate in the UK (20%) (2016: 20%). The differences are explained below:

	2017	2016
	£	£
Profit on ordinary activities for the financial year	322,445	284,525
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20% (2016: 20%)	64,489	56,905
Effects of:		
Gift Aid payment to parent company (see note 12)	(64,489)	(56,905)
Current tax charge for the period	-	-

Festival City Theatres Trading Limited

Notes to the financial statements for the year ended 31 March 2017

6 Tangible fixed assets

	Fixtures & Fittings £
Cost	
At 1 April 2016	252,175
Additions	25,243
Disposals	(124,112)
At 31 March 2017	153,306
Depreciation	
At 1 April 2016	155,183
Charge for year	19,521
Disposals	(124,112)
At 31 March 2017	50,592
Net book value	
At 31 March 2017	102,714
At 31 March 2016	96,992

7 Employees

The average number of employees during the year was 33 (2016: 33).

8 Stock

	2017 £	2016 £
Café	6,637	-
Bars, catering and kiosk	17,500	15,216
Ice Cream and sweets	3,361	2,263
	27,498	17,479

Festival City Theatres Trading Limited

Notes to the financial statements for the year ended 31 March 2017

9 Debtors: amounts falling due within one year

	2017	2016
	£	£
Trade debtors	1,804	3,210
Prepayments	2,255	2,635
Accrued Income	-	4,018
	4,059	9,863

10 Creditors: amounts falling due within one year

	2017	2016
	£	£
Amount due to parent company	149,450	139,998
Trade creditors	4,305	6,160
Accruals and deferred income	12,577	3,054
	166,332	149,212

11 Share capital

	2017	2016
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called-up and fully paid		
2 Ordinary shares of £1 each	2	2

Called up share capital – represents the nominal value of shares that have been issued.

12 Profit and loss account

	2017	2016
	£	£
At 1 April 2016	6,186	6,186
Surplus retained for the year	-	-
At 31 March 2017	6,186	6,186

Profit and loss account – includes all current and prior period retained profits and losses.

Festival City Theatres Trading Limited

Notes to the financial statements for the year ended 31 March 2017

13 Reconciliation of movement in equity shareholder's funds

	2017	2016
	£	£
At 1 April 2016	6,188	6,188
Surplus for the year before gift aid	322,445	284,525
Gift Aided to Festival City Theatres Trust	(322,445)	(284,525)
At 31 March 2017	6,188	6,188

14 Ultimate Holding Company

Festival City Theatres Trust is recognised as the ultimate holding company and controlling company. Under the terms of Section 33 of Financial Reporting Standard 102, Festival City Theatres Trading Limited is exempt from disclosing related party transactions and balances with Festival City Theatres Trust. Copies of the consolidated financial statements of Festival City Theatres Trust are available from the Company Secretary.

For use by the Directors

This page does not form part of the Financial Statements

Festival City Theatres Trading Limited
Detailed income and expenditure account
For the year ended 31 March 2017

	2017	2016
	£	£
Turnover		
Licensed bar	561,910	462,908
Café	86,293	38,671
Functions	43,381	45,603
Front of House	476,576	413,104
	1,168,160	960,286
Cost of sales		
Licensed bar	198,086	160,454
Café	30,636	13,794
Functions	7,018	7,428
Front of House	112,823	102,933
Administration Costs	47,502	12,042
	396,065	296,651
Gross profit	772,095	663,635
Gift Aid Payment	322,445	284,525
	449,650	379,110
Operating expenses		
Wages and salaries	406,929	343,494
Depreciation	19,521	10,771
Gas & Electric	21,600	23,300
Audit & Accountancy	1,600	1,545
	449,650	379,110
Operating profit (loss)	-	-
Bank Interest	-	-
Profit for the Year	-	-

Festival City Theatres Trust

(A company limited by guarantee)

Annual report

and consolidated financial statements

for the year ended 31 March 2017

Registered in Scotland No SC134619

Registered Scottish Charity No SC018605

Festival City Theatres Trust

(A company limited by guarantee)

Annual report and consolidated financial statements for the year ended 31 March 2017

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Festival City Theatres Trust

(A company limited by guarantee)

Reference and Administrative Details

Directors / Trustees

Professor Dame Joan K Stringer DBE FRSE	- Chair
Philip Bernays	
Helen Mackie	
Alasdair Peacock	
Karen Cairney	
Gordon Jack	
Karyn Watt	<i>appointed 5 April 2017</i>
Councillor Melanie Main	<i>resigned 4 May 2017, re-appointed 30 May 2017</i>
Councillor Karen Doran	<i>resigned 4 May 2017, re-appointed 30 May 2017</i>
Councillor Max Mitchell	<i>appointed 30 May 2017</i>
Councillor Amy McNeese-Mechan	<i>appointed 30 May 2017</i>
Councillor Elaine Aitken	<i>resigned 4 May 2017</i>
Councillor Richard Lewis	<i>resigned 4 May 2017</i>

The directors of the charitable company (the Trust) are its trustees for the purposes of charity law.

Chief Executive

Duncan Hendry

Company Secretary

Iain Ross

Charity Number SC018605

Company Number SC134619

Registered office

13/29 Nicolson Street
Edinburgh
EH8 9FT

Auditor

Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Solicitors

Shepherd & Wedderburn WS
Level 2
Saltire Court
Castle Terrace
Edinburgh
EH1 2ET

Festival City Theatres Trust

(A company limited by guarantee)

Trustees' report for the year ended 31 March 2017

The Directors, who act as Trustees for charitable law purposes, present their report and the audited financial statements for the year ended 31 March 2017. This report is prepared in accordance with the Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities.

Objectives and Activities

The Charitable Purposes of the Trust, whether working on its own or collaboratively with others, are to promote Arts and Culture in all or any of their forms and to foster an understanding and appreciation thereof, and to educate the public about Arts and Culture in all or any of their forms, and the heritage of Arts and Culture. It has the general aim of contributing to the quality of life of the people of Edinburgh and East Central Scotland by expanding their horizons through the provision of exciting, challenging and accessible professional and community arts events.

The Trust aims to have its theatres recognised internationally as centres of excellence, to be engaged with the local community and to present work of the highest quality that stimulates, entertains, educates and inspires. The Trust's mission over the next five years is to enhance the reputation of its theatres by presenting a programme of quality work from Scottish, UK and international companies and to give leadership, support and exemplary levels of care to visiting companies, stakeholders, customers and its own staff.

In pursuance of this mission the Trust's strategic goals are: to develop and grow new audiences from a wide geographic area and a broad range of demographics, whilst retaining and deepening engagement with existing audiences; to present quality work best suited to its theatres from local, national and international companies; to provide flexible facilities for its visiting companies, audiences and staff that meet or exceed their expectations; to maintain a surplus of a minimum of £350,000 in unrestricted reserves.

Based in Edinburgh, the Trust's activities are concentrated on the management, programming and operation of its two theatres, the Festival Theatre and the King's Theatre, and The Studio facility on Potterrow. The Trust aims to programme quality work, referenced against a number of parameters: high threshold of artistic excellence; multiple art forms; cultural diversity and richness; participation and learning opportunities for all ages; inclusiveness – programmes for all tastes and backgrounds; accessibility; mainstream – a variety of well known and loved shows; innovative programming and experimental shows; world class and international work as well as being a window on the world through which Scottish work can be presented nationally and internationally. Performances range across the performing arts including opera, ballet, contemporary dance, theatre, drama, music - classical, contemporary and jazz, musical theatre, pantomime, cinema and musical productions presented by the city's larger amateur musical societies. The Trust maintains a flexible approach to the programme quantity and mix based on the parameters above and on commercial viability.

In addition, the Trust presents a Learning and Participation programme which engages, informs and enthuses a wide range of participants, develops new audiences, and helps deepen our relationship with existing audiences. Activities include youth theatre opportunities, education initiatives to attract new audiences into its theatres, continuous personal development for teachers, career day advice for students, and an extensive range of talks and workshops based around performances in its venues.

The year under review was the second of a three year project, funded by the Life Changes Trust, which aims to make the Trust's venues dementia friendly and produce a framework as an exemplar of best practice for theatres both in Scotland and furth of the border.

Structure, Governance and Management

The Charitable Company ('the Trust') is limited by guarantee and does not have a share capital. It is a recognised charity in Scotland and is governed by Articles of Association which were updated on 2nd December 2014. Members, who shall number six as a minimum and thirteen as a maximum, are those individuals that are elected Trustees, of which a maximum of four are Councillors of, and appointed by, City of Edinburgh Council, up to eight are elected by the Board from time to time and up to one co-opted who may be appointed in the short term to take the place of an elected member during periods of illness or indisposition.

Festival City Theatres Trust

(A company limited by guarantee)

Trustees' report for the year ended 31 March 2017 (continued)

The Management of the Charitable Company is the responsibility of the Trustees who are appointed under the terms of the Articles of Association.

As set out in the Articles of Association, the City of Edinburgh Council nominates up to four Trustees and other Trustees are elected by the Board. Elected Trustees may serve for two periods of four years before retiring. Trustees co-opted by the Board are subject to re-election at the AGM immediately following their co-option. Trustees are elected or co-opted based on an audit, reviewed annually, to ensure that a wide range of skills and interests are represented on the Board.

New Trustees meet with the Chair and the Chief Executive to be appraised of the Trust, its structure, its governance, the content of its Articles of Association, the committee decision-making process, the business plan and recent financial performance. Members of the Board are encouraged to undertake training provided by Arts and Business on best practice in Board membership for Trustees of Arts Charities, and attend a Diversity Training course. They are also given guided tours of the Trust's theatres and afforded the opportunity to meet key staff. Trustees are encouraged to attend performances at the theatres.

The Board of Trustees, which administers the Trust, meets approximately every eight weeks and there are sub-committees covering audit, finance and risk, remuneration and nomination. The Trustees elect one of their number as Chair for a period of four years, which can be renewed. The Board appoints a Chief Executive, who is not a member of the Board, to deliver the strategic objectives set by the Board and manage the day to day operations of the Trust. To facilitate effective operations, the Chief Executive has authority, within terms of delegation approved by the Trustees, for artistic performance and operational matters including finance and employment.

The Trust's wholly owned subsidiary, Festival City Theatres Trading Limited, operates the commercial bar, catering and conference facilities at all venues, donating its taxable surplus to the Trust using Gift Aid.

Related Parties

The Trust has a close relationship with City of Edinburgh Council, which regards the Trust as an associate entity and provides essential core funding for the artistic programme as an amenity for local residents and the public. The Council also acts as the Trust's landlord under lease agreements.

The Trust has a wholly owned subsidiary, Festival City Theatres Trading Limited, which operates commercial activities on its behalf.

The Trust is a minority stakeholder in a touring consortium, Music & Lyrics Limited, which produces large scale touring musicals which visit the Festival Theatre.

The Trust is a member of Touring Consortium Theatre Company which curates and tours dramatic productions which visit the King's Theatre. Our Chief Executive, Duncan Hendry, is a Director of the company.

Key Management Personnel and remuneration policy

The Trustees consider the Board of Trustees, the Chief Executive, the Director of Operations and the Director of Finance & HR comprise the key management personnel of the charity as they are in charge of directing and controlling, running and operating the charity on a day to day basis. All Trustees give of their time freely but can claim travel expenses for attendance at meetings. See note 11 for further details.

The remuneration of the Chief Executive is agreed by the Remuneration Committee each year, taking account of the financial performance of the Trust and achievement of key outcomes, together with benchmarking against salaries of comparable positions in the industry.

Festival City Theatres Trust

(A company limited by guarantee)

Trustees' report for the year ended 31 March 2017 (continued)

Reserves

One of the Trust's strategic goals is to maintain a cumulative surplus on unrestricted reserves of a minimum of £350,000 - a target set by the Board in 2011. In assessing the quantum of this reserve, consideration was given to the effect that short-term adverse economic or trading conditions could have on the Trust and its ability to sustain its operations until matters improved. At 31 March 2017 this reserve was £354,839 (2016 - £352,656).

Designated funds are comprised of two elements. The Theatres Development Fund of £2,622,565 (2016 - £1,900,634) continues to grow steadily. Of the total balance £506,633 is already committed to projects and is being amortised over up to fifty years in line with the life of the assets concerned. The remaining balance of £2,115,932 will contribute to the cost of refurbishment of the seats in the Festival Theatre due to start in September 2017, and provide seed funding for a major transformation of the King's Theatre currently being developed. A pension fund deficit of £347,000 (2016 - £224,000) is a long term liability with no immediate cash effect, although the Trustees are conscious of the size and composition of the debt and continue to give consideration to how it should be dealt with in the medium term.

Restricted funds of £630,233 (2016 - £1,704,907) relate in large part to the Studio development in Potterrow, and are depreciated over fifty years. Additional amounts relate to grants received to upgrade our wi-fi and broadband infrastructure, and restoration projects at the King's Theatre. Further detail is provided in notes 20 to 22 of the financial statements.

Investment policy

During the year the Trustees reviewed the investment policy and agreed that surplus funds should continue to be held in fixed term deposit accounts and diversified across more than one bank and an instant access liquidity fund. During the year income from deposits and accounts amounted to £6,079 (2016: £6,413).

Statement of Trustees' responsibilities

The Trustees (who are also directors of Festival City Theatres Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and the incoming resources and application of resources, including the net income and expenditure, of the charitable group for the year. In preparing the financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation. The going concern basis of preparation is disclosed further in note 2, Principal Accounting Policies, of the financial statements.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Trustees are also responsible for safeguarding the assets of the charitable company and group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Festival City Theatres Trust

(A company limited by guarantee)

Strategic report for the year ended 31 March 2017

The Directors, who act as Trustees for charitable law purposes, are pleased to present their Strategic Report for the year ended 31 March 2017.

Achievements and Performance

Having achieved its goal of earning £350,000 of unrestricted reserves by the end of 2015-2016, the Trust has been able to commit increased funds to the upkeep of its theatres and their technical infrastructure following another very positive year of trading. After transferring £350,000 to the Theatres Development Fund, the balance of the year's surplus of £2,183 was retained in unrestricted reserves.

Attendances for the year were 380,845 (2016 – 336,733) and a further 80,014 (2016 – 59,156) came to see performances promoted by companies renting our theatres. Box office income was £9,902,994 (2016 - £7,585,296) and box office retentions and rental income £2,849,120 (2016 - £2,489,313). As the figures suggest, audience reaction to the programmes curated continued to be extremely positive.

The Trust welcomed five festivals over the summer – the Edinburgh International Film Festival, The Edinburgh Magic Festival, The Edinburgh Jazz and Blues Festival, the Edinburgh International Festival and, in The Studio, Edinburgh Festival Fringe performances were presented by producers Underbelly.

The Festive season saw Scottish Ballet's production of *Hansel and Gretel* at the Festival Theatre and another record-breaking pantomime run at the King's where *Jack and the Beanstalk* played to over 90,000 people. The Studio hosted a show for 1 to 4 year olds, *Too Many Penguins*, which introduced theatre to a very young and enthusiastic new audience.

For the first time the Festival Theatre welcomed a major Cameron Mackintosh production, *Mary Poppins*, which entranced over 43,000 people and produced a noticeable atmosphere of excitement throughout its four week run. The visit of Music & Lyric's much admired show *Chitty Chitty Bang Bang* and return of the National Theatre's *The Curious Incident of the Dog in the Night Time* were other highlights of a busy year in Nicolson Street.

The programme of screenings expanded again and is attracting a core of loyal supporters. *The Tempest* by the Royal Shakespeare Company, Ian McKellen and Patrick Stewart in *No Man's Land*, and National Theatre's *Amadeus* were particularly well supported.

Not to be outdone, the King's hosted a succession of impressive productions including *Jackie The Musical*, *Of Mice and Men*, *Breakfast at Tiffany's*, *A Tale of Two Cities* and the debut of some of Scotland's favourite comic characters in *The Broons*.

All three festive season productions included relaxed or dementia friendly performances, and we were delighted to host the first ever UK dementia friendly opera when Scottish Opera visited with *The Marriage of Figaro*.

Our Learning and Participation programme broadened its reach further during the year and saw the start of a new initiative, The Attic Collective, a repertory company for 18 to 26 year olds. While it has brought its challenges, particularly in a financial sense, the first production, *Lysistrata*, was generally well received and demonstrated potential for the future.

Financial Review

The financial statements show a consolidated operating surplus, after transfers of unrestricted general funds, of £2,183.

City of Edinburgh Council reduced their grant for the year by £123,000 to £646,489 and it will fall by a further £29,550 in 2017/2018. As a Regularly Funded Organisation we received £105,000 from Creative Scotland, the second of three such annual grants, and our funding application for the three year period starting in 2018-2019 was submitted at the beginning of April. Our Patrons and benefactors were once again very generous in their support.

The Trust continues to be dependent on grant support and further significant reductions would have a substantial impact on its financial wellbeing. However, the Board remain cognisant of the very severe pressures that its funders are experiencing, and for the need for the Trust to continue to curate strong programmes, and enhance and expand the work currently being done to address the issues of diversity and inclusion.

Festival City Theatres Trust

(A company limited by guarantee)

Strategic report for the year ended 31 March 2017 (continued)

Planning for a transformational refurbishment project at the King's Theatre took a major step forward with the appointment of a Director of Development whose role will be to mastermind the raising of up to £25 million in support of the project. The Trust has committed to allocating £5 million from the Theatres Development Fund in support of this project and City of Edinburgh Council has given its agreement in principle to including a further £5 million in their capital budgets.

The Trust has material pension obligations as an employer in the Lothian Pension Fund. The liability arose following the transfer of staff, previously employed by City of Edinburgh Council, at the King's Theatre in 1998. As part of the Local Government Pension Scheme the Fund has operated in deficit for a number of years and, at 31 March 2017, the Trust's share of that deficit has been independently calculated as £347,000 (2016 - £224,000). During the year detailed discussions were held with City of Edinburgh Council following which an agreement was reached in respect of the allocation of liability for prior service accruals.

Plans for Future Periods

The significant improvement in the finances of the Trust in recent years has been primarily a reflection of the very strong artistic programmes that have been curated for our venues, and 2017-2018 promises to continue that trend.

The UK premiere of *The Addams Family* started a very busy year at the Festival Theatre which will also end on a musical note when Cameron Mackintosh's *Miss Saigon* visits in January and February 2018. As well as returning for a festive production of *The Nutcracker*, Scottish Ballet present a Stravinsky double bill, and dance aficionados will also be able to see Matthew Bourne's *Red Shoes*, *Milonga* toured by the Dance Consortium, Richard Alston, and *A Linha Curva* by Rambert. Carlos Acosta tours for the first time as director of his new company, *Acosta Danza*.

Scottish Opera's season includes *La Boheme*, *La Traviata* and *Flight*. In complete contrast, we also welcome an eclectic programme of drama and "event" theatre including *Love Letters* starring Ali MacGraw and Ryan O'Neal, National Theatre's "devastating" *Hedda Gabler*, a return visit of the unique *Slava Snowshow* and, a reminder to us all not to take anything for granted, *The Play That Goes Wrong*.

A full programme of screenings includes *Julius Caesar*, *Antony & Cleopatra*, *Yerma* and *Coriolanus*.

The King's Theatre has an equally broad programme. *Who's Afraid of Virginia Woolf*, Jodie Prenger in *Shirley Valentine*, *Death of a Salesman* and *The Kite Runner* should please lovers of drama while musical variety is provided by the hit stage version of the film *The Wedding Singer*, Monty Python's *Spamalot* and *Son of a Preacher Man* featuring the songs of Dusty Springfield.

Our younger audience is well catered for by Roald Dahl's *The Fantastic Mr. Fox*, Funbox with *Underwater Adventure* and the King's panto brings Messrs. Stewart, Gray and Stott back together for the ever-popular *Cinderella*.

The Studio hosts a multitude of events programmed by the Learning and Participation department and will welcome Hans Christian Anderson's first ever children's story, *Tin Soldier*, in December.

2017-2018 is the third and final year of a project funded by the Life Changes Trust which has the aim of making theatre more accessible to dementia sufferers. As well as completing certain structural changes in our venues, the Trust will be in a position to report to other arts organisations in Scotland and beyond on how to adapt their operations to better serve the increasing number of those affected.

Principal Risks and Uncertainties

The Audit Committee has delegated authority from the Trustees to ensure that a review of the major risks to which the charity is exposed is conducted and that systems have been established to mitigate those risks. The Trustees receive a report from the Audit Committee following their review.

The Trust has a comprehensive risk management process in place to identify and address the major financial, operational, governance, reputational and regulatory risks which might impact on its ability to meet its objectives. The Trust has an organisational risk register which records the major risks, the controls in place to mitigate those risks and actions required, where appropriate. Management reviews and updates the register on an annual basis and recently strengthened procedures to ensure compliance with the Code of Fundraising Practice.

Internal risks are minimised by the implementation of procedures for authorisation of all transactions and events and to ensure quality of delivery for all operational aspects of the services provided by the Trust.

Festival City Theatres Trust

(A company limited by guarantee)

Strategic report for the year ended 31 March 2017 (continued)

The Trust has identified the following key risks:

- the potential for further reductions in core funding;
- the ageing of the Trust's theatres which require substantial and increased maintenance; *and*
- the ongoing economic uncertainty caused by Brexit negotiations and the potential for another independence referendum in Scotland

These risks are subject to ongoing monitoring by the Audit Committee. The Trust also has a strategic business plan with aims, objectives and key performance indicators that are monitored monthly by senior management and also by the Board to ensure the effective delivery of the plan and the management of risk.

The Trustees acknowledge the hard and very effective work carried out by all staff, and the contributions made by our supporters and patrons, which together have been important drivers in the success of the Trust.

The Trustee's Annual Report and Strategic Report have been approved by the Board and are signed on their behalf by:



Professor Dame Joan K Stringer DBE FRSE

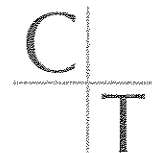
Trustee

30th May 2017

Festival City Theatres Trust

(A company limited by guarantee)

Independent auditor's report to the members and trustees of Festival City Theatres Trust (a company limited by guarantee)



We have audited the financial statements of Festival City Theatres Trust for the year ended 31 March 2017 which comprise the Group and Parent Charitable Company Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group and Parent Charitable Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 6, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

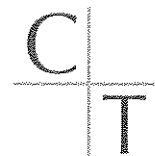
- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Festival City Theatres Trust

(A company limited by guarantee)

Independent auditor's report to the members and trustees of Festival City Theatres Trust

(a company limited by guarantee)



Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report (including the Strategic Report) for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT LLP

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

30th May 2017

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Festival City Theatres Trust
(A company limited by guarantee)
Consolidated statement of financial activities
for the year ended 31 March 2017

(Incorporating a consolidated income and expenditure account)

	Notes	Unrestricted Funds 2017 £	Designated Funds 2017 £	Restricted Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
Income and endowments						
<i>Donations and legacies</i>						
Grants and donations	5	901,489	-	-	901,489	1,024,576
Friends/Patrons/Sponsorship		227,122	-	-	227,122	240,952
<i>Other trading activities</i>						
Commercial trading operations	6	1,168,160	-	-	1,168,160	960,286
Investment income	7	950	5,129	-	6,079	6,413
		2,297,721	5,129	-	2,302,850	2,232,227
Income from Charitable activities						
Operation of theatre income	8	10,951,819	486,498	-	11,438,317	8,726,419
Total Income		13,249,540	491,267	-	13,741,167	10,958,646
Expenditure:						
Costs of raising funds						
Fundraising costs of grants and donations	9	(65,997)	-	-	(65,997)	(45,311)
Commercial trading operations	6	(845,715)	-	-	(845,715)	(675,761)
		(911,712)	-	-	(911,712)	(721,072)
Expenditure on Charitable activities						
Operation of theatre costs	10	(12,979,278)	(98,782)	(109,955)	(13,188,015)	(10,834,805)
Total expenditure		(13,890,990)	(98,782)	(109,955)	(14,099,727)	(11,555,877)
Net (expenditure) and net movement in funds before transfers						
		(641,450)	392,845	(109,955)	(358,560)	(597,231)
Transfer between funds	20-22	643,633	321,086	(964,719)	-	-
Actuarial (losses)/ gains on defined benefit pension schemes	12	-	(115,000)	-	(115,000)	152,000
Net income/ (expenditure) and net movement in funds for the year		2,183	598,931	(1,074,674)	(473,560)	(445,231)
Reconciliation of funds						
Fund balance as at 1 April 2016	20-22	352,656	1,676,634	1,704,907	3,734,197	4,179,428
Fund balances as at 31 March 2017	20-22	354,839	2,275,565	630,233	3,260,637	3,734,197

All incoming resources and resources expended in 2017 were derived from continuing activities. The statement of financial activities includes all gains and losses recognised in the year.

A detailed analysis of the 2016 comparative figures is provided in note 25 of these statements.

Festival City Theatres Trust
(A company limited by guarantee)
Company statement of financial activities
for the year ended 31 March 2017

(Incorporating a consolidated income and expenditure account)

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds	Total Funds
		2017	2017	2017	2017	2016
	Notes	£	£	£	£	£
Income and endowments						
<i>Donations and legacies</i>						
Grants and donations	5	901,489	-	-	901,489	1,024,576
Friends/Patrons/Sponsorship		227,122	-	-	227,122	240,952
Investment income	7	950	5,129	-	6,079	6,413
Gift Aid from trading subsidiary	6	322,445	-	-	322,445	284,525
		1,452,006	5,129	-	1,457,135	1,556,466
Income from Charitable activities						
Operation of theatre income	8	10,951,819	486,498	-	11,438,317	8,726,419
Total Income		12,403,825	491,267	-	12,895,452	10,282,885
Expenditure:						
Costs of raising funds						
Fundraising costs of grants and donations	9	(65,997)	-	-	(65,997)	(45,311)
Expenditure on Charitable activities						
Operation of theatre costs	10	(12,979,278)	(98,782)	(109,955)	(13,188,015)	(10,834,805)
Total expenditure		(13,045,275)	(98,782)	(109,955)	(13,254,012)	(10,880,116)
Net (expenditure) and net movement in funds before transfers		(641,450)	392,845	(109,955)	(358,560)	(597,231)
Transfer between funds	20-22	643,633	321,086	(964,719)	-	-
Actuarial (losses)/ gains on defined benefit pension schemes	12	-	(115,000)	-	(115,000)	152,000
Net income/ (expenditure) and net movement in funds for the year		2,183	598,931	(1,074,674)	(473,560)	(445,231)
Reconciliation of funds						
Fund balance as at 1 April 2016	20-22	346,470	1,676,634	1,704,907	3,728,011	4,173,242
Fund balances as at 31 March 2017	20-22	348,653	2,275,565	630,233	3,254,451	3,728,011

All incoming resources and resources expended in 2017 were derived from continuing activities. The statement of financial activities includes all gains and losses recognised in the year.

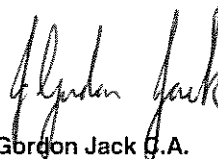
Festival City Theatres Trust
(A company limited by guarantee)
Consolidated balance sheet as at 31 March 2017

		2017	2016
	Notes	£	£
Fixed Assets			
Tangible assets	13(a)	1,833,570	2,923,924
Current assets			
Stock	15	27,498	17,479
Debtors	16	228,114	207,588
Cash at bank and in hand		5,090,522	4,516,782
		5,346,134	4,741,849
Creditors: amounts falling due within one year	17	(3,572,067)	(3,707,576)
Net current assets		1,774,067	1,034,273
Net Assets excluding pension		3,607,637	3,958,197
Pension liability	12	(347,000)	(224,000)
Net assets including pension		3,260,637	3,734,197
Funds			
Unrestricted – general	20	354,839	352,656
Designated – pension reserve deficit	21	(347,000)	(224,000)
Designated – Theatres Development Fund	21	2,622,565	1,900,634
Restricted	22	630,233	1,704,907
Total charity funds	23	3,260,637	3,734,197

The financial statements on pages 12 to 32 were approved by the Board of Trustees and authorised for issue on 30th May 2017 and were signed on its behalf by:



Professor Dame Joan K Stringer DBE FRSE
Trustee



Gordon Jack C.A.
Trustee

Registered in Scotland No SC134619

Festival City Theatres Trust

(A company limited by guarantee)

Company balance sheet as at 31 March 2017

		2017	2016
	Notes	£	£
Fixed Assets			
Tangible assets	13(b)	1,833,570	2,923,924
Investments	14	2	2
		1,730,858	2,826,934
Current assets			
Stock	15	-	-
Debtors	16	373,505	337,723
Cash at bank and in hand		5,052,273	4,485,716
		5,425,778	4,823,439
Creditors: amounts falling due within one year	17	(3,555,185)	(3,698,362)
Net current assets		1,870,593	1,125,077
Net Assets excluding pension		3,601,451	3,952,011
Pension liability	12	(347,000)	(224,000)
Net assets including pension		3,254,451	3,728,011
Funds			
Unrestricted – general	20	348,653	346,470
Designated – pension reserve deficit	21	(347,000)	(224,000)
Designated – Theatres Development Fund	21	2,622,565	1,900,634
Restricted	22	630,233	1,704,907
Total charity funds	23	3,254,451	3,728,011

The financial statements on pages 12 to 32 were approved by the Board of Trustees and authorised for issue on 30th May 2017 and were signed on its behalf by:

Professor Dame Joan K Stringer DBE FRSE
Trustee

Gordon Jack C.A.
Trustee

Registered in Scotland No SC134619

Festival City Theatres Trust

(A company limited by guarantee)

Consolidated statement of cash flows for the year ended 31 March 2017

		2017	2016
	Notes	£	£
Net cash provided by operating activities		681,446	2,073,868
Cash flows from investing activities:			
Interest received	7	6,079	6,413
Purchase of property, fixtures and fittings	13(a)	(113,785)	(126,727)
Cash used in investing activities		(107,706)	(120,314)
Increase in cash and cash equivalents in the year		573,740	1,953,554
Cash and cash equivalents at 1 April 2016		4,516,782	2,563,228
Cash and cash equivalents at 31 March 2017		5,090,522	4,516,782

Reconciliation of net movement in funds to net cash flow from operating activities

		2017	2016
	Notes	£	£
Net movement in funds		(473,560)	(445,231)
Adjustments for:			
Add back depreciation charges	13(a)	1,204,139	1,150,622
Deduct interest income shown in investing activities		(6,079)	(6,413)
Pension scheme movements		123,000	(141,000)
(Increase)/ decrease in stocks		(10,019)	4,644
(Increase)/ decrease in debtors		(20,526)	104,357
(Decrease)/ increase in creditors		(135,509)	1,406,889
Net cash provided by operating activities		681,446	2,073,868

Festival City Theatres Trust

(A company limited by guarantee)

Company statement of cash flows for the year ended 31 March 2017

		2017	2016
	Notes	£	£
Net cash provided by operating activities		649,020	1,989,987
Cash flows from investing activities:			
Interest received	7	6,079	6,413
Purchase of property, fixtures and fittings	13(a)	(88,542)	(55,272)
Cash used in investing activities		(82,463)	(48,859)
Increase in cash and cash equivalents in the year		566,557	1,941,128
Cash and cash equivalents at 1 April 2016		4,485,716	2,544,588
Cash and cash equivalents at 31 March 2017		5,052,273	4,485,716

Reconciliation of net movement in funds to net cash flow from operating activities

		2017	2016
	Notes	£	£
Net movement in funds		(473,560)	(445,231)
Adjustments for:			
Add back depreciation charges	13(a)	1,184,618	1,139,851
Deduct interest income shown in investing activities		(6,079)	(6,413)
Pension scheme movements		123,000	(141,000)
(Increase)/ decrease in debtors		(35,782)	21,801
(Decrease)/ increase in creditors		(143,177)	1,420,979
Net cash provided by operating activities		649,020	1,989,987

Festival City Theatres Trust

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 March 2017

1 Company information

Festival City Theatres Trust is a company limited by guarantee incorporated in Scotland with registered company number SC134619. The registered office is 13/29 Nicolson Street, Edinburgh, EH8 9FT. The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the company.

2 Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Festival City Theatres Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Basis of consolidation

These financial statements consolidate the results of the charity and its wholly owned subsidiary, Festival City Theatres Trading Ltd.

Going concern

The Trustees consider the charitable company and group to be a going concern and the financial statements have been prepared on that basis. The future operations of the charitable company and group are dependent on the continued financial support of the core funding body and sufficient ongoing operating cash flow.

The group and company inherently depend on grants from outside sources to finance ordinary activities. Support from the core funding body has been confirmed until 31 March 2018. At the date of approval of these financial statements the Board is not aware of any reason why core funding would not be renewed in future years.

Having considered the matters above the Trustees are of the view that, at the date of approval of the financial statements, the group has sufficient reserves to continue to operate for the foreseeable future and have plans in place to mitigate any issues associated with any unforeseen circumstances.

The financial statements have therefore been drawn up on a going concern basis.

Incoming resources

Voluntary income including donations, gifts and grants that provide core funding or are of a general nature are recognised where there is an entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when:-

- the donor specifies that the grant or donation must only be used in future accounting periods; or
- the donor has specified conditions which must be met before the charity has unconditional entitlement.

Capital grants and donations are recognised in the year of receipt and treated as restricted funds, with subsequent depreciation on the relevant assets matched by a transfer from restricted funds to unrestricted funds. Depreciation on assets purchased using the Theatres Development Fund is matched by a transfer from designated funds to unrestricted funds.

Income from patrons, friends and sponsorship is recognised on receipt. Income from commercial trading activities is recognised as earned.

Festival City Theatres Trust

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 March 2017

2 Principal accounting policies (continued)

Incoming resources (continued)

Investment income is recognised on a receivable basis.

Income from charitable activities includes income received under contract or, where entitlement to grant funding is subject to specific performance conditions, is recognised as and when it is earned. Income is deferred when ticket sales or performance related grants are received in advance of the performance to which they relate.

Resources expended

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods or services are supplied.

- Costs of raising funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Charitable activities include expenditure associated with the staging of concerts, stage productions, and include both the direct and support costs relating to these activities.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage. Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Significant judgements and estimation uncertainty

In the application of the company's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As the estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for carrying amounts of tangible assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for carrying amount of debtors.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition. Depreciation is calculated to write off the cost of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

Fixtures and fittings	five years
Computers	three to five years
Leasehold improvements	over the term of the lease
Leasehold asset	fifty years

There is no minimum value below which fixed assets are not capitalised as items are reviewed by management on an individual basis.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

2 Principal accounting policies (continued)

Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any discounts due.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Pension costs

The company makes pension contributions to employees' personal pension plans which are charged to the income and expenditure account when paid.

Certain employees are members of Lothian Pension Fund, a defined benefit pension scheme. In accordance with FRS102 Retirement Benefits, the operating and financing costs of pensions are charged to the statement of financial activities in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in the statement of financial activities. Pension costs are assessed in accordance with the advice of a qualified actuary.

Taxation

The company is a charity for the purposes of Section 505 ICTA 1988 and is exempt from taxation on the whole of its income. The subsidiary is not a charity. It has, however, agreed to Gift Aid to Festival City Theatres Trust any taxable surplus of income over expenditure.

Restricted funds

These are funds from a donor or grant body that can only be used for a particular restricted purpose within the objects of the charity.

Designated funds

The Theatres Development Fund represents funds set aside for the repair and renewal of the Trust's venues and the replacement of equipment.

The pension reserve surplus or deficit is disclosed separately.

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees. In particular circumstances the Board may designate reserves as appropriate.

Festival City Theatres Trust

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 March 2017

3 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1. There are currently 11 members (2016: 11).

4 Movement in total funds for the year

The movements in total funds for the year are stated after charging:-

	2017 £	2016 £
Auditor's remuneration		
- As auditor	12,100	11,880
Operating leases:		
- Festival Theatre	-	108,050
- King's Theatre	150,000	150,000
Depreciation:		
- Owned assets	1,204,139	1,150,622

5 Voluntary Income – Grants and Donations

		2017 £	2016 £
CEC Revenue Funding		646,489	769,576
CEC King's Rent		150,000	150,000
Creative Scotland RFO Grant		105,000	105,000
Unrestricted funds	20	901,489	1,024,576
Restricted funds	22	-	-
Total		901,489	1,024,576

Festival City Theatres Trust

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 March 2017

6 Commercial Trading operations

The company owns 100% of the issued share capital of Festival City Theatres Trading Limited which provides bar, catering and front of house facilities at all venues, and pays management charges for heating, lighting and management provided by the Trust staff.

A summary of the trading results is shown below:

	2017	2016
	£	£
Turnover	1,168,160	960,286
Cost of sales and admin costs	(845,715)	(675,761)
Interest receivable	-	-
Net Profit	322,445	284,525
Gift Aid	(322,445)	(284,525)
Retained in subsidiary	-	-
The assets and liabilities of the subsidiary		
Fixed Assets	102,714	96,992
Current Assets	69,806	58,408
Current Liabilities	(166,332)	(149,212)
Total Net Assets	6,188	6,188
Aggregate Share Capital & Reserves	6,188	6,188

7 Investment Income

	2017	2016
	£	£
Interest receivable	6,079	6,413

8 Income from Charitable activities

The income was primarily from the operation of the two theatres.

	2017	2016
	£	£
Unrestricted funds – concert, stage performance, box office & ancillary income	10,951,819	8,317,009
Designated funds – box office income	486,498	409,410
Total	11,438,317	8,726,419

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

9 Allocation of support costs

The Trust allocates its support costs as shown in the table below. Support costs are allocated on a basis consistent with the use of resources.

Support cost	Theatre Operation (note 10)	Allocated to Fundraising Costs of Grants and Donations	Governance (note 10)	Total
	£	£	£	£
General office	262,123	65,997	43,247	371,367
Finance office	51,179	-	-	51,179
Information technology	60,431	-	-	60,431
External audit	-	-	12,100	12,100
Legal and other professional fees	34,105	-	-	34,105
Total	407,838	65,997	55,347	529,182

10 Analysis of Expenditure on Charitable activities

The Trust undertakes direct charitable activities only and does not make grant payments.

	Notes	2017	2016
		£	£
Backstage and other production costs		10,366,349	8,070,626
Production/ activity advertising, Marketing & education		701,486	748,354
Box office		417,222	432,362
Course and activities		12,156	20,021
Depreciation		89,388	78,812
Central premises costs		929,492	931,924
Governance	9	55,347	52,974
Support costs	9	407,838	346,932
Unrestricted funds		12,979,278	10,682,005
Designated funds		98,782	111,912
Restricted funds		109,955	42,433
Total		13,188,015	10,836,350

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

11 Employee information

(a) The average number of people employed by the Group during the year was:

	2017		2016	
	Full time number	Part time number	Full time number	Part time number
Customer Services	5	23	5	21
Marketing and Box office	13	8	13	9
Stage, stage door and maintenance	27	18	26	19
Administration	12	-	12	-
	57	49	56	49

Part time numbers are represented on a full time equivalent basis.

(b) Employment costs - all employees:-

	2017	2016
	£	£
Aggregate gross wages and salaries paid to employees	2,632,968	2,395,949
Social security costs	228,699	199,434
Pension contributions	154,263	134,279
Total direct costs of employment	3,015,930	2,729,662

(c) The number of employees who earned greater than £60,000 during the year (including employer's pension contributions) is as follows:

	2017	2016
£60,001 - £70,000	-	1
£70,001 - £80,000	2	1
£110,001 - £120,000	1	1

(d) Key Management Personnel

For the purposes of this disclosure, the Key Management Personnel are defined as the Trustees, Chief Executive, Director of Operations and Director of Finance & HR whose aggregate remuneration in the year was £266,251 (2016 - £257,438)

(e) Trustees' emoluments

Trustees received no remuneration (2016: nil), and were paid £208 (2016: £154) travel expenses, in the year.

12 Pension obligations

The company makes pension contributions to employees' personal pension plans which are charged to the income and expenditure account when paid. In addition the Trust participates in the Lothian Pension Fund defined benefit pension scheme providing benefits based on final pensionable salary. The assets of the schemes are held separately from those of the company.

The total costs to the company of contributions to the above schemes during the year were £154,263 (2016: £134,279).

The provision under Financial Reporting Standard 102 relating to Retirement Benefits (FRS102) reflects the shortfall of the fair value of scheme assets compared to scheme liabilities based on specific assumptions at a point in time which differ from those adopted by the Trustees on an ongoing basis.

Festival City Theatres Trust

(A company limited by guarantee)

Notes to the financial statements for the year ended 31 March 2017

12 Pension obligations (continued)

Accordingly, the reported FRS102 provision does not represent a cash liability, but the interaction of company contributions and the capital and income growth from the scheme assets compared with the obligation to settle scheme liabilities as they arise in the future.

The valuation used for FRS102 disclosures has been based on the most recent valuation at 31 March 2014 and updated by Hymans Robertson LLP as actuaries to the Lothian Pension Fund. The valuation takes account of the requirements of FRS102 in order to assess the liabilities of the scheme at 31 March 2017.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability:

	2017			2016		
	Assets	Obligations	Net (liability) asset	Assets	Obligations	Net (liability) asset
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Fair value of plan assets	998	-	998	958	-	958
Present value of funded liabilities		1,222	(1,222)	-	1,323	(1,323)
Opening position at 1st April 2016	998	1,222	(224)	958	1,323	(365)
Service cost:						
Current service cost	-	14	(14)	-	17	(17)
Past service cost	-	-	-	-	-	-
Effect of settlements	-	-	-	-	-	-
Total Service Cost	-	14	(14)	-	17	(17)
Net interest:						
Interest income on plan assets	34	-	34	31	-	31
Interest cost of defined benefit obligation	-	42	(42)	-	42	(42)
Total net interest	34	42	(8)	31	42	(11)
Total defined benefit cost recognised in Surplus	34	56	(22)	31	59	(28)
Cashflows:						
Plan participants' contributions	3	3	-	3	3	-
Employer contributions	19	-	19	17	-	17
Benefits paid	(74)	(74)	-	(27)	(27)	-
Expected closing position	980	1,207	(227)	982	1,358	(376)
Remeasurements:						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	306	(306)	-	(118)	118
Other experience	-	-	-	-	(18)	18
Return on assets excluding interest	186	-	186	16	-	16
Changes in asset ceiling	-	-	-	-	-	-
Total remeasurements recognised in Other Comprehensive Income (IOC)	186	306	(120)	16	(136)	152
Fair value of plan assets	1,166	-	1,166	998	-	998
Present value of funded liabilities	-	1,513	(1,513)	-	1,222	(1,222)
Closing position as at 31st March 2017	1,166	1,513	(347)	998	1,222	(224)

The current service cost includes an allowance for administration expenses of 0.3% of payroll.

There are no unfunded liabilities.

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Notes to the financial statements for the year ended 31 March 2017

12 Pension obligations (continued)

The principal actuarial assumptions used at the balance sheet date are as follows:

	2017	2016
	%	%
Pension increase rate per annum	2.4	2.2
Salary increase rate per annum	4.4	4.2
Discount rate per annum	2.6	3.5

The expected rates of return are set equal to the discount rate in line with FRS102 disclosure requirements.

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25%. This applies to both prospective and current pensioners.

	Males	Females
	Years	Years
Current pensioners	22.1	23.7
Future pensioners	24.2	26.3

An allowance is included for future retirements to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% for post-April 2009 service.

The major categories of plan assets as a percentage of total plan assets were as follows:

	2017	2016
	%	%
Equities	67	67
Bonds	23	20
Property	7	9
Cash	3	4

The estimated employer contributions to the defined benefit scheme for the next financial year beginning 1 April 2016 are £24,000

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

13 Tangible fixed assets

(a) Group	Leasehold assets £	Leasehold Improvements £	Fixtures and Fittings £	Total £
Cost				
At 1 April 2016	1,654,123	21,349,359	1,606,128	24,609,610
Additions	-	-	113,785	113,785
Disposals	-	-	(463,375)	(463,375)
At 31 March 2017	1,654,123	21,349,359	1,256,538	24,260,020
Depreciation				
At 1 April 2016	252,787	20,369,324	1,063,575	21,685,686
Disposals	-	-	(463,375)	(463,375)
Charge for year	47,299	980,035	176,805	1,204,139
At 31 March 2017	300,086	21,349,359	777,005	22,426,450
Net book value				
At 31 March 2017	1,354,037	-	479,533	1,833,570
At 31 March 2016	1,401,336	980,035	542,553	2,923,924

On 16 July 1992 the Trust signed a 25 year lease for the Festival City Theatre with Edinburgh District Council, predecessor of The City of Edinburgh Council, who own the site.

On 20 July 1998, the Trust signed a 25 year lease for the King's Theatre with The City of Edinburgh Council.

On 4 August 2011 the Trust signed a 125 year lease for the site of The Studio on Potterrow with The City of Edinburgh Council

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

13 Tangible fixed assets (continued)

(b) Company	Leasehold assets £	Leasehold Improvements £	Fixtures and Fittings £	Total £
Cost				
At 1 April 2016	1,654,123	21,349,359	1,353,953	24,357,435
Additions	-	-	88,542	88,542
Disposals	-	-	(339,263)	(339,263)
At 31 March 2017	1,654,123	21,349,359	1,103,232	24,106,714
Depreciation				
At 1 April 2016	252,787	20,369,324	908,392	21,530,503
Disposals	-	-	(339,263)	(339,263)
Charge for year	47,299	980,035	157,284	1,184,618
At 31 March 2017	300,086	21,349,359	726,413	22,375,858
Net book value				
At 31 March 2017	1,354,037	-	376,819	1,730,856
At 31 March 2016	1,401,336	980,035	445,561	2,826,932

14 Investments

The Trust owns 100% of the ordinary shares of its trading subsidiary, Festival City Theatres Trading Limited, amounting to £2 (2016: £2). It also holds one ordinary share (6.25%) in Music & Lyrics Ltd., a consortium of theatres which produces large scale touring musicals. Its cost of £1 has been written off.

15 Stock

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Café	6,637	-	-	-
Bars	17,500	15,216	-	-
Ice Cream and Sweets	3,361	2,263	-	-
	27,498	17,479	-	-

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

16 Debtors

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Amounts falling due within one year				
Trade debtors	53,067	29,259	51,263	26,049
Prepayments and accrued income	175,047	178,329	172,792	171,676
Amounts due from subsidiary	-	-	149,450	139,998
	228,114	207,588	373,505	337,723

17 Creditors: amounts falling due within one year

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade creditors	254,985	317,375	250,680	311,375
Other creditors, tax and social security	537,800	349,543	537,800	349,543
Accruals and deferred income	2,779,282	3,040,658	2,766,705	3,037,604
	3,572,067	3,707,576	3,555,185	3,698,362

Other creditors, including tax and social security are made up as follows:

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Salary costs including taxation and social security	81,817	80,270	81,817	80,270
Other creditors	455,983	269,273	455,983	269,273
	537,800	349,543	537,800	349,543

Other creditors include settlements due to producers.

18 Operating lease commitments

At 31 March 2017, the group had total future minimum commitments under non-cancellable operating leases, all of which are due to City of Edinburgh Council, of:

	2017 £	2016 £
Expiring within one year	150,000	252,254
Expiring between two and five years	600,000	600,000
Expiring in more than five years	200,000	350,000

19 Capital and other commitments

The Trust had authorised capital expenditure of £505,160 at 31 March 2017 (2016: £nil).

Guarantees to promoters issued in the normal course of business at 31 March 2017 amounted to £371,000 (2016: £100,800).

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

20 Unrestricted funds

General	Group £	Company £
At 31 March 2016	352,656	346,470
Deficit for the year	(641,450)	(641,450)
Transferred from funds	993,633	643,633
Transferred to Theatres Development Fund	(350,000)	-
At 31 March 2017	354,839	348,653

21 Designated funds

Group and company	Theatres Development Fund £	Pension reserve deficit £	Total £
At 31 March 2016	1,900,634	(224,000)	1,676,634
Income	491,627	-	491,627
Expenditure	(90,782)	-	(90,782)
Transfer in from Unrestricted Funds	350,000	-	350,000
Transfers out	(28,914)	-	(28,914)
Pension movement	-	(123,000)	(123,000)
At 31 March 2017	2,622,565	(347,000)	2,275,565

22 Restricted funds

Group and company	At 31 March 2016 £	Income £	Expenditure £	Transfers out £	At 31 March 2017 £
The Studio	540,813	-	-	(41,144)	499,669
EFT Refurbishment	907,157	-	-	(907,157)	-
King's Refurbishment	147,483	-	(109,955)	-	37,528
Broadband	109,454	-	-	(16,418)	93,036
	1,704,907	-	(109,955)	(964,719)	630,233

The Studio: The cost of the construction and fitting out of a rehearsal studio on Potterrow was funded by donations from trusts and individuals, a grant from Creative Scotland and a contribution of £500,000 from the Theatres Development Fund. The reserve is being released annually over 50 years in line with the associated depreciation charges arising.

Refurbishments: Grant funding for the original 1994 redevelopment of the Festival Theatre has been fully released to unrestricted funds over the period of the theatre lease and in line with the annual depreciation charges on costs capitalised as leasehold improvements. Grants from Historic Scotland and individual donations were committed to programmes of work at the King's Theatre.

Broadband: The Trust received a grant through the Public Buildings WiFi Scheme to finance the upgrading of broadband and wi-fi facilities at its properties. The reserve will be released annually in line with the associated depreciation charges and running costs.

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

23 Analysis of group net assets between funds

	Unrestricted £	Designated £	Restricted £	Total £
Tangible Fixed Assets	795,863	506,633	531,074	1,833,570
Cash at Bank	2,875,431	2,115,932	99,159	5,090,522
Other current assets	255,612	-	-	255,612
Liabilities	(3,572,067)	(347,000)	-	(3,919,067)
	354,839	2,275,565	630,233	3,260,637

24 Related party transactions

City of Edinburgh Council is a related party of Festival City Theatres Trust by virtue of the Council's representation on the Board of Trustees. During the year City of Edinburgh Council invoiced the Trust for the sum of £227,531 (2016: £268,679) in respect of foyer shop rentals, King's Theatre rental and insurance with invoices raised to the Council for training, seminars, box office tickets and functions totalling £3,284 (2016: £538). Balances outstanding at the year end to and from the Council totalled £30,000 (2016: £178,675) and £2,785 (2016: £nil) respectively. Grant income of £796,489 (2016: £919,576) was received during the year.

The Trust is a stakeholder in a touring consortium, Music & Lyrics Limited, which produces large scale musicals. During the year Music & Lyrics Limited and its subsidiaries invoiced the Trust for the sum of £350,309 (2016: £190,064) for production fees and the Trust raised invoices to them for £62,067 (2016: £39,247) for accounting support and miscellaneous expenses. At the year end a subsidiary of Music & Lyrics Limited owed the Trust £4,119 representing advances paid and sundry un-invoiced expenses (2016: £118,025).

Festival City Theatres Trust

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Notes to the financial statements for the year ended 31 March 2017

25 Consolidated statement of financial activities for the year ended 31 March 2016

(Incorporating a consolidated income and expenditure account)

	Notes	Unrestricted Funds 2016 £	Designated Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £
Income and endowments					
<i>Donations and legacies</i>					
Grants and donations	5	1,024,576	-	-	1,024,576
Friends/Patrons/Sponsorship		240,952	-	-	240,952
<i>Other trading activities</i>					
Commercial trading operations	6	960,286	-	-	960,286
Investment income	7	6,413	-	-	6,413
		2,232,227	-	-	2,232,227
Income from Charitable activities					
Operation of theatre income	8	8,317,009	409,410	-	8,726,419
Total income		10,549,236	409,410	-	10,958,646
Expenditure:					
Costs of Raising funds					
Fundraising costs of grants and donations	9	(45,311)	-	-	(45,311)
Commercial trading operations	6	(674,216)	-	-	(674,216)
Expenditure on Charitable activities		(719,527)	-	-	(719,527)
Operation of theatre costs	10	(10,682,005)	(111,912)	(42,433)	(10,836,350)
Total expenditure		(11,401,532)	(111,912)	(42,433)	(11,555,877)
Net (expenditure)/income and net movement in funds before transfers		(852,296)	297,498	(42,433)	(597,231)
Transfers between funds	20-22	1,032,398	(28,913)	(1,003,485)	-
Actuarial losses on defined benefit pension schemes	12	-	152,000	-	152,000
Net income/(expenditure) and net movement in funds for the year		180,102	420,585	(1,045,918)	(455,231)
Reconciliation of funds					
Fund balance as at 1 April 2015	20-22	172,554	1,256,049	2,750,825	4,179,428
Fund balances as at 31 March 2016	20-22	352,656	1,676,634	1,704,907	3,734,197

The statement above contains detailed analysis of the comparative figures noted in the consolidated statement of financial activities on page 12 of the financial statements.

Festival City Theatres Trust

(A company limited by guarantee)

This page does not form part of the audited financial statements

Consolidated income and expenditure account for the year to 31 March 2017

	Trading 2017	Theatre 2017	Total 2017	Cons Total 2016
	£	£	£	£
Turnover	1,168,160	11,178,941	12,347,101	9,518,247
Cost of sales	(396,065)	(7,599,177)	(7,995,242)	(5,798,389)
Gross profit	772,095	3,579,764	4,351,859	3,719,858
Other income				
Interest receivable	-	950	950	6,413
Grant income	-	901,489	901,489	1,024,576
Total other income	-	902,439	902,439	1,030,989
Expenditure				
Salaries and wages (net of technical contras)	406,929	2,213,976	2,620,905	2,428,967
Rent & rates	-	307,326	307,326	292,874
Repairs	-	157,215	157,215	158,312
Gas & electric	21,600	264,550	286,150	314,615
Insurances	-	122,267	122,267	120,988
Books, Magazines & Subs	-	9,637	9,637	6,289
Post, printing, Stationery & copying	-	12,371	12,371	13,735
Telephone	-	38,533	38,533	28,591
Admin computer exps	-	60,431	60,431	27,792
Travel & subs	-	8,048	8,048	7,342
Recruitment & Training	-	13,930	13,930	22,648
Hospitality & entertaining	-	6,067	6,067	5,331
Subs & licences	-	2,149	2,149	2,751
Audit	1,600	10,500	12,100	11,525
Legal	-	1,877	1,877	-
Professional fees	-	32,228	32,228	16,313
Bank charges & interest	-	10,440	10,440	7,235
Marketing & promotion	-	386,823	386,823	482,097
Box Office exps(net)	-	125,002	125,002	140,896
Front of House	-	46,421	46,421	45,164
Development & education	-	53,333	53,333	31,571
Sundry costs	-	5,720	5,720	687
Stage	-	88,822	88,822	45,070
Irrecoverable VAT	-	283,814	283,814	241,728
Depreciation	19,521	1,184,618	1,204,139	1,150,622
Total expenses	449,650	5,446,098	5,895,748	5,603,143
Gift aid charge/income	(322,445)	322,445	-	-
Operating deficit	-	(641,450)	(641,450)	(852,296)



Festival City Theatres Trust Annual Review 2016/17



Welcome to the Festival City Theatres Trust Review of 2016/17



Photo: Phil Wilkinson

In the last twelve months, the Festival City Theatres Trust has presented one of the most extensive programmes in its 23-year history and the pages that follow tell that story, reminding us of the highlights of what has been an extraordinary year for the Trust.

Throughout the year we have presented a programme featuring the very best in drama, dance, opera, musical theatre, and pantomime. Once again, our theatres were at the heart of Edinburgh's Festivals in what is the world's leading festival city.

As Scotland's largest independent theatre organisation, we have championed equal access to the arts and we consistently present more accessible performances than any other theatre in the UK. We have also delivered an extensive creative learning programme to complement the shows on our stages and to reach out to those who normally would not, or could not, come to our theatres.

From a business perspective, we are delighted to report that it has been another year of growth for the Trust with higher levels of income than ever before and a reduced reliance on public subsidy.

These excellent results are a testament to the wonderful service provided by our staff, the excitement of our programme and the quality of our venues.

As we move into the new financial year we do so with the confidence derived from the quality of the work we present on our stages and from our strong financial position.

Professor Dame Joan Stringer DBE FRSE, Chair
Duncan Hendry, Chief Executive

The Year in Review

Mary Poppins Photo: Johann Persson; (below) Panto stars honoured by the Lord Provost in January 2017 Photo: Phil Wilkinson



During the course of the year we welcomed audiences from all over Scotland and beyond to experience 155 productions on the stages of the Studio, Festival and King's Theatres. Attendances were up 9% on the previous year and income was up by 25%. In the past six years, our annual turnover has doubled. Our financial success has enabled us to improve the facilities in our theatres which, in turn, helps us to attract the UK's leading producers.

We started the financial year with our first ever show from Cameron Macintosh, in a co-production with Disney Productions, of the phenomenally successful musical, *Mary Poppins*. A run of 30 performances gave us our highest grossing production to date.

We celebrated record-breaking box office takings for the King's Theatre pantomime, now one of the top three grossing pantomimes in the UK. This outstanding result, combined with Scottish Ballet's *Hansel & Gretel* at the Festival Theatre and *Too Many Penguins?* at the Studio, gave us a diverse Christmas season, appealing to all ages.

Our theatres continue to be used as key venues for the Edinburgh Festivals. We were delighted to welcome Edinburgh's Hogmanay to the list of festivals we worked with in 2016/17 including: Edinburgh International Festival, Edinburgh Jazz and Blues Festival, Edinburgh Festival Fringe, Edinburgh International Film Festival, Edinburgh International Children's Festival (formerly Imagine), Edinburgh International Magic Festival, Luminare, Banff Mountain Film Festival and the Ocean Film Festival.

Once again, our opera programme was enthusiastically received. During the year we welcomed Scottish Opera's *The Marriage of Figaro*, *The Trial* and Opera North's *Billy Budd*. Our dance programme included dazzling performances by Scottish Ballet, Alvin Ailey American Dance Theater and Rambert.

The visit of Music & Lyric's much admired show *Chitty Chitty Bang Bang* and the return of the National Theatre's *The Curious Incident of the Dog in the Night-Time* were other highlights of a busy year at the Festival Theatre. The King's hosted a succession of impressive productions including *Jackie the Musical*, *Of Mice and Men*, *Breakfast at Tiffany's*, *A Tale of Two Cities* and the debut of some of Scotland's favourite comic characters in *The Broons*.



"The cast deserved a big thank you from their city for the smiles they brought to our faces night after night this winter."

THE FORMER LORD PROVOST, DONALD WILSON

Learning & Participation

Imaginate in The Studio; Janice Parker Projects at The Festival Theatre Photos: Greg Macvean



- ▶ 448 EVENTS INCLUDING 168 DEMENTIA FRIENDLY EVENTS
- ▶ 12,393 PARTICIPANTS
- ▶ 10 RELAXED PERFORMANCES
- ▶ 1,727 TICKETS DONATED TO SCHOOLS, CHARITIES AND COMMUNITY GROUPS

Our key achievements for 2016/17

In order to engage new audiences and reach communities beyond our usual demographic, our Learning and Participation team deliver projects which enhance the experience of live performance. The work falls into four areas – working with schools; overcoming barriers to access; supporting emerging talent; and encouraging public engagement.

2016/17 marked the first full year of Forget Me Not, a project to make our theatres 'Dementia Friendly' communities. With 168 events and 3,074 participants, key events included the first Dementia Friendly performance in Scotland of a major touring musical – *Chitty Chitty Bang Bang* - the UK's first Dementia Friendly Opera - a special performance of *The Marriage of Figaro*, and the world premiere of *Curious Shoes*, a bespoke piece of theatre for people living with dementia. We circulate a newsletter, which connects our activity with dementia friendly communities across Scotland and goes out to over 3,000 people.

We hosted the first *Awfey Huge Variety Show*, a show created and performed by the children of Edinburgh's special schools, celebrating the work of young disabled artists on our main stage.

During the year we launched The Attic Collective, a new theatre company for young people in Scotland. After a rigorous process of whittling down 373 applications to audition 80 young hopefuls, we recruited 18 company members for the first year of the Collective. The Collective made their mark with their first show, a production of Aristophanes' *Lysistrata* at the King's Theatre in January 2017.

The year marked the end of a three year Start project designed to give primary school children who are new to theatre an inspiring free programme of visits to professional shows, workshops to develop new skills, support to create their own work and the opportunity to share their work on Scotland's biggest stage.

"Forthview Primary School took part in the START project with the Festival Theatre for three years. It was a most exciting experience and we felt privileged to be part of it. The pupils had the opportunity to attend a wide range of first-class theatre productions and enjoyed workshops which introduced them to a range of theatre crafts and skills. This is a wonderful project with every moment to be savoured."

EILEEN LITTLEWOOD, HEAD TEACHER,
FORTHVIEW PRIMARY SCHOOL

Top Ten Shows



2016/17 in Numbers

Loving our programme **£9,937,626**

Total ticket income from **584** performances of **155** shows

Income up by **25%**

26% of the shows we present in our prestigious programme are exclusive to our venues. You won't see them anywhere else in Scotland

Our audiences are



Growing

Attendance is up **9%**

and we had **460,859** visitors in 2016/17

Joining in **12,393**

We had

people taking part in our Learning & Participation activity over **448** events

And eating lots of ice cream **103,921**

tubs (**41,680** vanilla) and having a drink or two (**54,588** glasses of wine)

A Look Ahead

Acosta Danza Photo: Manuel Vason; Miss Saigon Photo: Matthew Murphy and actor Brian Cox Photo: Phil Wilkinson



Autumn 2017 onwards

2017/18 looks set to be another stellar year for our theatres with a host of exciting shows lined up across the year.

We are delighted to confirm that Cameron Mackintosh's company will return in January 2018 with the acclaimed production of Boublil and Schönberg's legendary musical *Miss Saigon* at the Festival Theatre.

As well as returning for a festive production of *The Nutcracker*, Scottish Ballet will present a Stravinsky double bill in the autumn, and dance audiences will also be thrilled by the return of Carlos Acosta with his new Cuban company Acosta Danza, and by Rambert's visit with *A Linha Curva*.

Scottish Opera's season includes David McVicar's production of Verdi's *La Traviata* and Jonathan Dove's new comic opera *Flight*. We welcome an exciting programme of drama to the Festival Theatre including the National Theatre's "devastating" *Hedda Gabler* directed by Ivo van Hove and award winning comedy *The Play That Goes Wrong*.

The King's Theatre has an equally enticing programme of drama. Tom Stoppard's *The Real Thing*, starring Laurence Fox, is closely followed in October by *Duet for One* the story of Jacqueline du Pré starring Jemma Redgrave and then by contrast the Citizen's Theatre production of *Trainspotting* visits in November. Musical theatre is provided by Monty Python's *Spamalot* and the music of Dusty Springfield is celebrated in *Son of a Preacher Man*. Our Christmas pantomime welcomes back the star line up of Allan Stewart, Andy Gray and Grant Stott, in the family favourite *Cinderella*. In The Studio we present *The Tin Soldier* by Birds of Paradise for younger children.

In the next year, we will forge ahead with our fundraising campaign for the transformational redevelopment of the King's Theatre. In March 2017, The City of Edinburgh Council agreed that a contribution of £5m towards the King's Theatre Capital Development Project be included in the Council's Capital Investment Programme 2018-23 prioritisation process. In 2017/18 we will apply to the Heritage Lottery Fund, and our broader fundraising campaign will begin.



"The King's Theatre is a gem which deserves to be preserved. If we don't invest in our theatres, we stand to lose a vital part of Scotland's cultural heritage and a theatre for everyone for generations to come."

BRIAN COX ON THE £25M REDEVELOPMENT OF THE KING'S THEATRE

Credits & Supporters

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Professor Dame Joan K Stringer

Board of Directors

Professor Dame Joan K Stringer
 Cllr Elaine Aitken
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 Karen Cairney
 Cllr Karen Doran
 Gordon Jack
 Cllr Richard Lewis
 Helen Mackie
 Cllr Melanie Main
 Alastair Peacock
 Colin Ross

Chief Executive

Duncan Hendry

Director of Operations

Brian Loudon

Director of Finance and HR, Company Secretary

Iain Ross

Director of Development

Kate Smith

Technical Manager

James D Clark

Principal Funder

City of Edinburgh Council

Programme Supported by

Creative Scotland

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Governance Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

Council Companies - Edinburgh Leisure Annual Report 2016/17 - referral from Culture and Communities Committee

Item number	7.2
Report number	
Wards	All
Council Commitments	

Executive summary

On 14 November 2017, the Culture and Communities Committee considered the annual performance report for Edinburgh Leisure covering the period 2016/17. The report is now referred to the Governance, Risk and Best Value Committee for scrutiny.

Council Companies - Edinburgh Leisure Annual Report 2016/17 - referral from Culture and Communities Committee

Terms of referral

- 1.1 Following a review by Internal Audit, Council approved actions in June 2016 to improve the scrutiny of Council companies. This included a range of actions regarding governance and reporting to Council committees, whereby scrutiny was separated to allow executive committees to scrutinise future plans of the relevant company and for the Governance, Risk and Best Value Committee to scrutinise past performance and accounts.
- 1.2 On 14 November 2017, the Culture and Communities Committee considered the annual performance report for Edinburgh Leisure covering the period 2016/17. The report is now referred to the Governance, Risk and Best Value Committee for scrutiny as per the agreed procedure.
- 1.3 The Culture and Communities Committee agreed:
 - 1.3.1 To note the performance of Edinburgh Leisure during 2016/17.
 - 1.3.2 To refer the report by the Executive Director of Communities and Families to the Governance, Risk and Best Value Committee for scrutiny.

For Decision/Action

- 2.1 The Culture and Communities Committee has referred the report to the Governance, Risk and Best Value Committee for scrutiny.

Background reading / external references

[City of Edinburgh Council – 30 June 2016](#)

[Culture and Communities Committee - 14 November 2017](#)

Laurence Rockey

Head of Strategy and Insight

Contact: Ross Murray, Governance Officer

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Links

Appendices

Appendix 1 - report by the Executive Director of Communities and Families

Appendix 2 - Report and financial statements 31 March 2017

Culture and Communities Committee

10.00am, Tuesday, 14 November 2017

Council Companies – Edinburgh Leisure Annual Report 2016/17

Item number	9.3
Report number	
Executive/routine	Routine
Wards	
Council Commitments	

Executive Summary

Edinburgh Leisure's vision is '*inspiring Edinburgh to be a more active and healthy city*', the company's purpose; '*to make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more*'. The Edinburgh Leisure team are passionate about the positive impact physical activity can have on peoples' physical, mental and social wellbeing and, with a constant focus on the company's vision and purpose, have delivered some great results in 2016/17.

In 2016/17 the company invested circa £3,000,000 into assets across the city. These investments made a positive contribution to the company's financial performance; a £442,000 surplus against a budgeted break-even position and usage figures; 4,627,044 customer visits, 1% ahead of both target and last year.

Edinburgh Leisure is acutely aware of the barriers that can inhibit an active and healthy life and the Active Communities programme is the company's response to such. The programme is made up of a variety of projects that use physical activity and sport to improve, and in many cases transform, the lives of people affected by health conditions, disabilities, inequalities and poverty. Many of the projects are delivered in partnership with others and rely on partnership and external Funding. 5,200 people were supported through the Active Communities programme in 2016/17 and Edinburgh Leisure secured a total of £708,000 of external funding to help deliver a broad range of, and much needed, health and inclusion projects.

Partnership work continues to be a priority for Edinburgh Leisure; it has long recognised that co-working can achieve greater outcomes.

Report

Council Companies – Edinburgh Leisure Annual Report 2016/17

1. Recommendations

- 1.1 Note the performance of Edinburgh Leisure during 2016/17.

2. Background

- 2.1 Edinburgh Leisure's results for 2014/15; a surplus of £505k, represented an almost £1m turnaround in the financial performance of the organisation since 2013/14. This enabled the company to invest circa £3m during 2015/16 (with all but £115k funded from cash balances). These investments contributed to the achievement of a £293k surplus against a budgeted break-even position for the year 2015/16.
- 2.2 The company began 2016/17 in a positive position but cognisant of the ever present environmental pressures, including: increasing competition (especially in the fitness marketplace), increasing costs, rising customer expectations and reduced funding from the City of Edinburgh Council. The company also recognised opportunities to improve and to grow and throughout 2016/17 there was an organisational focus on:
- Delivering on the company's purpose, vision and values
 - The engagement of Edinburgh Leisure employees
 - Protecting services and building a sustainable business model by increasing usage and income and managing expenditure.

3. Main report

Investments

- 3.1 The strategy to invest to improve the company's long term sustainability continued in 2016/17. Edinburgh Leisure invested circa £3m into assets across the city (the only borrowing being an interest free loan of £221k). Investments included:
- The refurbishment of Drumbrae Leisure Centre
 - Gym refurbishments (the Royal Commonwealth Pool and Portobello, Warrender and Dalry Swim Centre(s))
 - Cycle studio refurbishments (Leith Victoria, Drumbrae and the Royal Commonwealth Pool)
 - A new climbing experience; Clip' n 'Climb at the EICA

- gymnastic facility investments (Tumbles at Portobello, Kirkliston, Gracemount, Ainslie Park and Meadowbank)
- combined heat and power units (Leith Victoria, Portobello and Warrender Swim Centre(s))
- improved technological capabilities with: new coaching software, enhanced Human Resource systems and a new website

Financial health

3.2 The investments contributed to the continuing improvement in the company's financial health. For 2016/17 the company reported a £442k surplus against a budgeted break-even position. (Appendix 1 provides an overview of Edinburgh Leisure's recent financial performance).

Usage

3.3 The investments also had a positive impact on participation and usage figures. During 2016/17 Edinburgh Leisure attracted 4,627,044 customer visits, 1% up on target and the previous year.

Visits by young persons, included in the above figure, were 1,777,489, against a target of 1,706,288 and visits by people aged 65 years+, 349,950, against a target of 329,565.

Helping people be active

3.4 Edinburgh Leisure's Active Communities team uses the power of physical activity and sport to help improve the lives of people affected by health conditions, disabilities and poverty. In 2016/17 the team delivered a range of projects (refer to appendix 2 for details) which supported 5,200 people to be active. Several of these projects: Looked After & Active, Health 4 U, Positive Destinations, Young Ambassadors, Open All Hours contribute to the 'Curriculum for Excellence' and 'Getting It Right for Every Child' (GIRFEC) outcomes.

3.5 The quality and impact of the Active Communities work is measured and evaluated in a variety of ways, including feedback from participants. It is always heartening to receive external recognition and the team were delighted that the volunteers, instrumental in the delivery of the Ageing Well programme, received a 'highly commended' in the 'Older Peoples Project of the year' at the Herald Society Awards. Several projects have also featured at industry conferences, including: the Scottish Physical Activity Research Connections Event (October 2016) and the Spirit 2012 conference - Legacy In Action: Making Scotland More Active (March 2017).

External funding

3.6 Edinburgh Leisure secured circa £708K in external funding from partner organisations to sustain and develop vital projects such as: Ageing Well, Healthy Active Minds, Macmillan Move More Edinburgh, Steady Steps. Whilst short of the £816k target by 13%, the monies raised were up 5% on the previous year.

Project schools

3.7 Work has been taking place since October 2015 to progress with the City Council's desire to transfer the management of the secondary school sport facilities, out-with curricular and extra-curricular time, to Edinburgh Leisure. Bringing Edinburgh Leisure's expertise to the management of these facilities was seen as key to: delivering financial savings for the Council, increasing access to the school sport facilities by local people and local clubs, increasing opportunities for physical activity participation and improved customer care. Throughout 2016/17, Edinburgh Leisure worked closely with colleagues in the City of

Edinburgh Council and began the phased transfer of the schools. The new James Gillespie's High School transferred in September 2016 and Portobello High School in November 2016.

Partnerships

- 3.8 Edinburgh Leisure values its strategic partnership with the City Council, working with the Council to make Edinburgh a great city to live and work in. In addition to the schools project, Edinburgh Leisure have also been working with the Council on: the new Meadowbank Sports Centre, the creation of a cycling hub and improved outdoor facilities at Hunters Hall Park and improvements to the Jack Kane Sports Centre. Throughout the year the company has also been exploring opportunities for joint working with Edinburgh's Health & Social Care Partnership.

People

- 3.9 Encouraging and supporting people to be active and healthy is at the heart of what Edinburgh Leisure does and this also applies to everyone who works at EL. In March 2017 Edinburgh Leisure achieved the 'Gold Healthy Working Lives Award' in recognition of the number of initiatives delivered to support employee wellbeing. The Healthy Working Lives assessor commented:

'Edinburgh Leisure has strong leadership that makes employee wellbeing a priority recognised throughout the organisation. The workforce is focused on health and activity for people in the community and sites are fully engaged in their own programmes and initiatives. During the assessment day, feedback from employees was very positive and it is clear that activities and information reaches employees throughout the organisation. Moreover, there are clear efforts made to reach people who might otherwise be overlooked.'

During the assessment day, those on the Wellbeing Board talked about plans and ideas for the future with a tangible enthusiasm for the Healthy Working Lives programme.

There is a strong commitment to employee wellbeing in this organisation and overall this was an impressive assessment visit.'

Looking ahead

- 3.10 During the year to March 2017 the City of Edinburgh Council provided £8,308,000 of funding to Edinburgh Leisure for the delivery of core services. Funding for 2017/18 has reduced to £8,075,000. Edinburgh Leisure is acutely aware of the funding challenges the Council faces in 2018/19 and beyond and, therefore, the risk of future funding reductions. In addition to the funding challenges, the company faces a range of other budgetary pressures; these are explored in regular dialogue with Council colleagues. The need for continuous improvement is therefore at the forefront of company activities, as is continuing to increase participation and inspire even more people in Edinburgh to be active and healthy.

4. Measures of success

- 4.1 Edinburgh Leisure contributes effectively to the delivery of the Council's outcomes.
- 4.2 The Directors of Edinburgh Leisure consider actual performance against target and history for various metrics. Regular performance reports are shared with the Board and the City of Edinburgh Council.

5. Financial impact

- 5.1 Council funding to Edinburgh leisure in 2016/17 was £8,3018,000.

6. Risk, policy, compliance and governance impact

- 6.1 This report is required under the Council's governance arrangements for Council companies. There are no risk, policy or compliance implications arising from this report.

7. Equalities impact

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

8. Sustainability impact

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

9. Consultation and engagement

- 9.1 Edinburgh Leisure has worked with Council officers and external partners on a variety of projects.
- 9.2 Edinburgh Leisure engages with customers in a variety of ways to obtain feedback on services and to help inform services / product development.

10. Background reading/external references

- 10.1 Edinburgh Leisure website

Alistair Gaw

Executive Director of Communities and Families

11. Appendices

Appendix 1 Overview of Edinburgh Leisure's recent financial performance

Appendix 2 Edinburgh Leisure's Active Communities projects, 2016/17

Appendix 1

Year	Management Fee from CEC	EL's Operating Income	EL's Operating Costs	Net Position
2013/14	£8,859,000	£19,853,000	£29,130,000	£418,000 deficit
2014/15	£9,000,000	£19,530,000	£28,025,000	£505,000 surplus
2015/16	£8,418,000	£20,354,000	£28,479,000	£293,000 surplus
2016/17	£8,308,000	£21,099,000	£28,965,000	£442,000 surplus

Appendix 2

Project/ Service Area	Target Equality Group	Annual Target Output	Output Against Target	Progress & Impact: What difference has the project made in the last year?
Active Lives	Older Adults / 45 + living in areas of health inequalities	375 participants referred	283 referrals 244 engaged in physical activity	<p>Active Lives funding and delivery came to an end in January 2017.</p> <p>The Active Lives programme was initially launched in April 2013 with a 3 year grant from the City of Edinburgh Council and subsequent funding from Spirit of 2012 as part of the 2014 Physical Activity Legacy fund.</p> <p>Between January 2013 - December 2016 the project received 2,223 referrals and helped 1,749 people get active.</p> <p>Analysis of Active Lives data showed that 52% of people were doing less than 30 minutes of physical activity a week before they started the programme but following 6 months of participation in Active Lives (stage 1) this fell to 27%.</p> <p>Whilst we're not able to claim that the project has enabled inactive people to achieve the national recommended guidelines for physical activity our evidence supports a marked increase in physical activity levels and significant change (26% improvement) in participants moving from a position where they did less than 60 minutes' physical activity to one where they are doing over 60 minutes' activity on a weekly basis.</p> <p>100% of the participants that completed a questionnaire following stage 1 reported that they had experienced better health as a result of the Active Lives project and 47% of people completing final evaluation forms indicated that they had reduced their health risks.</p> <p>27% reported that they were eating healthier and 52% reported that they had maintained or improved their weight throughout their Active Lives journey.</p>

Project/ Service Area	Target Equality Group	Annual Target Output	Output Against Target	Progress & Impact: What difference has the project made in the last year?
				<p>Active Lives submitted an abstract to the Scottish Physical Activity Research Connections Scientific Committee and was selected to submit a poster presentation at their Conference in October 2016.</p> <p>Over the next 12 months the Health and Physical Activity Manager will work with Spirit of 2012 and 10 national projects who were also funded as part of the 2014 Physical Activity Legacy Fund to share key learnings and best practise nationwide around targeting the inactive.</p>
Ageing Well (AW)	Older Adults	<p>400 older adults active per month</p> <p>20 new AW volunteers recruited & completed their core training programme</p> <p>2 new programmes introduced</p>	<p>400 older adults active per month</p> <p>246 new participants</p> <p>15 new volunteers recruited, trained and supporting programmes</p> <p>60 active volunteers throughout the year</p> <p>6 new activity sessions introduced including Buddy Tennis</p> <p>10,036 programme visits</p>	<p>The Ageing Well project underwent a review this year to ensure the delivery model was more sustainable and aligned to other Active Communities projects.</p> <p>A new team structure is now in place:</p>

Project/ Service Area	Target Equality Group	Annual Target Output	Output Against Target	Progress & Impact: What difference has the project made in the last year?
				<div data-bbox="1406 252 1977 783" data-label="Diagram"> <pre> graph TD A["Ageing Well Development Officer (30hrs)"] --> B["Ageing Well Project Officer (volunteering) (21hrs)"] A --> C["Ageing Well Project Officer (Programming) (35.75hrs)"] C --> D["Ageing well Project Assistant (Admin) (35.75hrs)"] C --> E["Ageing well Project Assistant (Programme) (18hrs)"] </pre> </div> <p data-bbox="1240 807 2152 887">Changes to the programme delivery have also taken place, including an increase to participants' voluntary contributions from 50p to £1. Care Homes now also cover the full cost of their seated exercise classes.</p> <p data-bbox="1240 951 1279 975">1.1</p> <p data-bbox="1240 995 2152 1075">The AW team have been working with Edinburgh Leisure colleagues to increase older adults participation in swimming and walking; expanding the delivery of buddy swim sessions across our venues and introducing 2 cancer friendly walks.</p> <p data-bbox="1240 1107 2152 1187">The AW project received a £6k grant from Paths for All to support dementia friendly activities within the programme. This funding is being used to train volunteers in dementia awareness and to introduce:</p> <ul data-bbox="1240 1193 2152 1272" style="list-style-type: none"> • a dementia friendly sit to walk programme (a progressive programme of seated, strength and balance exercises leading onto indoor and outdoor walking). • a dementia friendly sensory garden within out Leith allotments.

Project/ Service Area	Target Equality Group	Annual Target Output	Output Against Target	Progress & Impact: What difference has the project made in the last year?
				<p><u>Events</u> AW, in partnership with CEC Health and Social Care, organised and delivered a successful care home Olympics event in July with 11 CEC Health & Social Care, care homes taking part.</p> <p>October 2016 saw the successful delivery of the Big Fit Walk and our annual older adult's event, in partnership with Pilmeny Development Project and CEC. 500 older adults took part in a range of physical activities and information stalls, staffed by a wide range of professionals.</p> <p>Over the last 12months AW has received much recognition for their impactful work with older adults including:</p> <ul style="list-style-type: none"> • Press articles on the older adults event and the big fit walk • STV Edinburgh featured the Older Adults Day and the Big Fit Walk events • BBC Scotland Paths for All featured our walking programme • Friends of the Scotsman article written by our Ageing Well Manager was published in September 2016 and focussed on the importance of being active into later life. • Get Up & Go awards 2016 - The AW volunteer team were awarded a 'highly commended' certificate for their contribution to a service that makes a difference. • Queens Award for Volunteering - As part of our nomination for the Queens Award for Volunteering the Lord Provost visited our Swim Buddies session at the Royal Commonwealth Pool in January 2017. <p>One buddy swim participant who had used a float to swim when she started back in April, has built up her confidence with the support of the volunteers over the past few months and now swims float-free. She swam 34 lengths last week at the Buddy Swim session at Glenogle Swim Centre.</p>
Community Access Programme (CAP)	Voluntary Sector Organisations (Working with a range of equalities groups)	20,000 visits by CAP participants 1,000 participants referred	24,669 visits. Visits are 23% higher than target. 1,053 participants referred.	The Community Access Programme is designed to support community groups working with people facing disadvantages. It encourages people to get active through making more and better use of Edinburgh Leisure facilities. The project works with registered charities based in Edinburgh who want to increase the amount of physical activity that their service users participate in.

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		185 organisations will join the CAP in 2016/17	190 organisations affiliated. 1,781 voluntary organisation staff card holders.	<p>171 individuals have participated in community-led physical activity sessions. These include:</p> <ul style="list-style-type: none"> • 100 young carers and their families participated in the Edinburgh Young Carers Project Family Fun Day which was organised through the Community Access Programme in partnership with Scottish Widows. • 36 Carers from VOCAL regularly attending physical activity tasters which have been running for 3 months at Meadowbank SC and Drumbrae LC. <p>Delegates from 35 CAP affiliated organisations attended our annual CAP conference in April where workshops were offered on Physical Activity, Health & Wellbeing and encouraging the inactive to get active.</p>
First Steps in Leith	Black & Minority Ethnic (BME) Groups Women's Groups	2,200 visits to Leith Victoria's Women Only swimming sessions.	2,221 visits to women's activities targeting Black & Minority Ethnic women.	<p>The First Steps in Leith Women's Only Swimming session offers a weekly, low cost, swimming session in an environment supported and staffed by women. This offer is attractive to women and their families from Black and Minority Ethnic communities, and women from all over Edinburgh travel to attend this Saturday afternoon service. The number of women attending this service continues to be very high.</p> <p>Since April 1st 2016 the First Steps programme has not received any additional external funding. In recognition of the importance and benefits of offering a female only swim session, staffed by women, existing project funding will support this session to become part of the mainstream Leith Victoria SC programme. As of the 1st of April 17 the cost of a female only swim session has increased from £1 to £2. This remains a significant subsidy and offers a price that is 54.5% lower than a standard swim. Usage will be closely monitored to analyse the impact of this price increase on participation.</p>
Fit For Health (FFH)	Anyone aged 16+ who has a long term health condition (e.g. cardiovascular disease, respiratory disease, heart failure and diabetes)	<p>500 participants referred</p> <p>80% (400) participants start</p> <p>50% (200) completion rate</p>	<p>655 referrals received (31% above target)</p> <p>78.3% (513) participants started</p> <p>33% (131) completion rate</p>	<p>Fit for Health (FFH) is being delivered in 7 Edinburgh Leisure venues.</p> <p>Over the last 12months we have made small changes to the participant pathway. Previously participants had unlimited time to attend 12 FFH sessions. This led to challenges managing waiting lists and made it difficult to report on completion rates. Participants are now invited to a 16week block of FFH sessions and must complete</p>

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				<p>12weeks to be classed as a completer. This has reduced waiting lists and allowed us to invite 121 new participants in September / October. Prior to this an average of 17-18 people per month were invited to join FFH. We are now able to invite an average of 39 new participants per month. As a result, our completion rates have increased from 100 last year to 131 this year, a 31% increase.</p> <p>We also introduced a part time (16hrs/week) specialist health instructor in June 2016 to allow us to support more people through the programme.</p> <p>The last quarter of 2016-17 saw the introduction of activity trackers to support people to complete the FFH programme. This means that FFH participants can monitor their activity levels out with FFH sessions. The initial role out of trackers was at Leith Victoria and Ainslie Park. The Fit for Health Development Officer will measure the impact of the trackers - it is hoped that they will support behaviour change and motivation levels of participants.</p> <p>Fit for Health worked with Edinburgh University & NHS Lothian to deliver a 12 week programme for South Asian Women. This successful pilot saw an average of 11-12 participants attend each class, with participants improving their 6minute walk test by an average of 89metres (23%). The women reported 'Improved Wellbeing', 'Better Sleep' and 'Feeling Fitter' following the 12week programme with 75% feeling more confident in taking part in independent physical activity.</p> <p>A successful partnership with Queen Margaret University was developed this year with 11 students now supporting programme delivery through student placements.</p> <p>From the 655 referrals the breakdown of health conditions are:-</p> <ul style="list-style-type: none"> • 49% cardiovascular disease • 42% respiratory disease • 29% diabetes • 17% with Multi-conditions

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				<p>Participants completing the FFH programme increase their 6 minute walk test by an average of 185.3metres (69.5% improvement)</p> <p><i>“At first I was really nervous attending the classes but watching everyone else inspired me and gave me the confidence to complete all the different circuit exercises. I really enjoyed my 12 weeks and I’m definitely planning on continuing to be active!” (FFH participant)</i></p>
<p>Get Going</p>	<p>Children & Young People, aged 5-17, out with a healthy weight range</p>	<p>16 courses per year</p> <p>75% completion rate</p> <p>Maintenance or decrease in BMI at course completion, 3 and 6 month catch up</p>	<p>16 courses completed</p> <p>67% completion rate</p> <p>Average change in BMI from pre-course measurements at:</p> <ul style="list-style-type: none"> • Programme completion: decrease of 0.45kg/m² • At 3 month catch ups: decrease of 3.7kg/m² • At 6 month catch ups: decrease of 0.24kg/m² 	<p>Get Going has supported 48 families to complete physical activity and healthy eating courses.</p> <p>The Weight Management Development Officer continues to work with participants and colleagues to provide opportunities for families and children to continue to be active out with the Get Going programme. This has led to the following opportunities being available to Get Going families / children:</p> <ul style="list-style-type: none"> • Concessionary soft play membership: This is offered to all families who complete the 9 week Get Going course and entitles them to 1 month free access to soft play for the referred child, followed by a 6 month membership with 45% discount. 8 families have taken up this soft play membership in 2016/17. • Concessionary coaching places (piloted last year): This is offered to all families who complete the 9 week Get Going course and allows parents to book their children into subsidised coaching blocks. Block 1 is offered with a 60% subsidy and a consecutive coaching block at 30% subsidy. 14 families have taken up this concessionary coaching offer, moving from the Get Going programme into mainstream coaching programmes. Additionally, 11 families from the first pilot group continued with a 2nd term of coaching. <p><i>“It’s great to see how much my kids have progressed through the Get Going programme.</i></p> <p><i>Amy loves using her lifestyle diary and Jamie has really enjoyed the physical activity element. I now know how to compare foods when shopping, which is something I never used to do.” (Parent)</i></p>

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Get Moving	Adults with a BMI over 30 referred to us from NHS Lothian weight management service	20 courses per year 5% weight loss in 11 weeks Maintained or continued weight loss at 6, 9 and 12 months	22 courses delivered 163 participants completing 72.8% completion rate Average weight loss from pre-course measurements at: <ul style="list-style-type: none"> • Programme completion: 36 (22.1%) have achieved 5% 58 (35.6%) have achieved >3-4.9% • At 6 month catch ups: 63% achieved a further weight decrease • At 9 month catch ups: 47% achieved a further weight decrease • At 12 month catch ups: 27% achieved a further weight decrease 	Get Moving has supported 163 adults to complete the adult weight management programme. To support adults with long term behaviour change the following additional interventions took place: <ul style="list-style-type: none"> • 32 6month follow ups • 17 9month follow ups • 11 12month follow ups 2.1 Outcomes for participants attending courses between April 2016 – March 2017 include: <ul style="list-style-type: none"> • a combined weight loss of 453.14kg (71 stone) • 93% of participants increased their physical activity levels • 74% of participants report an increased knowledge on how to lead a healthier lifestyle • 78% of participants report an increased confidence level • 67% of participants had made improvements to their diet • 67% of participants felt that their overall health had improved <p><i>'I like the combination of learning and getting together for exercise, as both are important. Attending the group regularly gives a sense of support and confidence to make food decisions during the week. Group work and level of activities were good and coordinators were positive.'</i> (Get Moving participant)</p>
Health Development Programme / Health Referral Services	People living with a long term health condition Stroke Health and Wellbeing Exercise Referral Smoke Free Management	100 health referrals Deliver 4 Exercise After Stroke Classes / week	<u>Programme Referrals:</u> Exercise After Stroke 81 Smoke Free Management 38 Cystic Fibrosis 21 <u>Programme visits:</u> Health and Wellbeing 578 Exercise Referral 2188 Smoke Free Management 223 Cystic fibrosis 363	<u>Health and Wellbeing</u> At the start of the year Health and Wellbeing classes were being delivered within 8 EL venues with the primary aim of providing a pathway from our targeted health referral programmes into mainstream Edinburgh Leisure services; making it easy for our health referral participants to stay active. In October a review of Edinburgh Leisure's Health and wellbeing classes saw the launch of a new 3 tier low level class programme which continued to support health referral participants to stay active but also targeted the inactive / less able to become active with Edinburgh Leisure:

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				<ul style="list-style-type: none"> • Active Sit - Chair based class with a focus on improving strength, balance and confidence in everyday movements. • Strength and Balance - Seated and standing exercises with a focus on improving strength, balance and fitness. • Strength and Cardio - Standing movement class that focuses on fitness, strength and endurance. <p>3.1</p> <p>Recent analysis of Active Sit attendance showed that 85% of participants are non-EL members indicating that we are successfully attracting the less active populations. The Strength & Balance and Strength & Cardio classes were later to launch and initial analysis of attendance highlights that 81% of participants are existing EL members highlighting the benefit to customers in providing lower intensity activity.</p> <p>These classes were initially introduced at Drumbrae Leisure Centre during their re-opening but have since been rolled out to Craiglockhart Leisure Centre, Ainslie Park Leisure Centre, Gracemount Leisure Centre and Meadowbank Sports Centre, meaning we now have 16 classes running weekly.</p> <p><u>Exercise after Stroke</u></p> <p>Weekly classes run at 4 Edinburgh Leisure venues with the Royal Commonwealth Pool introducing a class in early 2017/18. The additional class at Royal Commonwealth Pool is possible due to investment in training in October 2016 where 1 staff member from Royal Commonwealth Pool started their Level 4 Exercise After Stroke training.</p> <p>Focussed work with Stroke wards within NHS Lothian over the last 3 months has seen referrals increase by 15%.</p> <p><i>“The class is excellent and I look forward to it every week for the social aspect as well as the physical aspect” (Exercise After Stroke Participant)</i></p> <p><u>Smoke Free Management</u></p> <p>Over the last few years referrals to this programme had drastically reduced due to NHS staffing issues. Towards the end of 2016 NHS Lothian appointed a new Smoke Free Lothians manager and initial meetings have taken place in January 2017 with a new Smoke Free pathway to be implemented in 2017/18.</p>

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<p align="center">Healthy Active Minds</p>	<p>People experiencing mild to moderate mental health conditions, stress and anxiety</p>	<p>800 Individual consultations delivered</p> <p>400 participants to complete stage 1 (0-12 weeks)</p> <p>Participants supported to be more active</p> <p>Improve mental wellbeing</p>	<p>707 Individual consultations completed (88% to target)</p> <p>295 completed stage 1 (74% to target)</p> <p>7,815 stage 1 (0-12 weeks) visits made</p> <p>2,192 stage 2 (12 – 36 weeks) visits made</p> <p>Total Visits= 10,007</p> <p>969 physical activity sessions delivered</p>	<p>Healthy Active Minds received 1198 referrals in 2016/17.</p> <p>2,442 1-1 appointments delivered to participants (these include initial consultations, physical activity sessions and post programme follow ups).</p> <p>Historically Healthy Active Minds has been a GP referral programme only but following feedback from Health Professionals and discussions with NHS Lothian we have opened up the referral pathway allowing any mental health professional to refer to the service. We hope that this will make access to the service easier for people that need it. Whilst we don't anticipate the opening up of the referral pathway to have a significant impact on the overall numbers of referrals we will be monitored this over the next 6 months to ensure that we are able to meet demand.</p> <p>Last year saw 26% of appointments not attended or cancelled at the last minute. This is a comparable figure to other services working with this target group. To reduce this level of unattended appointments and improve the customer experience the Healthy Active Minds team introduced a text reminder service in February 2017. Studies show that text reminder services can reduce non-attendance at appointments by up to 50%. The Healthy Active Minds team will monitor appointment attendance over the next 6 months to determine impact.</p> <p>The Healthy Active Minds team use the Warwick Edinburgh Mental Wellbeing Scales (WEMWBS) to monitor participant's mental wellbeing during the programme. The WEMWBS scale runs from 14-40, the higher the score the better someone's wellbeing. Results over that last year evidence an improvement in mental wellbeing after 12 weeks participation in Healthy Active Minds with average scores going from 37 pre-programme to 46.</p> <p>Healthy Active Minds is currently funded to the end of October 2017 through NHS Lothians Mental Wellbeing Team however from November 2017 the funding of all mental health services in Edinburgh will come under the Edinburgh Wellbeing Public Social Partnership. We are hugely passionate about the positive impact physical activity can have on mental health and it is our goal to work with the new Edinburgh Wellbeing Public Social Partnership to continue to deliver our physical activity referral which supports people with mental health conditions to get active and use physical activity as a tool to treat and manage their condition. As it stands however funding post October 17 is uncertain.</p>

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				<p>Healthy Active Minds evaluations at 12 weeks show:</p> <ul style="list-style-type: none"> • 99.6% enjoyed their Health Active Minds journey • 99.6% plan to continue with physical activity • 99.6% would recommend Healthy Active Minds to others
<p>Looked After & Active</p>	<p>Looked After & Accommodated Children & Young People</p>	<p>500 Looked After & Accommodated children (LAAC) per year</p> <p>6,000 visits to the programme per year</p> <p>100 Children accessing coaching sessions</p>	<p>798 LAAC engaged with the programme</p> <p>6,711 visits to the programme</p> <p>78 children taking part in EL coaching through the LA Active bursary</p>	<p>Looked After & Active was initially launched in April 2013 with a 3 year grant from the City of Edinburgh Council. Funding for this programme came to an end in January 2017 and Edinburgh Leisure took the decision to continue to fund key elements of the programme to January 2018.</p> <p>Looked After and Active uses physical activity and sport to improve the lives of young people in care. It encourages looked after and accommodated children & young people (together with their carers) to become more physically active to improve their health and wellbeing.</p> <p>In 2016 around 1,400 children and young people were looked after by the City of Edinburgh Council. Research shows that children and young people in care don't participate in physical activity, with 34% not doing any at all.</p> <p>This year 798 young people, aged between 0-26 years old have been supported to be more active or learn a new sport through Looked After & Active. 53% are being active regularly, with participants making 6711 visits to Edinburgh Leisure facilities.</p> <p>Any child aged 0 – 26 years old, who is looked after at home, in Kinship Care, Foster Care, in a residential care setting or in through care and after care is eligible.</p> <p>Edinburgh Leisure have delivered 13 physical activity and health and wellbeing outreach sessions to 45 young people in residential units and through care services over the summer.</p>

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				<p>In February 2017, Edinburgh Leisure recruited a temporary 12 month supervisor to deliver outreach health and wellbeing sessions and 1-1 person centre activity sessions with hard to reach young people.</p>
<p>Move More Edinburgh</p>	<p>People affected by cancer</p>	<p>240 referrals in year 2</p>	<p>172 referrals (72% of target)</p>	<p>Move More Edinburgh was formally launched in May 2016 at the Royal Commonwealth Pool.</p> <p>The programme which has just completed 2 years of delivery currently has the following classes taking place across the city:</p> <ul style="list-style-type: none"> 1 x Gardening (The Royal Botanic Gardens) 2 x Gentle Movement Classes (Leith Victoria Swim Centre and Craiglockhart Leisure Centre) 4 x Circuit classes (Drumbrae Leisure Centre, The Royal Commonwealth Pool, Meadowbank Sports Centre and Napier University, Sighthill) 1 x Walking group (The Meadows) <p>We have also supported our Ageing Well colleagues to introduce 3 cancer friendly walks across the city.</p> <p>Over the last year we have achieved:</p> <ul style="list-style-type: none"> • 172 referrals (This is almost double the referrals of year 1) • 58% (99 people) conversion from referral to participant • 48% (48 people) completing a minimum of 10 weeks of Move More Edinburgh activities. • 1068 physical activity visits made by 126 Move More Edinburgh participants. <p>The last quarter has seen us make some changes to the participant pathway. Previously Macmillan requested that participants were provided 12 weeks access to 4 different activities and were not to repeat any activity. This meant that if people found an activity they enjoyed they still needed to move on after 12 weeks leading to low attendance at classes and some people only taking part in 12 weeks of activity as they were not interested in attending the other Move More sessions. We have worked with Macmillan to improve this pathway and participants can now take part in 48 weeks of their preferred activities. This has led to increased activity levels and has increased the number of people in each session. This has also had a positive impact on the social element of the programme which is important to participants. The impact on completion rates and sustained physical activity longer term is being monitored.</p>

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				Following feedback from participants around the marketing images on Move More leaflets the Move More Development Officer worked with Macmillan marketing team to update the images - Move More projects nationwide are now using images featuring participants from the Move More Edinburgh project.
Open All Hours	Children & Young People Disabilities / Additional Support Needs Low Income Households Young Women	300 young people to attend weekly, stretch target of 350 5 young volunteers to support the citywide programme Work with Fabb to encourage young people with Additional Support Needs (ASN) to attend the provision	336 visits per week 3 young volunteers currently working in 3 Edinburgh Leisure venues 7 Fabb staff working in 4 venues supporting 19 young people with additional supports needs to attend the provision	Open All Hours is a physical activity youth work provision delivered in partnership between Edinburgh Leisure, City of Edinburgh Council and the voluntary organisations FABB, Canongate Youth, Jack Kane Community Centre and Southside Community Centre. The provision aims to provide young people with fully inclusive, accessible and affordable opportunities to take part in sports and physical activities at weekends. Open All Hours takes place in 10 Edinburgh Leisure facilities and Wester Hailes Education Centre (WHEC). Young People attending can choose to go to the gym, go swimming, participate in a dance session, enjoy team sports or hang out with their friends. This year there were 7742 individual visits to Open All Hours over a 23 week period, which equates to 336 visits per week. Funding for 2017/18 has been secured to run Open All Hours for 23 weeks. Funding beyond this is uncertain. Ainslie Park have two very keen and dedicated young volunteers who have been volunteering for a year and half every Friday evening. Both volunteers came through the programme and understand how Open All Hours offers young people a positive activity to take part in on Friday evenings. A smoking prevention poster was created by the young people at the Jack Kane Sports Centre Open All Hours, which was funded through Lothian Association of Youth Clubs Youth Tobacco Grants, and is now being promoted around the local community. The centre's detached youth team and the young people took the poster to various locations in and around the local community to promote the healthy choices message. Drumrae and WHEC Open All Hours have created strong links with their local rugby clubs. The Rugby Development Officers and coaches have been delivering positive coaching sessions throughout this year. More than 30 young people have benefited from the coaching sessions, and 4 attended Murrayfield Wanderers Summer Rugby Camp in 2016.

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				Fabb (Facilitating access breaking barriers) have currently 7 youth work staff involved in Open All Hours venues across the city – namely, Commonwealth Pool, Drumbrae, Gracemount and Warrender. Nineteen young people take part in the sessions, supported by a Fabb worker (10 boys and 5 girls)
More Families More Active	Families on a low income in North East Edinburgh	1,000 Visits to More Families, More Active programme initiatives in North East Edinburgh	952 Visits to More Families, More Active programme initiatives in North East Edinburgh	<p>More Families More Active works with families on a low income in the North East of the city - taking in Craigmillar, Niddrie, Duddingston, Craigentenny and Leith – to provide opportunities for them to be more physically active.</p> <p>The Scottish Index of Multiple Deprivation (SIMD) identifies concentrations of deprived areas across the country and its 2016 statistics show that areas in the North East are among the most deprived in Scotland. More Families, More Active supports families to overcome the health inequalities they face, developing healthy physical activity habits, changing behaviour and encouraging the lifelong health benefits associated with achieving recommended levels of physical activity.</p> <p>In 2016/17 More Families More Active has:</p> <ul style="list-style-type: none"> • Worked with Jack Kane Sports Centre in Craigmillar to pilot low cost activities for under 5's including "pop up" soft play, Active Start and Mini Kickers. • Provided local children with the opportunity to play outdoors in a safe environment with 6 weeks of free play sessions during the summer holidays • Delivered 3 terms of "Get Moving" (Edinburgh Leisure's Weight Management programme) from Jack Kane Sports Centre, where local adults with a BMI of 30 or over could be referred by their GP for a 12 week weight management course. • Worked in partnership with Active Schools to provide the Primary 1 class at Niddrie Mill School with lunch time music and movement classes for 8 weeks. • Participated in Health promotion weeks in 3 local primary and secondary schools • Delivered physical activity sessions for a young men's group in partnership with the Health Opportunities Team in Niddrie. • Launched a new product for under 5's – Born to Move - at Meadowbank Sports Centre and The Royal Commonwealth Pool, with 4 classes running each week. 40 local children attended 2 "roadshow" family fun days to promote the product. • Piloted an 8 week block of fitness classes for teenagers at The Royal Commonwealth Pool, with group cycling and dance fitness classes for 13-17 year olds.

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				<ul style="list-style-type: none"> Delivered fitness taster sessions for parent's groups in community venues and in partnership with 3RD sector organisations such as Edinburgh Young Carers Project and the Citadel in Leith.
<p>Positive Destinations Through Sport</p>	<p>Children & Young People Not in Employment, Education or Training (NEET CYP)</p>	<p>150 Participants per year</p> <p>100 young people to gain certification /qualification</p> <p>50 young people to complete a work placement</p>	<p>173 young people engaged in Positive Destinations programme</p> <p>96 young people gained sports qualification/certification</p> <p>45 work based placements have been completed</p>	<p>Edinburgh Leisure's Positive Destinations through Sport project utilises the capacity of sport to transform lives, increase motivation, encourage learning and support personal development.</p> <p>The project is targeted at young people who are Not in Employment, Education or Training (NEET). Young people on the programme are encouraged to progress into Further or Higher Education, or supported into employment within the leisure Industry.</p> <ul style="list-style-type: none"> 173 young people engaged on Positive Destinations interventions during the period April 2016 – March 2017 96 young people gained sports qualification/certification in same period 75 work based placements completed 6 Sports Leaders SQCF Level 4 courses delivered in Edinburgh engaging over 100 young people 8 Sports leader's day courses successfully delivered in partnership with CEC Activity Agreements engaging 65 young people. 96 young people receiving sports qualifications/certifications which include Sports Leaders Award, UKCC Level 1, NPLQ, Scottish FA Football qualifications, Athletics Leaders & First Aid 20 participants have since moved into employment/volunteering within Edinburgh Leisure as service providers, LA's and cleaners 35 participants have since moved into further education opportunities at college and university <p>Positive Destinations has been successful in securing £3000 funding from a local trust to set up and support the delivery of the leadership academy at Castlebrae High School.</p> <p>Positive Destinations was successful in October 2016 in securing £20,000 worth of project funding from the State Street Foundation to deliver Sports Leaders courses to a further 150 young people across Edinburgh. Due to the good work in the first 6 months of delivery of the State Street funding, Edinburgh Leisure have been invited to</p>

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				<p>reapply for continuation funding to enable the further delivery of personal development projects for young people in Edinburgh.</p> <p><i>“Over the course, I have come across a few difficulties. I have OCD, on which I struggle with every day. However, the course has made me able to overcome some of my struggles and helped me figure out new strategies for me to cope with my intrusive thoughts and actions I take towards those thoughts” (Jemma, Positive Destinations Participant)</i></p> <p><i>“The course helped me develop my confidence in meeting new people and the ability to stand up and speak to a large group of people. It’s increased my people skills, where I’m now able to speak with people and get myself out there and know I’m giving a good impression of myself” (James, Positive Destinations Participant)</i></p> <p><i>“The course taught me all the fundamentals of how to be a good coach. Planning your sessions by creating a session plan and how to structure the session. It’s taught me how to deal with difficult situations whilst coaching, such as what to do when someone is injured or kids who are not wanting to take part in activity. Overall the course was a great experience, met some great people, developed my skills as a coach and the course is a great starting block for my coaching career. (Ryan, Positive Destinations Tutor)</i></p>
Young Ambassadors	Children & Young People	<p>4 Young Ambassadors to be registered from each State School (23) in Edinburgh</p> <p>Training calendar created</p> <p>Young Ambassadors training residential to take place in November 2016, and 30 YAs to attend</p>	<p>21 schools registered with the Young Ambassadors Programme</p> <p>Training calendar created</p> <p>Training residential in November 2016. 41 YAs from 15 schools attended</p>	<p>The Young Ambassador programme is a national Youth Sport Trust and Sportscotland programme, facilitated in Edinburgh by CEC Active Schools and Edinburgh Leisure. Our aim is use the power of sport and physical activity to upskill young people to promote and be ambassadors of sport in the School and Community. We support young people to lead and support sport in their schools and to lead and facilitate both Edinburgh Leisure and Active Schools events.</p> <p>The Young Ambassadors induction day took place on the 24th June at Meggetland Sports Complex. 51 Young Ambassadors from 18 Edinburgh State Schools were represented. There was also 6 from 3 Special Schools. The day consisted of workshops on their role as a Young Ambassadors, sharing training and volunteering opportunities and teambuilding.</p>

Project/ Service Area	Target Equality Group	Annual Target Output	Output Against Target	Progress & Impact: What difference has the project made in the last year?
				<p>The training residential took place on 11th to 13th November 2016 at Loch Eil. 41 Young Ambassadors from 15 schools attended the residential. Training included Sports Leadership, presentation skills, and teambuilding.</p> <p><i>'Great experience and good for learning new skills and getting to know more Young Ambassadors across the city' (Young Ambassadors participant)</i></p> <p><i>'I had a really positive time at the residential, I always have a great time with all the Young Ambassadors as we all have the same interests and strive to succeed and achieve in life – can't wait till next year!'</i> (Young Ambassadors participant)</p> <p>A new Development Group has been created with senior Young Ambassadors recruited from 6 High Schools. Their main responsibilities for this year are fundraising for the residential in November, creation of a quarterly newsletter and to lead on the Young Ambassadors citywide meetings.</p>
Steady Steps	Health referral programme for those who have had or are at risk of having a fall.	<p>400 referrals per year</p> <p>100 per quarter</p> <p>Increased confidence</p> <p>Improved physical function</p>	<p>615 referrals</p> <p>314 completed programme</p> <p>97 on waiting list</p> <p>64 not taken up the opportunity due to health condition</p>	<p>In April 2016 we received an additional £13,000 from the Prevention Investment Fund to cover the cost of an additional part time instructor to support the delivery of Steady Steps. The part time instructor started with the project in June 2016.</p> <p>As a result of this increased staffing we have been able to grow the delivery of Steady Steps with four new classes introduced during 2016/2017 at the following Edinburgh Leisure venues:</p> <ul style="list-style-type: none"> • Ainslie Park Leisure Centre • Leith Victoria Swim Centre • Craiglockhart Leisure Centre • Portobello Swim Centre <p>Volunteer recruitment and retention continues to be challenging, with a number of our volunteers being university students and volunteer hours are heavily influenced by the University year. Despite the difficulties we have managed to train 11 new volunteers over the year.</p>

Project/ Service Area	Target Equality Group	Annual Target Output	Output Against Target	Progress & Impact: What difference has the project made in the last year?
				<p>Over the last 12 months Steady Steps has been profiled through case study presentations' at both the SPORTA health Improvement conference in September 2016 and the Scottish Health and Social Care Facilities Conference in November 2016. In addition to this Steady Steps was short-listed and commended at the Herald Society Awards in association with Social Work Scotland for The Older people's project Award in November 2016.</p>

Edinburgh Leisure

(a company limited by guarantee)

Report and financial statements

31 March 2017

Registered number SC 179259

Charity number SC 027450

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Strategic report

Achievements and performance

Every day, in Edinburgh Leisure's venues across the city, there are thousands of people taking action to improve their health. Thousands of people taking part in hundreds of activities at dozens of locations doing their bit to change Scotland's label as The Sick Man of Europe. The most recent Scottish Health Survey published last year stated: "Being active is important for physical and mental health in many ways, including reducing the risk of over 25 chronic conditions including coronary heart disease, stroke, type 2 diabetes, cancer, obesity and musculoskeletal problems. It also has secondary prevention benefits for many other conditions."

Edinburgh Leisure is a charity whose purpose is to make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more. We do that through our network of over 30 locations including 15 gyms, 10 swimming venues, 141 sports pitches, 37 tennis courts, 6 golf courses, 3 soft plays, a specialist gymnastics centre and one of the largest indoor climbing arenas in the entire world. Through that property portfolio our employees and partners deliver on a weekly basis over 700 fitness classes, expert lessons to around 15,000 coaching participants and countless supportive interactions to help our customers achieve their fitness goals.

The sustainability of such an extensive service model is determined by our ability to strike the right balance between operating costs and investments on the one side and operating income and the management fee from the City of Edinburgh Council (CEC) on the other. In the relatively recent past Edinburgh Leisure had been unable to balance that equation, with the year to March 2014 yielding an operating deficit of £418,000. Looking forward from that point many people foresaw increasing costs, intensifying competition and reductions in the management fee from CEC as components of a bleak future, potentially filled with multiple venue closures. The prospect of venue closures and service reductions was not the future we wanted. More of the same was not an option so we chose to do things differently and to do different things.

- Our purpose, vision and values directed all our activities
- We engaged with our people on the need for change, the need for improvement
- We set goals that were challenging and believable to our people
- We worked hard to deliver on agreed outcomes

Financial review

Our Strategic Report from March 2014 reflected on a year of transition. One year on we reported on the resulting financial turnaround, moving from an operating deficit of £418,000 to a surplus of £505,000, with cash balances improved by almost £2m and reserves repaired to close to the Board's targeted level. At that time, we signalled our intention to move into a strong investment phase and at March 2016 we were able to report almost £3m of investments in our assets during that year, with all but £115,000 funded from our own cash balances.

Now that we have concluded the year to March 2017, the Board is delighted to report a continuation of that investment activity, with close to another £3m invested in assets across the city with our only borrowing being an interest free loan of £221,000. As in previous years we faced the environmental pressures of increasing competition, increasing costs and reducing funding from CEC, however, to have attempted to address those solely with cuts would have had only one inevitable outcome: ultimate withdrawal of services. Instead the strategy the business has followed has been to invest to improve our long-term sustainability.

Taking into account the trajectory of core CEC funding over recent years (14/15: £9,000,000, 15/16: £8,418,000, 16/17 £8,308,000), we started the year to March 2017 with the challenge of a break-even budget. Knowing that core CEC funding would reduce further in 17/18 (now confirmed as £8,075,000), we knew that we needed to continue to improve. The results of the investments, both in assets and in people, has contributed to a continuing improvement in the business' financial health and the Directors are very pleased to report a final underlying operational surplus (as detailed on page 5) for the year to March 2017 of £442,000.

At this point it's worth reflecting on what our improved operational performance has contributed to in terms of investments over the last couple of years:

- 2 full centre refurbishments (at Gracemount in 2015 and Drumbrae in 2016)
- 8 gym refurbishments (Craiglockhart, Drumbrae, Gracemount, Glenogle, Royal Commonwealth Pool, Portobello, Warrender and Dalry)
- 4 cycle studio refurbishments (Craiglockhart, Leith Victoria, Drumbrae and Royal Commonwealth Pool)
- 1 new climbing experience (Clip 'n Climb) at EICA
- 1 high performance water based hockey pitch at Meggetland
- 3 saunas at Dalry, Gracemount and Drumbrae

- 5 gymnastics facility investments at Tumbles, Kirkliston, Gracemount, Ainslie Park and Meadowbank
- 3 combined heat and power units, improving our environmental footprint at Leith Victoria, Portobello and Warrender
- Improved technological capabilities with a new website, new coaching software and enhanced Human Resource systems
- A host of other investments across our estate, proving our commitment to continue to improve the facilities for the people of Edinburgh

Other major achievements in 2016/17

The operational surplus of £442,000 against a break-even budget is a macro financial evaluation of the effects of a significant amount of both long and short-term activity across our business. What lies beneath that headline is a myriad of other achievements, some of which we will mention here.

Drumbrae lifecycle refurbishment: In the summer of 2016 we embarked on a significant refresh and enhancement to our facilities at Drumbrae Leisure Centre. While the centre received an extensive refresh, we also took the opportunity to expand the gym, create a second fitness studio, put a sauna on poolside, create a state of the art cycling studio and implement our first 'easy access' entry system. The project was delivered on time and on budget to great customer acclaim and we now have a centre fit for purpose for years to come.

Clip 'n Climb: Clip 'n Climb completed its first full year after opening on Good Friday in March 2016 and that first year surpassed our expectations in income, user numbers and contribution to the continuing improvement in the financial health of the Edinburgh International Climbing Arena (EICA). Such has been the success of Clip 'n Climb that it opened up opportunities to make further investments in the EICA, with new transformational lighting installed in 2016 and destratification units installed on the ceiling of the arena in order to improve temperature and condensation levels in the winter months. More than a year on since the launch of Clip 'n Climb, the popularity of the activity amongst both children and adults remains very high and will doubtless support further investments in that very impressive venue.

Schools: In May 2016, CEC asked Edinburgh Leisure to take over the operation of their secondary schools sporting estate outside of curricular and extra curricular hours. Bringing Edinburgh Leisure's expertise to these facilities is seen as key to delivering net financial savings for the Council, increasing access to the Council's sporting estate for local people and clubs and generally increasing physical activity and sporting participation across the city. During the year to March 2017 Edinburgh Leisure worked closely with CEC's Communities and Families colleagues and began a phased handover, starting with the newly built James Gillespie's and Portobello High Schools. Edinburgh Leisure's motivation for accepting the invitation to partner is purely for the ultimate benefit of the people of Edinburgh. The agreements have been structured in such a way that all start-up costs and net financial gains are passed to CEC. However, as the project continues with further schools transferred to Edinburgh Leisure after year end, we are already seeing greater participation in the schools we now manage, therefore delivering on our charity's purpose *to make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more.*

Healthy Working Lives: At the very heart of our business are our colleagues who live and breathe a love of physical activity. So, it was with immense pride that we received the Healthy Working Lives (HWL) Gold Award in March, in recognition of the number of initiatives we deliver to support employee wellbeing. The HWL reviewer's assessment concluded "There is a strong commitment to employee wellbeing in this organisation and overall this was an impressive assessment visit."

Royal Commonwealth Pool financial performance: We only have to look back to the year ended March 2014 to find when "The Commie" recorded a deficit of £500,000. Through the vision, drive and commitment of our colleagues in that flagship venue, the result to March 2017 was the delivery of a surplus at the same time as surpassing all key performance indicator targets. The contribution the RCP has made to the overall business transformation over that three-year period has been exceptional and worthy of special recognition in this report.

Active Communities: Aside from the core business of running CEC's sporting estate, Edinburgh Leisure invests time, resources and expertise in developing and delivering services to individuals and communities facing considerable health and social inequalities. We provide targeted projects that use physical activity and sport to improve, and in many cases transform, the lives of people affected by health conditions, disabilities, inequalities and poverty. We are proud to have helped 5,200 people to get active last year and the endorsements from so many of those people enthuse us to continue to make genuine, lasting positive impacts on the lives of our fellow citizens.

Key performance indicators

In reviewing the performance of the business, the Directors consider the actual performance against target and history for various metrics including those identified below. Regular performance updates are communicated to the Board, the City of Edinburgh Council and published on the Edinburgh Leisure website (<https://www.edinburghleisure.co.uk/freedom-of-information/published-information>).

	Actual	Target	Actual
	2017	2017	2016
Income from operating activities (£000's)	21,065	20,103	20,274
Expenditure on operating activities (£000's)	29,725	28,868	28,489
Income received for the delivery of special projects	695	500	543
Customer visit numbers (000's)	4,627	4,560	4,564
Customer experience index	8.63	9.50	8.46
Customer accidents as a percentage of total visits	0.0080 %	n/a	0.0024 %
Staff absence levels	3.17 %	4.00 %	4.16 %

Principal risks and uncertainties

Funding income: During the year to March 2017 the City of Edinburgh Council provided £8.3m (2016: £8.4m) of funding to Edinburgh Leisure for the delivery of core services. Funding for the year to March 2018 has been set at £8.1m with further reductions likely for 2018/19 and beyond as the Council continues to strive for improvements to its budget position. Edinburgh Leisure is engaging in regular dialogue with the Council regarding the potential impact of these future reductions.

Political: It is well documented that physical activity is a key enabler to improving societal outcomes. With the political landscape evolving through another UK general election in June 2017, another Scottish independence referendum possibly on the horizon and the uncertainty of Brexit and a post EU world, the political landscape is active and ever changing. What is not in doubt is the immense pressure experienced within the National Health Service and Social Care Services at a local and national level. The Directors remain focused on improving the core sustainability of the Edinburgh Leisure business model and if subsequent political changes result in greater focus on physical activity and the transformational health benefits it delivers, our business will be well placed to respond.

Economic: Recent economic moves have been more towards growth than contraction. As unemployment falls and consumer confidence returns it is reasonable to expect a loosening of the household grip on discretionary spending which is how physical activity has tended to be viewed. Edinburgh Leisure is positioned as an affordable, professional, good quality choice for customers across our service offerings such as fitness, aquatics, golf and sports coaching. As such the Directors believe the business is well placed to attract additional customers who wish to utilise their improved finances for a value for money, quality service.

People attraction and retention: As the economy continues to improve in Edinburgh it is becoming increasingly difficult to attract and retain quality staff at current remuneration packages. The Directors review salary increases annually to balance the need to control wage costs with the need to retain and attract quality staff in the Edinburgh job market. The business continues to invest in developing a great 'employee experience' and in learning and development opportunities for staff. Whilst the positive working environment and career development remains a strong incentive for quality people to work for Edinburgh Leisure, we cannot be complacent with regards to our rewards package.

Competition: We continue to operate in a very competitive city and sophisticated market, particularly in respect of our fitness offerings, but also across many other areas of our business. By investing in our facilities, developing our products and constantly tracking competitor activity and our own usage, membership and income metrics, we remain equipped to adjust our products and services in order to continue our success.

Plans for future periods

We will continue to press on with urgency and a keen focus on the next challenges and opportunities.

During 2017/18 we will again be investing in our facilities, with Ainslie Park cycle studio having already been refurbished at the time of writing. Leith Victoria will receive its gym refurbishment in the summer and new automated irrigation will

be installed at our premier golf course at Braid Hills. Following the success at Drumbrae we will begin to roll out our easy access entry system to other venues, we will replace the soft play frame at EICA and make a host of other investments across our estate to improve our customer experience. Our phased implementation of the schools project will continue throughout 2017/18. We will continue to work up business cases from a variety of other ideas and where significant opportunities arise, we will continue to invest and continue to enhance our overall business sustainability.

A new and welcomed area of work for us is supporting people with dementia. Our Active Communities team have secured funding to support the independence and wellbeing of people living with dementia. The funding will enable people with early, early onset and mild to moderate dementia and their carers to confidently access Edinburgh Leisure activities and facilities.

Our commitment to providing a network of accessible, quality facilities throughout the city is at the heart of our recent work with colleagues in CEC to create investment plans for Hunters Hall / the Jack Kane Centre. The intention is to install new 3G pitches alongside an outdoor velodrome with significant works to refurbish the centre itself. CEC have requested that we take the lead role in delivering these improvements. At the time of writing, the full handover of the project to Edinburgh Leisure is yet to take place therefore the timing of the works are still to be determined. However, we expect the works to be completed before the end of 2018. A reserve of £250,000 has been designated in our Balance Sheet at March 2017 to support funding of this project.

It has long been recognised that Meadowbank Sports Centre, is coming to the end of its lifespan. Following approval by CEC through their budget process earlier in 2017, plans are being finalised for the closure of the old Meadowbank in preparation for a brand new facility to be created on the site. At this juncture, it is expected that Meadowbank will close in late 2017/early 2018, with the new modern facility open for business around two years later.

Net income for the year

The results for the year are shown on page 14. The deficit on unrestricted funds was £818,000. This however included non-cash accounting costs arising from the difference between the revenue account pension charge when calculated under FRS102 and the actual employer cash contributions made to the pension fund during the year. In addition, a transfer of £10,000 from restricted to unrestricted funds was also made in the year and £750,000 was transferred from designated funds which were earmarked for the Drumbrae lifecycle investment and subsequently utilised in the summer of 2016. As such, the underlying result for the year to 31 March 2017 was a surplus on unrestricted funds of £442,000. A summary of this is shown in the table below:

	2017	2016
	£'000	£'000
Reported (Deficit) / Surplus on Unrestricted Funds	(818)	(780)
Interest cost in relation to pension liability	96	334
Pension service costs	404	729
Transfer from unrestricted funds	10	10
Transfer from designated funds	750	-
Underlying Surplus	442	293

The actuarial loss on The Lothian Pension Fund of £8,351,000 (2016: gain of £8,621,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities.

It is important to note that this large year to year movement arising from the accounting treatment of the pension assets and liabilities is a result of the sizeable swing in the actuarial position which can fluctuate significantly in the short term and does not, in itself, impact on the company's contributions to the plan. The FRS102 valuation is based on a calculation of future net liabilities by applying bond yields to the plan assets, thereby calculating conservatively low asset values and hence high deficit levels. This valuation methodology gives rise to significantly fluctuating statutory deficits on a year to year basis, but does not affect the long-term funding status of the scheme. The fund is actually invested across a number of asset classes and so actual returns are greater over the long term, reducing the liability to manageable levels. The actuarial evaluation which takes place every three years calculates the company contributions required to meet the likely liabilities when they arise and the company continues to invest these recommended contribution rates into the pension scheme. For information, the latest triennial evaluation based on year end March 2014 recommended company contributions of 18.5% from 1st April 2017 and the current year's budget has been built on that basis. The next triennial evaluation will be performed this year, giving clarity to contribution rates for the next three years.

Reserves policy

Total negative funds at March 2017 were £8,638,000, of which positive £388,000 was restricted. Unrestricted negative reserves of £9,026,000 include a negative reserve of £11,384,000 in respect of the pension deficit. £250,000 has been designated for use in lifecycle works as per Note 13 with the balance of unrestricted reserves being £2,108,000 which is not a free reserve as it is backed up by long term assets rather than exclusively cash reserves.

It is the intention of the Board to accumulate a reserve fund to allow the company some protection against future adverse events. The long-term strategy of the Board is to improve the sustainability of the business by reducing the reliance on external funding, recognising the financial challenges experienced by our largest external funder, the City of Edinburgh Council. As such the operating performance of the business over recent years has generated funds which have been utilised in the investment of fixed assets which are net income generating. It is the opinion of the Board that, all other things being equal, this strategy will move net current assets in a positive direction over the long term. Over the most recent three years, one can see from the table below that while net current liabilities at March 2017 are only slightly improved from March 2014, the net book value of our tangible fixed assets has improved by almost £1.5m, allowing us greater ability to drive year on year operational performance improvements.

	2017	2016	2015	2014
	£'000	£'000	£'000	£'000
Unrestricted current assets	1,576	1,667	1,688	958
Current liabilities	(4,127)	(3,488)	(3,574)	(3,611)
Net unrestricted current liabilities	(2,551)	(1,821)	(1,886)	(2,653)
Unrestricted tangible fixed assets	5,329	4,844	4,199	3,902

The liquidity of the business is positive throughout the year due to the timing of cash flows, reducing as we approach each financial year end. Recent history has shown that significant adverse events can impact the business to a value of up to £500,000, particularly during the winter months. The reserves policy agreed by the Board is therefore to maintain free cash balances in excess of £500,000 throughout the year, with the ability to utilise those cash balances towards the end of March as the risk of significant adverse conditions diminishes. This minimum cash holding was met for the year to March 2017 with a year-end cash balance of £865K. The reserves policy is reviewed by the Board annually.

Employees

The company maintains a policy of regularly providing all employees and, where represented, trade unions (via the Joint Negotiations & Consultative Committee) with information on the company's performance. It is the company's policy to give full consideration to applications for employment from people with disabilities. All disabled persons employed by the company have the opportunity for training, development and career progression.

Thanks to our supporters

As a charity, every penny spent by customers with Edinburgh Leisure is used to create opportunities for everyone in the city to live active, healthy lives. Our fundraising activities secure additional monies that enable us to do so much more. Our Active Communities Programme lends a helping hand to those that need a little extra support to get active and protect their health and wellbeing. Thanks to the generosity of our donors and supporters we are able to use the power of physical activity and sport to improve local lives affected by health conditions, poverty, inequalities and disabilities.

We are grateful to all our supporters in 2016/17, including the following partners:

Belmont Group	Black & Lizars	CALA Homes	The City of Edinburgh Council
Direct Partners	Dr Guthrie's Association	Drummond Education	EAE
Edinburgh Airport Community Board	Edinburgh Community Solar Co-operative	EVOC	Fitness Training Scotland
Home Energy Scotland	John Kirkhope Young Endowment Fund	Life Fitness	Lothian Region Swimming Committee
Macmillan Cancer Support	Nancie Massey Charitable Fund	NHS Lothian	Optimal Health Chiropractic
Physical Company	SASA East District	Skills Development Scotland	RSBP
Sainsbury's at Cameron Toll	Scottish Bakers	Scottish Swimming	sportscotland
Speedo	Souter Charitable Trust	State Street Foundation	StreetGames
Sustrans	The Maple Trust	The Souter Charitable Trust	The WM Mann Foundation
Spirit of 2012 in partnership with Scottish Government's Legacy 2014 Physical Activity Fund			

In closing

The last few years have been challenging, exciting and ultimately successful for our business. Through countless customer surveys our Net Promoter Score (a measure of whether our customers would recommend us) stands at 52, 10 points up against the previous year and 7 points up on the industry average. The message comes through again and again that customers value our "friendly, helpful" employees. Through their actions our colleagues demonstrate their enthusiasm every day to help the people of Edinburgh to improve their lives. We thank our colleagues, our partners and our customers for the success we have so far delivered.

We know that competitors will not stand still. Inflationary pressures will be exerted on our cost base. Local government funding will continue to be challenged. Customer expectations will continue to evolve. However, we will continue to partner with CEC on major infrastructure projects, we will continue to develop our staff and we will continue to invest in our facilities. Through it all we will continue our commitment to the communities of our capital city to provide among the best customer experiences in our industry. We stand with our customers and together we will work towards a healthier Scotland for today, tomorrow and for generations to come.



Kevin J Johnston FCMA
Company Secretary

26 June 2017

Directors' report

The Directors of the company are pleased to present their annual report and the audited financial statements for the year ended 31 March 2017.

Reference and administration information

The Directors who currently hold office are as follows:

Directors	David Milne (Chair) Councillor Karen Doran Councillor Graeme Bruce Councillor Kate Campbell Councillor Alexander Staniforth Dr Colin Mumford Scott Haldane John Taylor Jackie Moran Ken Goodlad Douglas McKenzie Jestyn Davies Colin McMillan	(appointed 25 May 2017) (appointed 25 May 2017) (appointed 25 May 2017) (appointed 24 May 2017)
Chief Executive	June Peebles	
Secretary	Kevin Johnston	
Registered office	Vantage Point 3 Cultins Road Edinburgh EH11 4DF	
Auditor	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD	
Solicitors	Harper Macleod LLP 8 Melville Street Edinburgh EH3 7NS	
Bankers	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB	Barclays Quay 2, Fountainbridge Edinburgh EH3 9QG
Charity number	SC027450	
Company number	SC179259	

Edinburgh Leisure's purpose

Edinburgh Leisure exists to make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more. Arguably, physical inactivity is one of the biggest problems we face in modern society due to its negative impact on health and wellbeing. Exercise can reduce risk of major illnesses, such as heart disease, stroke, diabetes and cancer by up to 50% and lower risk of early death by up to 30%. This means that if exercise were a pill it would be one of the most cost-effective drugs ever invented. Edinburgh Leisure is committed to a vision of inspiring Edinburgh to be a more active and healthy City.

Structure, Governance and Management

Charitable status

Edinburgh Leisure is a company limited by guarantee, governed by its memorandum and articles of association, and does not have a share capital. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up. The company has charitable status under Section 505 of the Income and Corporation Taxes Act 1988 and the Scottish Charity Number is SC 027450.

Directors

Edinburgh Leisure's Board comprises a maximum of fifteen Directors. Seven are co-opted from business, the leisure industry, and the professions. One is nominated from ClubSportEdinburgh, one is a nominated union representative and five are nominated elected members of the City of Edinburgh Council. There is also one Director specifically appointed to represent users. The seven co-opted members and the one user representative are appointed for a period of three years.

The following Directors served during the year:

David Milne	
Councillor Karen Doran	
Dr Colin Mumford	
Scott Haldane	
Jackie Moran	
Ken Goodlad	
Douglas McKenzie	
Jestyn Davies	
Colin McMillan	(appointed 5 December 2016)
Gillian Messenger	(resigned 31 October 2016)
Helen Murray	(resigned 28 November 2016)
Councillor Jeremy Balfour	(resigned 18 April 2017)
Councillor Ronald Cairns	(resigned 3 May 2017)
Councillor Richard Lewis	(resigned 5 May 2017)
Councillor Charles Booth	(resigned 25 May 2017)
Agnes Petkevicius	(resigned 25 May 2017)

Policies and procedures for induction and training of Directors

An induction process is in place for new Directors. This covers the strategic and operational issues affecting the company. Processes are in place to provide feedback to Directors on their contributions and to identify on-going training needs. Actions are taken as required.

Pay and remuneration of the charity's key management personnel

At least every three years, an external consultant is engaged to benchmark salaries against other leisure trusts, similar sized organisations in Edinburgh and UK wide charities, their findings and recommendations then being presented to Edinburgh Leisure's Remuneration Committee. To aid their determination, the Remuneration Committee have available the pay recommendations for the rest of the company and may choose to mirror the wider company award, although flexibility exists to implement differing pay awards if deemed necessary. The Remuneration Committee present their recommendations for discussion to the Board with key management not permitted to be present for these discussions.

Organisation Structure

The Board of Directors meets every two months with Directors and senior management present. Decisions are taken to set the overall strategy for the business as well as to monitor its activities. Senior management are charged with the task of implementing these decisions.

Objectives and activities

Principal activity

The principal activity of the company is the provision of recreation and leisure facilities on behalf of The City of Edinburgh Council in accordance with the following charitable objectives to:

- Provide or assist in the provision of facilities for recreation or other leisure time occupation in the interests of social welfare for the general public and in particular in connection with the local authority area of The City of Edinburgh as defined in the Local Government etc. (Scotland) Act 1994 with the object of improving the conditions of life for the Community;
- Provide facilities for persons who by reason of their youth, infirmity or disability, poverty or social and economic circumstances may need special facilities; and
- Promote good health among the Community through health education directed to the part which healthy eating and standards of nutrition together with exercise play in the maintenance of good health.

Disclosure of information to the Auditors

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken the appropriate steps as a Director to make themselves aware of such information and to establish that the auditors are aware of it.

Approved by the Board of Directors and signed on its behalf by:



David Milne
Chairman

26 June 2017

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company and Charity law requires the Directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company and charity law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006 and Charities and Trustee Investment (Scotland) Act 2005. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report to the Directors and Members of Edinburgh Leisure

We have audited the financial statements of Edinburgh Leisure for the year ended 31 March 2017 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Directors and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's Directors and members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Directors and Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the statement of Directors' responsibilities, the Directors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our 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). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2017 and of the charity's incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report, which includes the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements and the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Based on our knowledge and understanding of the charity and its environment obtained during the course of the audit we have identified no material misstatements in the strategic report and Directors' report.

**Independent auditor's report to the Directors and members of Edinburgh Leisure
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

27 June 2017

Martin Gill (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh
Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses)

For the year ended 31 March 2017

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2017 £'000	Total 2016 £'000
Income					
Investment income	6	34	-	34	80
<i>Income from charitable activities</i>					
Provision of leisure facilities		21,065	695	21,760	20,817
Contract with City of Edinburgh Council		8,308	165	8,473	8,583
Total income	2	29,407	860	30,267	29,480
Expenditure					
Charitable activities					
Provision of leisure facilities	3	29,725	986	30,711	29,941
Interest cost in relation to pension liability	18	96	-	96	334
Pension service costs	18	404	-	404	729
Total expenditure		30,225	986	31,211	31,004
Net movement in funds for the year before other recognised gains and losses		(818)	(126)	(944)	(1,524)
Other recognised gains and losses					
Actuarial (loss)/gain on Lothian Pension Fund	18	(8,351)	-	(8,351)	8,621
Net movement in funds (after actuarial loss on pension scheme)		(9,169)	(126)	(9,295)	7,097
Transfers between funds	14	10	(10)	-	-
Net movement in funds		(9,159)	(136)	(9,295)	7,097
Fund balances brought forward at 1 April 2016		133	524	657	(6,440)
Fund balances carried forward at 31 March 2017		(9,026)	388	(8,638)	657

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

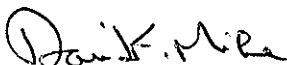
Balance Sheet

Company Number: SC179259
At 31 March 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible assets	7		5,439		4,964
Investments	8		-		-
			<u>5,439</u>		<u>4,964</u>
Current assets					
Stocks	9	116		96	
Debtors	10	873		615	
Cash in hand		865		1,360	
		<u>1,854</u>		<u>2,071</u>	
Current liabilities					
Creditors: amounts falling due in one year	11	(4,127)		(3,488)	
Net current liabilities			<u>(2,273)</u>		<u>(1,417)</u>
Total assets less current liabilities			<u>3,166</u>		<u>3,547</u>
Long term liabilities					
Creditors : amounts falling due in more than one year	12		(420)		(357)
Net assets excluding pension deficit			<u>2,746</u>		<u>3,190</u>
Pension deficit	18		(11,384)		(2,533)
Net (liabilities)/assets including pension deficit			<u>(8,638)</u>		<u>657</u>
Funds					
Unrestricted funds		2,108		1,916	
Designated reserves	13	250		750	
Pension reserve	18	(11,384)		(2,533)	
			<u>(9,026)</u>		133
Restricted funds	14		<u>388</u>		<u>524</u>
Total funds			<u>(8,638)</u>		<u>657</u>

The notes at pages 17 to 31 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 26 June 2017 and signed on its behalf by:



David Milne
Chairman

Cash flow statement
for the year ended 31 March 2017

	2017	2016
	£'000	£'000
Net (expenditure)/income for the reporting period	(944)	(1,524)
Adjustments for:		
Depreciation charges	1,106	1,098
Pension adjustment	404	729
Interest paid	111	351
Interest received	(34)	(80)
(Increase)/decrease in stock	(20)	16
(Increase)/decrease in debtors	(258)	306
Increase/(decrease) in creditors	496	(105)
Gain on disposal of fixed assets	(27)	(39)
Net cash provided by/(used in) operating activities	834	752
Cash flows from investing activities		
Interest received	34	80
Purchase of PPE	(1,434)	(1,635)
Finance lease interest paid	(15)	(17)
Proceeds from sale of fixed assets	50	56
Net cash provided by/(used in) investing activities	(1,365)	(1,516)
Cash flows from financing activities		
Repayment of finance leases	(151)	(163)
New loans entered into	221	-
Repayment of loans	(34)	34
Net cash provided by/(used in) financing activities	36	(129)
Change in cash and equivalents in the reporting period	(495)	(893)
Cash and cash equivalent at the beginning of the reporting period	1,360	2,253
Cash and cash equivalent at the end of reporting period	865	1,360

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

Edinburgh Leisure is a company incorporated in Scotland under the Companies Act. The address of the registered office is on page 8. Edinburgh Leisure constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with FRS102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of the financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the Charity to exercise judgment in applying the entity accounting policies (see Note 1m).

1a Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards. The financial statements are set out so as to comply with the Statement of Recommended Practice: Accounting and Reporting by Charities approved by the Accounting Standards Board in 2015, the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006.

The company's functional and presentational currency is GBP. Figures are presented rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis. Edinburgh Leisure has a contract to manage leisure facilities on behalf of the City of Edinburgh Council; although the contract is on-going, the financial terms relating to the contract are settled annually in conjunction with the Council's budgeting process. A six month notice period applies to the contract. In the opinion of the Directors there is no risk that funding will be withdrawn in the foreseeable future and as such the financial statements are prepared on a going concern basis.

These financial statements present information about the company as an individual undertaking, and not about its group, by virtue of s402 of the Companies Act 2006.

1b Funds

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

Restricted funds are funds subject to specific trusts, which may be declared by the donor or with their authority. Some are restricted income funds expendable at the discretion of the Board in furtherance of a particular activity, such as funds raised for particular client groups or activities. Others are capital funds where the assets are required to be invested for long term use.

Unrestricted funds are expendable at the discretion of the Board in furtherance of the objectives of Edinburgh Leisure. If part of the unrestricted funds is earmarked at the discretion of the Board for a particular project it is designated as a separate fund. This designation has an administrative purpose only, and does not legally restrict the Board's discretion to apply the fund.

1c Income

Activities for generating income are accounted for on an accruals basis.

Income from the City of Edinburgh Council is accounted for on an accruals basis and is agreed in advance based on the level of service provided.

Investment Income is accounted for on an accruals basis.

Capital Grants received are accounted for on an accruals basis. If a functional fixed asset is acquired in full or in part from the proceeds of a grant it is included in the balance sheet at its full acquisition cost, with the relevant grant being recognised as income and held in restricted funds. Depreciation is then allocated to this fund over the useful life of the related asset.

Notes to the financial statements *(continued)***1 Accounting policies** *(continued)***1d Expenditure**

All expenditure is accounted for on an accruals basis. Governance costs are included in the costs of providing service and relate to the expenditure on the Directors including meetings, if any, and for the company's obligation for audit as a charity. Support costs are included within the costs of providing service in note 3.

1e Leased assets: lessee

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of leasing payments is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding.

1f Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward for future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

1g Stocks

Stocks of materials and consumables are stated at the lower of cost and net realisable value in the ordinary course of operating.

1h Tangible fixed assets

Assets are held at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, generally as follows:

Freehold land and buildings	up to 50 years
Leasehold improvements	5 years – 25 years
Plant and equipment	3 to 10 years
Motor vehicles	4 years
Furniture and fittings	5 years
Computer equipment	3 to 5 years
Finance Leases	over the term of the lease

The assets are reviewed annually for impairment. Assets purchased during the year with a value of £1,000 or more are reviewed for capitalisation.

1i Taxation

As a charity, the group is exempt from income tax by virtue of Section 505(1) Income and Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1j Pensions

Edinburgh Leisure is a member of the Lothian Pension Fund, a Local Government Pension Scheme, which provides benefits based on final salary for periods before 1st April 2015 and career average salary after that date. The scheme closed to new entrants as at 1st April 2008.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Activities. These amounts together with the return on plan assets are disclosed as 'Actuarial gain/(loss) on Lothian Pension Fund'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Financial Activities as 'Interest cost in relation to pension liability'.

All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%.

1k Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Notes to the financial statements *(continued)*

I Accounting policies *(continued)*

II Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

III Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements the Directors have made the following judgements:

- Determining whether there are indicators of impairment of the charity's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determining whether the assumptions set by the Directors over the defined benefit pension scheme are reasonable.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see Note 7). Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Defined benefit pension scheme (see Note 18). The actuary values the pension scheme in line with assumptions set by the Directors. The actual performance is unlikely to be in line with the actuarial valuation as a result of the valuation being based upon assumptions on future unpredictable events such as return on assets and mortality rates.

Notes to the financial statements *(continued)*

2 Income

Income from investments was £34,000 (2016: £80,000), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £21,760,000 (2016: £20,817,000), of which £21,065,000 (2016: £20,274,000) was unrestricted and £695,000 (2016: £543,000) was restricted.

Income from the contract with City of Edinburgh Council was £8,473,000 (2016: £8,583,000), of which £8,308,000 (2016: £8,418,000) was unrestricted and £165,000 (2016: £165,000) was restricted.

3 Costs of providing service

	Unrestricted Fund £'000	Restricted Fund £'000	Total 2017 £'000	Total 2016 £'000
Wages and salaries	14,516	571	15,087	14,410
Social security costs	1,033	45	1,078	917
Employer pension contributions	1,051	26	1,077	1,081
Payments to self-employed coaches	1,124	21	1,145	1,246
Property costs	5,176	166	5,342	5,056
Supplies and services	5,498	157	5,655	5,939
Rental charges under operating leases	207	-	207	192
Depreciation	1,106	-	1,106	1,098
Finance lease costs	15	-	15	17
Governance costs	26	-	26	24
Gain on disposal of fixed assets	(27)	-	(27)	(39)
	29,725	986	30,711	29,941

The costs of providing services during 2016 were comprised of £28,489,000 in relation to unrestricted funds and £1,452,000 in relation to restricted funds.

4 Governance costs

	2017 £'000	2016 £'000
Audit fees	21	19
Directors and Officers Indemnity Insurance	5	5
	26	24

Notes to the financial statements *(continued)*

5 Staff numbers and costs

The remuneration and associated costs of the company were:

	2017	2016
	£'000	£'000
Wages and salaries	15,087	14,410
Social security costs	1,078	917
Pension costs	1,077	1,081
Pension adjustment	404	729
	<u>17,646</u>	<u>17,137</u>

Included within staff costs was £322 for redundancy costs (2016: nil). Costs for any redundancies are recognised when the liability is confirmed and are paid through normal payroll mechanisms. There were no balances outstanding (2016: nil) as at the Balance Sheet date.

Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the following bands:

	2017	2016
	Number	Number
£90,000 - £100,000	1	1
£60,000 - £70,000	3	2

The total contributions to defined benefit pension schemes for the staff within the above bands is £27,797 (2016: £26,603) and to defined contribution pension schemes is £5,351 (2016: £365).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance and travel expenses claimed by one Board member 2017: £1,176 (2016: £1,368).

The average monthly full-time equivalent number of employees of the company during the year was:

	Number	Number
Dry facilities	258	248
Wet centres	286	276
Golf courses	43	45
Administration and support	131	131
	<u>718</u>	<u>700</u>

Notes to the financial statements *(continued)*

5 Staff numbers and costs *(continued)*

The average monthly headcount number of employees of the company during the year was:

	2017	2016
	Number	Number
Dry facilities	384	355
Wet centres	399	370
Golf courses	47	49
Administration and support	144	142
	974	916

6 Investment income

	2017	2016
	£'000	£'000
Bank and other interest	34	80
	34	80

7 Tangible fixed assets

	Freehold Buildings	Leasehold Impmt's	Plant & Equipmt.	Motor Vehicle	Furniture & fittings	Computer Equipment	Finance Leases	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>								
At beginning of year	539	6,356	2,693	163	445	797	1,011	12,004
Additions	-	463	864	9	104	164	-	1,604
Disposals	-	(53)	(206)	-	(3)	(11)	(142)	(415)
At end of year	539	6,766	3,351	172	546	950	869	13,193
<i>Depreciation</i>								
At beginning of year	142	4,019	1,296	151	344	382	706	7,040
Charge	21	374	407	5	39	124	136	1,106
Disposals	-	(53)	(200)	-	(3)	(9)	(127)	(392)
At end of year	163	4,340	1,503	156	380	497	715	7,754
<i>Net book value</i>								
At 31 March 2017	376	2,426	1,848	16	166	453	154	5,439
At 31 March 2016	397	2,337	1,397	12	101	415	305	4,964

Notes to the financial statements (continued)

8 Fixed asset investments

	2017	2016
	£'000	£'000
Investment in subsidiary undertaking	-	-

The company owns 100% of the ordinary share capital of Edinburgh Leisure Two Limited, a company registered in Scotland. The value of the investment is £2 (2016: £2). This company did not trade in the year.

9 Stocks

	2017	2016
	£'000	£'000
Stocks	116	96

10 Debtors

	2017	2016
	£'000	£'000
Trade debtors	265	283
City of Edinburgh Council	188	49
Other Debtors	14	74
Prepayments and accrued income	406	209
	873	615

11 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	629	317
Pension creditor – City of Edinburgh Council	99	104
Due to City of Edinburgh Council	484	581
Social security costs and other taxes	336	264
Other creditors and accruals	2,438	2,041
Finance leases	74	152
Other loans	67	29
	4,127	3,488

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year (continued)

Included in other creditors and accruals above are amounts of deferred income as follows:

	2017	2016
	£'000	£'000
Balance at start of year	981	749
Transfers out	(981)	(749)
Transfers in	1,081	981
Balance at end of year	1,081	981

12 Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Finance leases	81	154
Other creditors and accruals	69	82
Other loans	270	121
	420	357

The maturity of obligations under finance leases is as follows:

	2017	2016
	£'000	£'000
Within one year	74	152
Within one to two years	43	73
Within two to five years	38	81
	155	306

The obligations under finance leases are secured over the assets to which they relate.

Notes to the financial statements (continued)

13 Designated reserve

	Total £'000
Balance as at 1 April 2016	750
Income	-
Expenditure	(750)
Transfer from Unrestricted Funds	250
Balance at 31 March 2017	250

The designated reserve has been created in order to ringfence funding towards lifecycle refurbishment activity expected to take place before 2019.

14 Restricted funds

	Maintenance	Other	EICA	Schools	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2016	-	404	120	-	524
Income	165	596	-	99	860
Expenditure	(165)	(722)	-	(99)	(986)
Transfer to Unrestricted Funds	-	-	(10)	-	(10)
Balance at 31 March 2017	-	278	110	-	388

The *Maintenance* reserve represents money paid from the City of Edinburgh Council to Edinburgh Leisure specifically for the purpose of carrying out capital upgrading works.

The *Other* reserve represents a number of funds received from external organisations for specific purposes.

The *EICA* reserve represents grant funding received from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant asset.

During the year, the company began a phased process to take over the operation of the secondary school sporting estate of City of Edinburgh Council (CEC) outside of core school hours. All income and expenditure is restricted with any surpluses being returned to CEC and any deficits being refunded by CEC.

A requirement exists to ring fence any surplus made from the operation of Queensferry High Recreation Centre. Any deficits are funded by Edinburgh Leisure from unrestricted reserves. To date the facility has generated a net deficit of £154,000 (2016: £162,000).

Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

Notes to the financial statements (continued)

15 Analysis of net assets between funds

	Unrestricted Fund	Restricted Fund	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
Fund balances at 31 March 2017 are represented by:				
Tangible fixed assets	5,329	110	5,439	4,964
Current assets	1,576	278	1,854	2,071
Current liabilities	(4,127)	-	(4,127)	(3,488)
Long term liabilities	(420)	-	(420)	(357)
Pension deficit	(11,384)	-	(11,384)	(2,533)
Total net assets	(9,026)	388	(8,638)	657

In the year ended March 2016, £120,000 of tangible fixed assets and £404,000 of current assets were restricted with all other amounts being unrestricted.

16 Financial instruments

	2017	2016
	£'000	£'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	1,332	1,766
Financial liabilities		
Financial liabilities measured at amortised cost	3,130	2,600

Financial assets that are debt instruments measured at amortised cost include trade debtors, cash in hand, amounts due from City of Edinburgh Council and other debtors.

Financial liabilities measured at amortised cost include trade creditors, amounts due to City of Edinburgh Council, accruals, finance lease creditor, other loans and other creditors.

Notes to the financial statements (continued)

17 Commitments

Total commitments under non-cancellable operating leases are as follows:

	2017	2016
	Total	Total
	£'000	£'000
No later than 1 year	334	335
Later than 1 year and no later than 5 years	516	586
Total	850	921

The company had capital commitments totalling £5,200 as at 31 March 2017 (2016: nil).

18 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2017 the employer contribution rate was 18.0%. The most recent actuarial valuation (31 March 2017) showed that the market value of Edinburgh Leisure's notional share of the scheme's assets was £69,525,000 and that the actuarial value for these assets represents 86% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the Directors on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102, section 28: Employee Benefits. The value of the fund at 31 March 2017 was as follows:

Actuarial valuation

	2017	2016
	£'000	£'000
Present value of funded liabilities	(80,899)	(59,206)
Present value of unfunded liabilities	(10)	(9)
Fair value of employer assets	69,525	56,682
Net liability	(11,384)	(2,533)

Notes to the financial statements (continued)

18 Pension Scheme (continued)

Movement in present value of defined obligation

	2017	2016
	£'000	£'000
At start of year	59,215	64,011
Current service cost	1,338	1,696
Past service cost	-	11
Interest cost	2,079	2,061
Contribution by members	314	331
Actuarial losses/(gains)	19,180	(7,684)
Losses on curtailments	-	-
Benefits paid	(1,216)	(1,210)
Unfunded benefits paid	(1)	(1)
At end of year	80,909	59,215

Movement in fair value of employer assets

	2017	2016
	£'000	£'000
At start of year	56,682	53,920
Interest income on plan assets	1,983	1,727
Contributions by members	314	331
Contributions by the employer	933	977
Contributions in respect of unfunded benefits	1	1
Return on assets excluding amounts included in net interest	10,829	937
Benefits paid	(1,216)	(1,210)
Unfunded benefits paid	(1)	(1)
At end of year	69,525	56,682

Notes to the financial statements (continued)

18 Pension Scheme (continued)

Income / (expense) recognised in the statement of financial activities

	2017	2016
	£'000	£'000
Current service cost	(1,338)	(1,696)
Past service cost	-	(11)
Interest cost	(96)	(334)
Actuarial (loss)/gain on Lothian Pension Fund	(8,351)	8,621
At end of year	(9,785)	6,580

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a loss of £8,351,000 (2016: £8,621,000 gain), calculated as follows:

	2017	2016
	£'000	£'000
Actuarial (loss)/gain on movement in present value of defined benefit obligation	(19,180)	7,684
Actuarial gain on movement in fair value of employer assets	10,829	937
Actuarial (loss)/gain on Lothian Pension Fund during year	(8,351)	8,621

Fair value of employer assets and return on those assets

	Value	Value
	2017	2016
	£'000	£'000
Equities	46,581	37,977
Bonds	15,991	11,337
Property	4,867	5,101
Cash	2,086	2,267
Company's share of scheme assets	69,525	56,682

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the Plan's investment portfolio.

Notes to the financial statements (continued)

18 Pension Scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2017	2016
	%	%
Inflation/pension increase rate	2.4%	2.2%
Salary increase rate	4.4%	4.2%
Discount rate	2.6%	3.5%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date as based on standard actuarial marketing tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males	Females
Current pensioners	22.1 years	23.7 years
Future pensioners	24.2 years	26.3 years

History of the Plan

The history of the plan for the current and prior periods is as follows:

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(80,909)	(59,215)	(64,011)	(53,447)	(48,082)
Fair value of employer assets	69,525	56,682	53,920	46,938	43,949
Deficit	<u>(11,384)</u>	<u>(2,533)</u>	<u>(10,091)</u>	<u>(6,509)</u>	<u>(4,133)</u>

The charity expects to contribute approximately £923,000 to its defined benefit scheme in the next financial year.

On 1st April 2008 Edinburgh Leisure closed its defined benefit scheme to new members. All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%

19 Related Party

Edinburgh Leisure is contracted to provide recreation and leisure by the City of Edinburgh Council ("CEC"). In the year to 31 March 2017 CEC made a payment of £8,308,000 (2016: £8,418,000) to the company and leased the facilities occupied by the company for a peppercorn rent. At 31 March 2017 CEC owed the company £188,000 (2016: £49,000) and the company owed CEC £583,000 (2016: £685,000) (including amounts due to the Lothian Pension Fund) in relation to normal trading activities.

Key management personnel include all directors and a number of senior staff who together have responsibility for planning, directing and controlling the activities of the company. The total compensation paid for key management for services provided to the company in the year was £354,000 (2016: £339,000).

Governance, Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

Re-basing the 2017/18 Internal Audit Plan

Item number 7.3

Report number

Executive/routine

Wards

Council Commitments

Executive summary

This paper details proposals for changes to the current year's (2017/18) risk based Internal Audit plan that was approved at Governance, Risk, and Best Value Committee in March 2017.

These proposed changes reflect the addition and removal of audits to ensure ongoing alignment with the changing risk profile of the Council, and the need to increase audit validation work to confirm that Service Areas have taken appropriate action to address their audit recommendations.

Governance, Risk and Best Value Committee

Re-basing the 2017/18 Internal Audit Plan

Recommendations

- 1.1 It is recommended that the Committee approves Internal Audit (IA) proposals for a net decrease of 77 days of the planned audit time detailed in the current 2017/18 Internal Audit Plan. This reflects:
- addition of 6 new audits (+135 days)
 - an increase in the time required to support more effective validation of IA recommendations (+65 days)
 - removal of 4 existing audits (-105 days)
 - removal of contingency time for additional reviews that has already been used to support completion of audits and validation work (-172 days)

Further detail is included at Section 3 below.

Background

- 2.1 The 2017/18 risk based Internal Audit plan was approved at Governance, Risk, and Best Value Committee in March 2017. Since then, six additional audits have been added to the plan, and it has also been identified that additional time (65 days) is required to support ongoing validation work to confirm that IA recommendations have been effectively addressed by Service Areas.
- 2.2 Analysis has been performed to assess whether delivery of the current plan (including the additional audits and increased validation time required) is achievable and has confirmed that the plan requires to be rebalanced and rebased to enable effective delivery with current IA resources (including existing PwC co-source arrangements).
- 2.3 The IA team has been operating below full capacity since mid August 2017 due to the resignation of one of the Principal Audit Managers. The role has been advertised with a view to filling the vacancy as soon as possible and by March 2018 at the latest. Whilst temporary back fill resource is in place, they cannot fulfil the full remit of the Principal role due to IR35 restrictions.

Main report

- 3.1 A total of 7 additions have been made to the 2017/18 IA plan (6 audits and increased validation time). The audits have been included at the request of management and agreed by the Chief Internal Auditor based on new and emerging risks impacting the Council. A further 100 days of IA time is required to support these additions, which are:

1. St Katherine's / Records Management for Looked After Children (25 days)
 2. Health and Social Care – Reconciliations (20 days)
 3. Health and Social Care – Home Care Purchasing Budget Management (35 days)
 4. Business World Enterprise Resource Planning System Implementation (30 days)
 5. Customer Transformation project (20 days)
 6. Port Facilities Security Plan (5 days).
 7. Additional time required for IA validation through to 31 March 2018 (65 days).
Only 55 days for validation for the full year was included in the original plan. A review confirms that this requires to be circa 150 days based on the volume and ratings of open Internal Audit Recommendations.
- 3.2 If no changes are made to the current plan, a further 5.3 FTE would be required to deliver it. It may be possible to recruit temporary qualified staff to do this work, but if this is not possible any additional capacity would require to be drawn down through PWC.
- 3.3 Four audits comprising 105 plan days have been identified that could be removed from the plan to support the inclusion of the audits detailed at 3.1 above and enable effective plan delivery by 31 March 2018. These are:
1. Carbon reduction (20 days) – this was included in the 2017/18 plan as a discretionary audit.
 2. Client Money (30 days) – some aspects of the scope have been covered in the Health and Social Care reconciliations audit that has been added to the plan, and client money has also been covered within the scope of our Health and Social Care care homes audit (due to be finalised by end November 2017).
 3. Facilities Management Service Level Agreement (30 days) – scope of this audit was to assess how effectively the new SLA has been embedded. The SLA will not be finalised until February 2018, so it is recommended that this audit is moved into the 2018/19 plan.
 4. Edinburgh Integration Joint Boards (EIJB) District Nursing (25 days) – recommend that this is replaced by the Health and Social Care Purchasing Budget Management audit now added to the plan as detailed at 3.1 above.
- Note that this change will also require to be approved by the EIJB Audit and Risk Committee.**
- 3.4 A further 172 days were included in the original 2017/18 audit plan reflecting additional time for 5 project reviews (75 days); 3 Service Area Audit reviews (75 days) and Contingency time (22 days). These days have already been used to complete audits delivered to date (most notably Care Homes where completion of the 10 visits and preparation of the final 'themed' audit report has taken longer than expected) and completion of validation work since May 2017. It is also the Chief Internal Auditor's opinion that there is adequate coverage of project reviews in the current plan with the addition of the Business World and Customer Transformation project audits noted at 3.1 above.
- 3.5 If the four audits (105 days) and the contingent capacity for additional reviews (172 days) are removed from the plan (a total reduction of 277 days), the additions (100 days as noted at 3.1 above) can be delivered with current IA team resources

(assuming no further resourcing challenges). The net impact will be a net reduction of 77 planned days.

- 3.6 It should be noted that delivery of the plan will still remain challenging, with no capacity for significant budget overruns or delays in completing the remaining audits. This will be kept under constant review by the Chief Internal Auditor and the Head of Legal and Risk.
- 3.7 The Chief Internal Auditor is satisfied that the re-based plan still provides appropriate internal audit assurance for the Council's activities as the audits added to the plan reflect the real and dynamic nature of the risks to Council.

Measures of success

- 4.1 Successful delivery of the rebased Internal Audit plan by 31 March 2018.

Financial impact

- 5.1 No direct financial impact.

Risk, policy, compliance and governance impact

- 6.1 No direct impact – the rebased plan remains risk based with appropriate focus on the Council's top risks.

Equalities impact

- 7.1 No direct impact.

Sustainability impact

- 8.1 No direct impact.

Consultation and engagement

- 9.1 These proposals have been discussed and agreed at Corporate Leadership team prior to presentation at Governance, Risk, and Best Value Committee.

Background reading/external references

- 10.1 Non Applicable.

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Chief Internal Auditor

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11. Appendices

11.1 None.

Governance, Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

Revenue Monitoring 2017-18 - Month Five Position - referral from the Finance and Resources Committee

Item number	7.4
Report number	
Wards	All

Executive summary

On 7 November 2017 the Finance and Resources Committee considered a report that set out the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period five data. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

Terms of Referral

Revenue Monitoring 2017/18 – Month Five Position

Terms of referral

- 1.1 On 28 September 2017 the Finance and Resources Committee noted the current projections of expenditure and income with mitigating actions identified to bring net expenditure back in line with approved levels over the remainder of the year
- 1.2 On 7 November 2017 the second quarterly revenue monitoring report for 2017/18 was presented which set out the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period five data.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note that, in light of the further tightening of financial and workforce controls, additional anticipated income and prioritisation of discretionary expenditure, a balanced position for the year was now projected by the year-end.
 - 1.3.2 To note that attainment of this position would require active management of risks and pressures, particularly those of a demand-led nature, for the remainder of the year.
 - 1.3.3 To note the balanced position projected on the Housing Revenue Account (HRA) after making a £11.58m planned contribution towards housing investment.
 - 1.3.4 To agree the Spend to Save application in respect of the Edinburgh International Climbing Arena and refer this decision to Council for ratification of use of the Fund.
 - 1.3.5 To refer the report by the Executive Director of Resources to the Governance, Risk and Best Value Committee as part of its work programme.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 28 November 2017 for consideration as part of its work-programme.

Background reading / external references

Finance and Resources Committee 7 November 2017.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday, 7 November 2017

Revenue Monitoring 2017/18 – month five position

Item number	7.3
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

Members considered an interim period five-based revenue monitoring update at the Finance and Resources Committee's meeting on 28 September 2017. While underlying pressures within Health and Social Care and Safer and Stronger Communities contributed to a projected overall overspend, net of mitigating actions, of £4m, the report indicated that a further tightening of financial and workforce controls had been introduced in September 2017. Alongside prioritisation of discretionary expenditure and anticipated additional income, implementation of these actions contributes to a projected overall position by the year-end that is now balanced. Attainment of this outcome is, however, dependent upon active management of risks and pressures for the remainder of the year.

Revenue Monitoring 2017/18 – month five position

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note that, in light of the further tightening of financial and workforce controls, additional anticipated income and prioritisation of discretionary expenditure, a balanced position for the year is now projected by the year-end;
 - 1.1.2 note that attainment of this position will require active management of risks and pressures, particularly those of a demand-led nature, for the remainder of the year;
 - 1.1.3 note the balanced position projected on the Housing Revenue Account (HRA) after making a £11.58m planned contribution towards housing investment;
 - 1.1.4 consider the Spend to Save application in respect of the Edinburgh International Climbing Arena and, subject to approval, refer this decision to Council for ratification of use of the Fund; and
 - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

2. Background

- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period five data.

3. Main report

- 3.1 This report represents the second quarterly revenue monitoring report for 2017/18. 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.
- 3.2 A complementary schedule of meetings, aligned to the Council's revised Committee structure, has also been developed at which more detailed, service-specific commentaries will be considered.

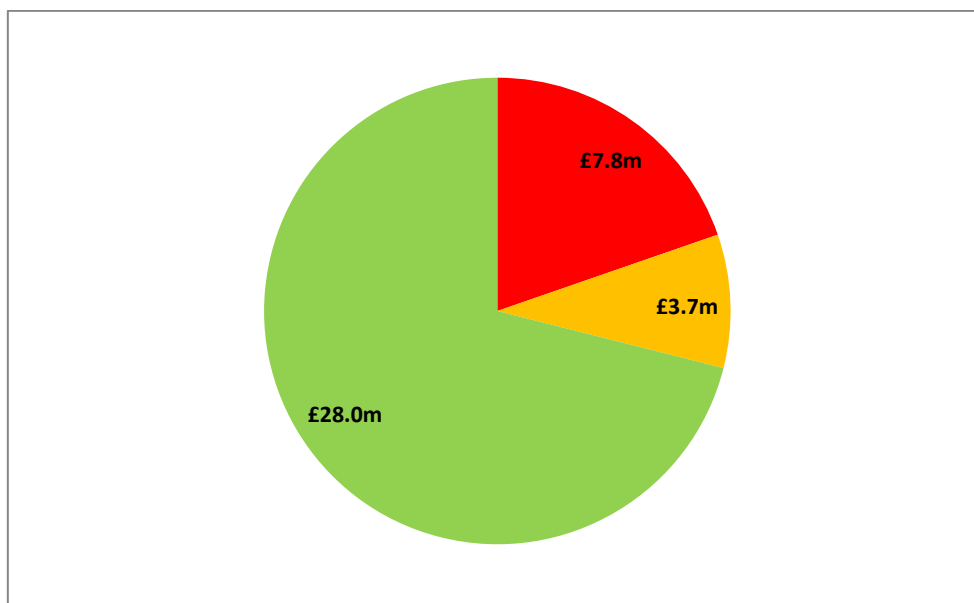
Overall position

- 3.3 Members considered an interim period five-based revenue monitoring update at the Finance and Resources Committee's meeting on 28 September 2017. The report indicated a projected overall year-end overspend of £4m, representing the net effect of significant overspends in Health and Social Care (£9.1m) and Safer and Stronger Communities (£3.5m) offset by one-off savings (or savings already assumed in the budget framework in future years) of £8.6m.
- 3.4 In light of the projected position at that time, the report indicated that a further tightening of financial and workforce controls had been introduced. Alongside prioritisation of discretionary expenditure, anticipated additional income and active management of risks and pressures for the remainder of the year, implementation of these actions contributes to a projected overall position that is now balanced by the year-end. A high-level service analysis is included as Appendix 1, with details of the mitigating actions or savings set out in the relevant following sections. Attainment of this position will require sustained and proactive management of known and emerging risks and pressures across all service areas throughout the remainder of the year. A progress update will therefore be provided as part of the period eight-based report to be considered at the Committee's next meeting on 23 January 2018.
- 3.5 In interpreting this overall position, it should be noted that of the total of £10.6m of underlying net pressures within Health and Social Care and Safer and Stronger Communities, £2.63m are being addressed by means of one-off reductions or slippage in expenditure, £3.91m by savings already assumed or included within the budget framework baseline for 2018/19 and the remaining £4.06m by one-off use of reserves. The assessed on-going implications of current-year pressures have therefore been reflected within the revenue budget framework as reported to the Finance and Resources Committee on 27 October.

Savings delivery

- 3.6 The approved budget for 2017/18 was predicated on the delivery of £39.5m of service-specific and corporate savings. As of September, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 80% are on target to be delivered in full as shown in the chart below.

RAG assessment of approved budget savings, 2017/18 – September 2017



- 3.7 The majority of the red-assessed savings are those of a transformational or demand-led nature within Health and Social Care, with the remainder representing savings within the Place Directorate linked to the Roads and Waste Services transformation plans.
- 3.8 Amber-assessed savings represent, in the main, those where interim or one-off funding solutions have been identified pending development of sustainable means of delivering the savings concerned.
- 3.9 The net effect of any risk of shortfall in delivery is reflected in the overall position as assessed by service areas in the following sections. Executive Directors also continue to manage a range of risks and pressures, the most material of which, alongside any identified mitigating actions, are also noted below.

Service-specific budgets - Communities and Families

- 3.10 As of period five, subject to on-going work reviewing the delivery of approved savings and the effectiveness of planned mitigating actions in respect of any material shortfalls, the Executive Director of Communities and Families is committed to delivery of an overall underspend of £1.0m in 2017/18.
- 3.11 A prioritised review of discretionary spend and the one-off service investment approved as part of the budget has also been undertaken, resulting in the identification of a £1m reduction in expenditure, included in the overall outturn above, that is available to offset net pressures apparent elsewhere within the Council.
- 3.12 This position is, however, dependent in particular upon management of a number of demand-led service pressures identified within the directorate budget, including increased use of out-of-Council area accommodation placements and transitional costs arising from the transfer of non-core hour management of school sports facilities to Edinburgh Leisure.

Health and Social Care

- 3.13 The month five outturn forecast reflects significant demand-led pressures within Health and Social Care, showing a gross overspend of £11.9m. This forecast position takes account of the delivery of £3.9m of savings associated with the organisational review but includes £6.03m of slippage on planned transformation-related purchasing savings.
- 3.14 In addition to the non-delivery of savings of £6.03m, the growth in demand for care at home services, coupled with increases in direct payments and individual service funds has resulted in projected expenditure exceeding budget in these areas by £3.8m, after the application of £2.2m of recurring funding from the Social Care Fund (SCF) approved by the Edinburgh Integration Joint Board (EIJB). In recognising the financial impacts of demographic growth, however, a recommendation will be made to the EIJB's meeting on 17 November 2017 to release from the SCF on a recurring basis the £2m provision for additional inflation, reducing the overall overspend in this area to £1.8m.
- 3.15 Other smaller pressures and savings across the Health and Social Care budget are projected to deliver £0.6m of net savings to offset the above pressures, bringing the forecast overall overspend to £7.1m.
- 3.16 In recognition of the severity of the overall service projection, the Financial Update considered by the Integrated Joint Board on 22 September set out the main elements of a two-month fundamental re-assessment and re-focusing of the Edinburgh Integration Joint Board's plans, centred upon performance, quality and affordability as a route towards re-establishing financial stability. The Interim Chief Officer of the Edinburgh Health and Social Care Partnership will attend the Committee's meeting to provide an overview of the emerging conclusions from this work.
- 3.17 In the interim, work is being progressed to identify and implement remedial measures to address the projected overspend, including additional controls on recruitment and agency spend. Business cases and detailed implementation plans for a number of transformation-based initiatives are being developed. A Savings Governance Board has also been created to monitor delivery of the projects and workstreams which form part of the financial recovery plan and to consider additional savings proposals.

Place

- 3.18 In addition to implementation of the £7.3m of newly-approved savings for delivery in 2017/18, mitigating actions require to be identified to address a number of carried-forward or in-year budget pressures affecting, in particular, the Waste and Roads Services functions.
- 3.19 As of period five, the Executive Director of Place has identified net budget pressures of £4.43m (including those in respect of approved savings delivery). A corresponding set of actions has now been developed to offset these

pressures fully and while a number of risks remain around their subsequent delivery, a break-even position is being forecast at this time. Progress will continue to be reported in respect of delivery of these mitigating actions.

Resources

- 3.20 Based on analysis of the period five position, the Resources Directorate is projecting an overall underspend of £1.46m, reflecting the combined impact of measures to offset projected overspends in other areas of the Council. These savings primarily comprise a combination of acceleration of an element of procurement-related savings initially planned for delivery in 2018/19, a reduced assumed funding requirement for the Customer Transformation programme and one-off employee cost savings. A small number of savings shortfalls are being mitigated by non-recurring measures pending the development of sustainable proposals to be implemented from 2018/19.

Chief Executive (excluding Safer and Stronger Communities)

- 3.21 The period five-based forecast for services reporting directly to the Chief Executive reflects an overall underspend of £0.368m, representing employee costs arising from vacant posts within the Strategy and Insight and Communications functions. All savings measures approved as part of the 2017/18 are on track to be delivered in full.

Safer and Stronger Communities

- 3.22 Significant service pressures are being faced as a result of temporary accommodation management fees being removed from Housing Benefit eligibility with effect from April 2017, combined with changes to the benefits cap which also impact on Housing Benefit income. These pressures are being exacerbated by increasing demand for both Bed and Breakfast and Short-Term Let accommodation as a result of longer average lengths of stay and a shortage of available “move-on” accommodation.
- 3.23 The total projected unfunded budget pressure is currently £8.5m which is partially offset by mitigations totalling £5.0m, resulting in a net residual unfunded budget pressure of £3.5m. Following the Council-wide review of discretionary expenditure, £0.17m of uncommitted one-off service investment has been identified that is available to mitigate the overall service overspend to £3.33m.
- 3.24 The Acting Head of Safer and Stronger Communities remains fully committed to making all efforts to identify mitigations to reduce the pressure. There is, however, limited scope to achieve this, given the size of the pressure relative to the net budget available. A balanced budget position is not therefore expected to be deliverable by the end of 2017/18.

Corporate budgets

- 3.25 The update report considered by the Finance and Resources Committee on 28 September 2017 indicated that a review of the size and profile of the Council Tax base, taking into account property numbers and bands, Single Person

Discount entitlement and recent years' collection rates, pointed to an increase in projected Council Tax income in 2017/18 of £2m. Based on the most current data, it is now estimated that a further £0.54m of additional income is available to offset pressures elsewhere within the Council.

- 3.26 Based on an analysis of anticipated in-year capital spend and continuation of the policy of no new external borrowing, loans charge savings of £1m relative to budgeted levels are also anticipated.
- 3.27 In both of the above areas, in-year monitoring will continue over the remainder of the year to determine whether any further savings relative to budget might become available.
- 3.28 Following the conclusion of the 2016/17 audit and ratification by Council of the annual accounts, approval has been secured to apply the 2016/17 underspend (£1.058m) and sums previously earmarked in respect of (i) welfare reform-related changes (£2m) and (ii) works in buildings sharing similar design characteristics to the Council's PPP1 schools (£1m) in the current year. Taken together, these measures address £4.058m of net expenditure pressures elsewhere, allowing a balanced overall position to be projected.

Other areas

Housing Revenue Account

- 3.29 A balanced position is forecast after making a required £11.58m contribution to fund future delivery of the affordable housing strategy as set out in the HRA business plan, subject to repairs and maintenance expenditure being kept within budgeted levels.

Spend to Save application

- 3.30 Members of the Committee may be aware that the Council operates a spend to save fund, whereby upfront revenue investment is provided to support the taking forward of projects that will deliver savings in subsequent years. This investment is then repaid according to savings profiles agreed upon approval of the project concerned, allowing the fund to support eligible schemes on an ongoing basis.
- 3.31 An application has been received from Edinburgh Leisure (EL) in respect of installing a mains sewer connection for the Edinburgh International Climbing Arena (EICA), further details of which are provided in Appendix 3. While operated by EL, the EICA is owned by the Council and the proposed investment will enhance a Council-owned asset. The installation cost of the connection is estimated at £0.437m, with consequent annual savings of £0.09m, resulting in a 4.9-year payback period. EL has confirmed that, should the actual cost exceed this level, the excess will be met directly by EL. Members of the Committee are asked to consider this application and, if approved, refer the decision to Council for ratification of use of the Fund.

4. Measures of success

- 4.1 Achieving a balanced overall budget outturn position for 2017/18 and successful delivery of approved savings and key service performance indicators.

5. Financial impact

- 5.1 The report's contents point to a balanced overall position for the year whilst highlighting the importance of active management of risks and pressures in maintaining expenditure within approved levels.
- 5.2 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets.

6. Risk, policy, compliance and governance impact

- 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. This has contributed positively to a position where the majority of approved 2017/18 savings are assessed as being on track to be delivered.

7. Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to

climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

9. Consultation and engagement

- 9.1 The Chief Executive has tasked Executive Directors with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals. This process has resulted in an improvement in the month five position relative to that projected at period three and, subject to management of other risks and pressures, attainment of a balanced position by the year-end.
- 9.2 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of regular consultation and engagement.

10. Background reading/external references

Service monitoring statements for period five.

[Approved 2017-18 - 2020-21 Revenue Budget and 2017-18 - 2021 Capital Investment Programmes - plans for supplementary investment](#) – 23 March 2017

[Revenue Monitoring 2017-18 - month three position](#) – 5 September 2017

[Revenue Budget Monitoring 2017- 18 - update](#) – 28 September 2017

Stephen S. Moir

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11. Appendices

Appendix 1 – Service analysis, Period 5

Appendix 2 – 2017/18 budget savings RAG assessment – savings assessed as red in part or in full

Appendix 3 – Spend to Save funding application – Edinburgh International Climbing Arena

REVENUE MONITORING 2017-18

PERIOD 5 REPORT

SERVICE ANALYSIS

Account	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date		Projected Outturn £000	Projected Variance	
				£000	%		£000	%
Communities and Families	341,818	149,545	151,464	1,919	1.3%	340,818	(1,000)	(0.3%)
Place	64,042	26,684	29,624	2,940	11.0%	64,042	0	0.0%
Resources	165,635	69,769	68,371	(1,398)	(2.0%)	164,175	(1,460)	(0.9%)
Health and Social Care	184,123	75,305	79,175	3,870	5.1%	191,223	7,100	3.9%
Chief Executive	11,088	5,784	5,634	(150)	(2.6%)	10,720	(368)	(3.3%)
Safer and Stronger Communities	25,857	12,684	15,247	2,563	20.2%	29,187	3,330	12.9%
Valuation Joint Board Requisition	3,741	1,559	1,559	0	0.0%	3,741	0	0.0%
General Fund Services Subtotal	796,304	341,330	351,074	9,743	2.9%	803,906	7,602	1.0%
Other income and expenditure								
Net Cost of Benefits	(62)	(26)	100	126	n/a	(62)	0	0.0%
Early Release Costs	1,500	625	1,428	803	0%	1,500	0	0.0%
Other non-service specific costs	23,639	9,850	5,773	(4,076)	0%	23,639	0	0.0%
Interest and investment income	(8,811)	0	0	0	0%	(8,811)	0	0.0%
Loan Charges	115,019	0	0	0	0%	114,019	(1,000)	(0.9%)
Contributions to Earmarked Funds	6,137	0	0	0	0%	3,137	(3,000)	(48.9%)
Return of 2016/17 surplus from Council Priorities Fund	0	0	0	0	0%	(1,058)	(1,058)	n/a
Income from Council Tax	(266,342)	(110,976)	(110,976)	0	0%	(268,886)	(2,544)	(1.0%)
- Council tax reduction scheme	23,277	9,699	9,699	0	0%	23,277	0	0.0%
General Revenue Grant	(335,598)	(139,833)	(139,833)	0	0%	(335,598)	0	0.0%
Distribution from NDRI pool	(355,063)	(147,943)	(147,943)	0	0%	(355,063)	0	0.0%
In-year overspend / (underspend)	0	(37,273)	(30,678)	6,596	2.9%	0	0	n/a

BUDGET SAVINGS RAG ASSESSMENT, SEPTEMBER 2017 - APPROVED PROPOSALS WITH ANY ELEMENT CURRENTLY ASSESSED AS RED

			RAG Status (insert relevant element of saving under each heading. These amounts should be shown net of any assumed mitigating action)				
Savings description	Service area	Approved level of saving, 2017/18 (£000)	Red	Amber	Green	Basis of current status, including brief details of confirmed or planned mitigating actions	Planned actions and associated timescales for delivery of savings
Reablement 1	Health and Social Care	630	630	0	0	Business cases for savings yet to be finalised and actioned	Work is currently being progressed to achieve the approved savings via agreed business cases for proposals focussed on asset-based assessment, support planning and brokerage, telecare, etc. Work has also begun to identify further opportunities, both centrally and through locality management for schemes that include: targeted reviews to reduce cost of care packages; business process redesign and; tackling delays across the system.
Telecare	Health and Social Care	960	960	0	0	Business cases for savings yet to be finalised and actioned	
Review Team	Health and Social Care	300	300	0	0	Business cases for savings yet to be finalised and actioned	
Support planning and brokerage	Health and Social Care	2,880	2,880	0	0	Business cases for savings yet to be finalised and actioned	
Review of financial allocation system	Health and Social Care	750	750	0	0	Business cases for savings yet to be finalised and actioned	
Reablement 2	Health and Social Care	510	510	0	0	Business cases for savings yet to be finalised and actioned	
Total Health and Social Care			6,030				
Place	Environment	1,720	1,720			At this stage, a number of Environment-related savings are assessed as "red" pending continuing work on improvement plans for Roads and Waste Services.	
Total Place			1,720	0	0		
Total all areas			7,750				

Spend to Save proposal - Edinburgh International Climbing Arena - connection to main sewer

Project	Description	Outcome	Coalition Pledges and Council Outcomes	Funding	Risk	Payback Period
Edinburgh International Climbing Arena (EICA) - connection to main sewer	<p>The EICA is managed on the Council's behalf by Edinburgh Leisure. EICA was originally constructed without a connection to the mains sewerage system. The current system of waste removal involves EL pumping the waste to a holding tank, where it is uplifted by a private contractor by tanker on average two to three times per day. This has significant on-going cost implications and is not environmentally-friendly.</p> <p>The proposal is to create a permanent connection to the mains sewerage system using the nearby farmer's field. Heads of terms have been agreed in principle. Construction is planned between January and March so that the farming business will not be affected.</p>	<p>Net annual savings of £0.09m will be generated. The proposal will also reduce energy costs and emissions associated with pumping effluent to the holding tank and subsequent uplift by tanker.</p>	<p>A Resilient City – our built and natural environment is protected and enhanced - Edinburgh is clean, attractive and well looked-after</p>	<p>£437,000</p>	<p>Low</p>	<p>4.9 years</p>

Governance, Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

Capital Monitoring 2017-18 – Half Year Position - referral from the Finance and Resources Committee

Item number	7.5
Report number	
Wards	All

Executive summary

On 7 November 2017 the Finance and Resources Committee considered a report that set out the overall position of the Council's capital budget at the half year position (based on month five data) and the projected outturn for the year. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

Terms of Referral

Capital Monitoring 2017/18 – Half Year Position Position

Terms of referral

- 1.1 The month five position showed that the Council was projecting to require loans fund advances of £40.600m and would be in receipt of grants and capital income amounting to £106.170m. Together this would fund projected capital investment of £146.770m. Loans fund advances were projected to be £4.601m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme partly offset by delayed receipts from asset sales.
- 1.2 The HRA capital investment programme was projecting to require loans fund advances of £36.329m and would be in receipt of grants and capital income amounting to £35.012m. Together this would fund projected capital investment of £71.341m. Loans fund advances were projected to be £6.663m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the projected capital outturn positions on the General Fund and Housing Revenue Account (HRA) at month five.
 - 1.3.2 To note the prudential indicators at month five.
 - 1.3.3 To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

For Decision/Action

- 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.

Background reading / external references

Finance and Resources Committee 7 November 2017.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday 7 November 2017

Capital Monitoring 2017/18 – Half Year Position

Item number	7.6
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The month five position shows that the Council is projected to require loans fund advances of £40.600m and will be in receipt of grants and capital income amounting to £106.170m. Together this will fund projected capital investment of £146.770m. Loans fund advances are projected to be £4.601m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme partly offset by delayed receipts from asset sales.

The HRA capital investment programme is projecting to require loans fund advances of £36.329m and will be in receipt of grants and capital income amounting to £35.012m. Together this will fund projected capital investment of £71.341m. Loans fund advances are projected to be £6.663m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme.

Capital Monitoring 2017/18 – Half-Year Position

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are requested to:
- 1.1.1 Note the projected capital outturn position on the General Fund and HRA at month five;
 - 1.1.2 Note the prudential indicators at month five; and
 - 1.1.3 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

2. Background

- 2.1 This report sets out the overall position of the Council's capital budget at the half-year position (based on month five data) and the projected outturn for the year.

3. Main report

Existing Capital Plans

- 3.1 The position at month five is summarised in the table below, while further details can be seen in Appendix 1.

	Outturn Variance at Month Five	Outturn Variance at Month Three	Movement from Month Three
	£000	£000	£000
Net (slippage) / acceleration in gross expenditure	(11,860)	(8,334)	(3,526)
Net (surplus) / deficit in capital receipts and grant income	7,259	3,236	4,023
Net increase / (decrease) in loans fund advances	(4,601)	(5,098)	497

- 3.2 The position at month five can be seen in Appendix 1, which shows expenditure on the Capital Investment programme of £146.770m funded by grants and other capital income of £106.17m and loans fund advances of £40.600m.
- 3.3 The forecast currently includes an anticipated payment of £14.21m for ICT assets under the Council's contract with CGI. A detailed exercise is currently underway to determine the appropriate contractual arrangements and accounting treatment for these assets.
- 3.4 Members should note that in any given year, variance against budget will occur due to delays or unforeseen circumstances outwith the control of the Council. Whilst known variances to the delivery of the programme advised by Executive Directors have been incorporated into the revised Programme referred to in 3.1, an assumption of further slippage in the Programme of 2.5% of the revised budget, amounting to £3.966m has been made at this early stage in the financial year. This general provision and specific project variances will be kept under review throughout the remainder of the year and amended as appropriate.
- 3.5 Explanations for significant slippage and accelerations projected at month five are presented in Appendix 2.

Capital receipts / grant income

- 3.6 Projected capital receipts from the sale of surplus assets of £11.337m are lower than budget by £7.536m for 2017/18 as a result of changes in anticipated settlement dates and the phasing of receipts which are now expected to be received in future years.
- 3.7 Members should also be aware that the value and timing of capital receipts can be impacted by a number of factors including abnormal costs arising from survey results and offers contingent on planning approvals. Any further revisions to the receipts programme will be reported within future capital monitoring reports.

Prudential Indicators

- 3.8 The Prudential Indicator monitoring at month 5 is shown in Appendix 3.

Housing Revenue Account (HRA)

- 3.9 The Housing Revenue Account is forecasting slippage in gross expenditure of £6.663m (8.5%) at month five (balance position at month three). The full HRA capital investment budget position is shown in Appendix 4. At month five, the forecast is gross expenditure of £71.341m, capital receipts and grant income of £35.012m and loans fund advances of £36.329m.
- 3.10 The projected outturn at month five is based on an assessment of the various risks identified and their impact on in-year delivery. The annual expenditure on the House Building Programme is projected to be £5.436m less than originally forecast, primarily due to delays in securing statutory consents for construction work at North

Sighthill, small sites and Greendykes. Greendykes was also subject to a value engineering exercise due to high tender price. Despite the delay, the budgets for individual house building projects will still be spent in full as part of the three year rolling programme. The remainder of the slippage is linked to the extensive engagement of owners and legal process for buybacks under the Regeneration Programme taking longer than initially projected.

4. Measures of success

- 4.1 Completion of capital projects as budgeted for in the revised 2017/18 capital programme.
- 4.2 Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

5. Financial impact

- 5.1 The projected 2017/18 general fund outturn outlines loans fund advances of £40.600m. The overall loan charges associated with this over a 20-year period would be a principal amount of £40.600m, interest of £26.430m, resulting in a total cost of £67.030m 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 £1.050m, followed by an annual cost of £3.299m for 20 years.
- 5.2 The projected 2017/18 HRA outturn outlines loans fund advances of £36.329m. The overall loans charges associated with this over a 20-year period would be a principal amount of £36.329m, interest of £23.650m, resulting in a total cost of £59.979m based on a loans fund rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.939m followed by an annual cost of £2.952m for 20 years.
- 5.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 5.4 The loan charge costs outlined above will be met from this year's general fund and HRA revenue budgets for loan charges.

6. Risk, policy, compliance and governance impact

- 6.1 Significant budget virements have complied with relevant financial rules and regulations.
- 6.2 Capital monitoring and budget setting processes adopted ensure effective stewardship of resources. The processes applied aim to ensure projects are delivered on time and budget whilst fulfilling the financial criteria of value for money.

- 6.3 Monitoring of major capital projects including risk assessment is carried out by the Council's Strategy and Insight service.
- 6.4 The nature of capital projects means that there is an inherent risk of delays or unforeseen circumstances outwith the control of the Council.

7. Equalities impact

- 7.1 The Council's capital expenditure contributes to the delivery of the public sector equality duty to advance equality of opportunity and foster good relations e.g. enhancement works related to the Disability Discrimination Act, works on Children and Families establishments and capital expenditure on Council housing stock.

8. Sustainability impact

- 8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account.
- 8.1 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.
- 8.2 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

9. Consultation and engagement

- 9.1 Consultation on the capital budget was undertaken as part of the budget process.

10. Background reading/external references

[Capital Monitoring 2016-17- Outturn and Receipts](#) Finance and Resources Committee, 5 September 2017

Stephen S Moir

Executive Director of Resources

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11. Appendices

Appendix 1 - Capital Monitoring 2017/18 – General Fund

Appendix 2 - Slippage and Acceleration on Projects

Appendix 3 - Prudential Indicators 2017/18

Appendix 4 - Capital Monitoring 2017/18 - HRA

Capital Monitoring 2017/18

General Fund Summary

Period 5

Expenditure	Approved Budget £000	Adjusts £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000 %	
Communities and Families	32,243	4,660	36,903	11,307	34,866	(2,037)	0.00%
Chief Executive	1,125		1,125	-	1,125	-	0.00%
Edinburgh IJB	134	(18)	116	13	116	-	0.00%
Place	127,259	(33,128)	94,131	26,551	88,274	(5,857)	0.00%
Resources - Asset Management Works	11,132	(247)	10,885	4,475	10,885	-	0.00%
Resources - Other	-	15,470	15,470	538	15,470	-	0.00%
City Wide / Corporate Projects				2	-	-	0.00%
General slippage across programme					(3,966)	(3,966)	
Total Gross Expenditure	171,893	(13,263)	158,630	42,886	146,770	(11,860)	-7.48%
Capital Income							
<i>Capital Receipts</i>							
General Services	18,936	(63)	18,873	34	11,337	(7,536)	-39.93%
Ringfenced Asset Sales	7,880	(4,410)	3,470	257	3,470	-	0.00%
Less additional receipt income to capital fund	(5,559)	-	(5,559)	-	(5,559)	-	0.00%
Asset Sales to reduce Corporate borrowing	1,406	484	1,890	-	1,890	-	0.00%
Less Fees Relating to General Receipts	-	-	-	(22)	-	-	#DIV/0!
<i>Total Capital Receipts from Asset Sales</i>	<i>22,663</i>	<i>(3,989)</i>	<i>18,674</i>	<i>269</i>	<i>11,138</i>	<i>(7,536)</i>	<i>-40.36%</i>
Developer and other Contributions	174	2,417	2,591	2,292	2,868	277	10.69%
Capital Grants Unapplied Account drawdown	-	9	9	-	9	-	0.00%
<i>Total Capital Receipts</i>	<i>22,837</i>	<i>(1,563)</i>	<i>21,274</i>	<i>2,561</i>	<i>14,015</i>	<i>(7,259)</i>	<i>-34.12%</i>
<i>Grants</i>							
Scottish Government General Capital Grant	53,708	(12)	53,696	22,373	53,696	-	0.00%
Cycling, Walking and Safer Streets	683	-	683	-	683	-	0.00%
Management Development Funding	29,115	-	29,115	5,997	29,115	-	0.00%
Early Years and Childcare - Expansion	-	2,504	2,504	-	2,504	-	0.00%
Other Specific Government Grants	-	6,157	6,157	-	6,157	-	0.00%
<i>Total Grants</i>	<i>83,506</i>	<i>8,649</i>	<i>92,155</i>	<i>28,370</i>	<i>92,155</i>	<i>-</i>	<i>0.00%</i>
Total Capital Income	106,343	7,086	113,429	30,931	106,170	(7,259)	-6.40%
Balance to be funded through loans fund advances	65,550	(20,349)	45,201		40,600	(4,601)	-10.18%

CAPITAL MONITORING 2017/18 - Period 5**Slippage and Acceleration on Projects**

Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

Key to variance category

Type	Explanation
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control.
2. Slippage due to optimistic budget	Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable.
3. Slippage due to timing of payments	Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows.
4. Acceleration on a project	Represents accelerated spend on a project i.e. due to better than anticipated progress.

Note that a project will exhibit an element of all of the above but the overriding reason has been considered when applying a variance category.

	Period 5 £000	Period 3 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
<u>Communities and Families</u>					
Early years 2020	-2,591	0	-2,591	Programme has slipped due to working to reach agreement from Scottish Government re total available funding to meet extended nursery hours	2
Hunter Hall Cycle Hub And Pitch	-1,017	0	-1,017	Programme has slipped due to working to reach a decision on what is going to happen to the Jack Kane centre	2
New Queensferry HS	103	0	103	External fees for HUB -decision as to how funded is still being negotiated	4
St John's PS	1,500	0	1,500	Reflects latest cash flow from QS- school progressing better than anticipated	4
Portobello Demolition	43	0	43	Overspend to be met for future years budgets	4
New Primary schools	10	0	10	Initial fees for new Primary schools to be met from future years budget	4
Net (slippage) / acceleration on various projects	-85	0	-85		4
Total Communities and Families	-2,037	0	-2,037		
<u>Place</u>					
Water of Leith Phase 2	-4,500	-4,500	0	Projected underspend on delivery of the project	2
Leith Improvement Programme - Core	-1,126	0	-1,126	Realignment to fit with the tram project	3
St Andrew Square Bus Station	-176	0	-176	Delays to the tender process and appointment expected to extend to next financial year	3
Bus Priority Schemes/Bus Shelters	-249	0	-249	Installation works of bus shelters to be delivered over financial years, with full payment not being made until works are complete.	3
Net (slippage) / acceleration on various projects	194	0	194		2
Total Place	-5,857	-4,500	-1,357		

	Period 5 £000	Period 3 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
<u>Council Wide / Corporate Projects</u>					
Net (slippage) / acceleration on various projects	0				
General Slippage across the programme (2.5%)	-3,966	-3,834	-132		1
Total Council Wide / Corporate Projects	-3,966	-3,834	-132		
Total for all Services	-11,860	-8,334	-3,526		
Summary of Variance Category					
1	Slippage due to unforeseen delays	-3,966	-3,834	-132	
2	Slippage due to optimistic budget	-7,914	-4,500	-3,414	
3	Slippage due to timing of payments	-1,551	0	-1,551	
4	Acceleration on a project	1,571	0	1,571	
		-11,860	-8,334	-3,526	

Appendix 3

PRUDENTIAL INDICATORS 2017/18 - Period 5

Indicator 1 - Estimate of Capital Expenditure

	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Council Wide / Corporate Projects	1,184	0	0	0	0	0	0	0	0	0	0
Unallocated funding - indicative 5 year plan 2019/20	0	0	0	0	0	0	0	0	0	7,000	7,000
Chief Executive	838	1,125	1,125	0	0	0	0	0	0	0	0
Communities and Families	41,816	34,993	34,866	28,895	30,932	17,850	17,850	2,485	2,485	165	165
Edinburgh Integration Joint Board	4,527	302	116	2,069	2,069	1,528	1,528	0	0	0	0
Place	90,704	90,571	88,274	86,315	87,672	76,622	76,622	85,277	85,277	19,835	19,835
Resources	0	15,470	15,470	0	0	0	0	0	0	0	0
Resources - Asset Management Works	18,908	10,885	10,885	7,706	7,706	25,360	25,360	14,000	14,000	14,000	14,000
General slippage across programme (2.5%)	0	0	-3,966	0	3,966	0	0	0	0	0	0
Total General Services	157,977	153,346	146,770	124,985	132,345	121,360	121,360	101,762	101,762	41,000	41,000
Housing Revenue Account	43,627	78,004	71,341	100,933	107,596	97,414	97,414	105,849	105,849	147,388	147,388
Total	201,604	231,350	218,111	225,918	239,941	218,774	218,774	207,611	207,611	188,388	188,388

The 'estimate' figures relate to those reported in the prudential indicators as part of the rolled forward CIP approved in September 2017. Differences between these and the 'forecast' figures relate to slippage or acceleration detailed on Appendix 1, 2 and 4.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2016/17	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Forecast	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%
General Services	11.63	11.53	11.72	11.72	11.61	11.41	N/A
Housing Revenue Account	35.21	37.61	36.33	39.58	42.28	44.79	46.76

Forecast and estimates include the financing cost relating to the Tram (phase 1) project.

Figures for 2018/19 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the current long term financial plan that ends in 2020/21. HRA figures are based on the current business plan.

Appendix 3

Indicator 3 - Capital Financing Requirement

	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22
	Actual	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Services (including finance leases)	1,250,818	1,252,162	1,221,975	1,240,074	1,209,711	1,233,444	1,204,581	1,225,033	1,197,670	1,149,788	1,123,925
Housing Revenue Account	364,934	398,199	382,988	436,411	427,316	487,275	478,180	524,056	514,961	583,836	574,741
Total	1,615,752	1,650,361	1,604,963	1,676,485	1,637,027	1,720,719	1,682,761	1,749,089	1,712,631	1,733,624	1,698,666

Forecasts include the capital financing requirement relating to PPP assets and Trams (Phase 1) project

Indicator 4 - Authorised Limit for External Debt

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Borrowing	1,970	1,960	1,990	1,900	1,800
Credit Arrangements	220	200	200	230	220
Total	2,190	2,160	2,190	2,130	2,020

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Indicator 5 - Operational Boundary for External Debt

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Borrowing	1,580	1,570	1,610	1,600	1,590
Other Long-Term Liabilities	220	200	200	230	220
Total	1,800	1,770	1,810	1,830	1,810

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Appendix 3

Indicator 6 - Impact on Council Tax and House Rents

	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22
	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast
	£	£	£	£	£	£	£	£	£	£
for the band "D" Council Tax	9.17	0.02	13.68	-0.44	18.02	-1.38	N/A	-1.30	N/A	N/A
for the average weekly housing rents	-0.68	-0.21	-0.50	-0.54	0.55	-0.10	3.50	-0.09	N/A	N/A

In calculating the incremental impact of capital investment decisions on the band "D" Council Tax, investment decisions relating to National Housing Trust Phases and the St James GAM have been omitted. As agreed with the Scottish Government, the borrowing and associated interest costs related to this expenditure are directly rechargeable to developers at agreed periods in the future. As such, there is no cost to the Council in relation to this element of borrowing and therefore it has been omitted in calculating the incremental impact of capital investment decisions.

The changes between the forecast and the original estimate reflect the realignment of the Capital Investment Programme reported to Finance and Resources Committee in August 2017.

CAPITAL MONITORING 2017/18**Housing Revenue Account Summary****Period 5**

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	78,004	16,154	71,341	-6,663	-8.5%
Total Gross Expenditure	78,004	16,154	71,341	-6,663	-8.5%

Income					
Capital Receipts	-11,400	0	-11,400	0	0.0%
Developers and Other Contributions	-16,537	-133	-16,537	0	0.0%
Specific Capital Grant	-7,075	-2,119	-7,075	0	0.0%
Total Income	-35,012	-2,252	-35,012	0	0.0%

Funding					
Loans Fund Advances	42,992		36,329	-6,663	-15.5%
Total	42,992		36,329	-6,663	-15.5%

Governance, Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

Treasury Management: Mid-Term Report 2017/18 - referral from the City of Edinburgh Council

Item number	7.6
Report number	
Wards	All

Executive summary

The City of Edinburgh Council on 23 November 2017 considered a report which provided an update on Treasury Management Activity in 2017/18. The report was referred to the Governance, Risk and Best Value Committee for scrutiny.

Terms of Referral

Treasury Management: Mid-Term Report 2017/18

Terms of referral

- 1.1 The City of Edinburgh Council on 23 November 2017 considered a report which provided an update on Treasury Management activity in 2017/18. Approval was sought for the Treasury Management Strategy
- 1.2 In accordance with the Treasury Management Strategy that was set in March 2017, the Council had completed no borrowing during the first half of the financial year and continued to fund capital expenditure temporarily from cash deposits. This approach generated significant short-term savings in Loans Charges for the Council. In following this Strategy, account was also being taken of the likely movement in interest rates in the medium and longer term and the Council's future estimated borrowing requirement.
- 1.3 The investment return for 2017/18 continued to show out-performance against the Fund's benchmark, although very low in absolute terms, while maintaining the security of investments as a priority.
- 1.4 The City of Edinburgh Council agreed:
 - 1) To approve the Treasury Management Strategy.
 - 2) To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

For Decision/Action

- 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

Minute of the City of Edinburgh Council 23 November 2017.

Laurence Rockey

Head of Strategy and Insight

Contact: Louise Williamson, Assistant Committee Clerk

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

The City of Edinburgh Council

10.00am, Thursday 23 November 2017

Treasury Management: Mid-Term Report 2017/18 - referral from the Finance and Resources Committee

Item number	8.6
Report number	
Wards	All

Executive summary

On 7 November 2017 the Finance and Resources Committee considered a report that provided an update on Treasury Management Activity in 2017/18. The report has been referred to the City of Edinburgh Council for approval of the Treasury Management Strategy.

Terms of Referral

Treasury Management: Mid-Term Report 2017/18

Terms of referral

- 1.1 In accordance with the Treasury Management Strategy that was set in March 2017, the Council had completed no borrowing during the first half of the financial year and continued to fund capital expenditure temporarily from cash deposits. This approach generated significant short-term savings in Loans Charges for the Council. In following this Strategy, account was also being taken of the likely movement in interest rates in the medium and longer term and the Council's future estimated borrowing requirement.
- 1.2 The investment return for 2017/18 continued to show out-performance against the Fund's benchmark, although very low in absolute terms, while maintaining the security of investments as a priority.
- 1.3 The Finance and Resources Committee agreed:
 - 1.3.1 To note the mid-term report on Treasury Management for 2017/18.
 - 1.3.2 To note the intention to exercise the option to opt up to professional status under MiFD II (Market in Financial Instruments Directive).
 - 1.3.3 To refer the report to the City of Edinburgh Council for approval and subsequent referral by the City of Edinburgh Council to the Governance, Risk and Best Value Committee for scrutiny.

For Decision/Action

- 2.1 The City of Edinburgh Council is asked to approve the Treasury Management Strategy and refer the report to the Governance, Risk and Best Value Committee for scrutiny.

Background reading / external references

Finance and Resources Committee 7 November 2017.

Laurence Rockey

Head of Strategy and Insight

Contact: Louise Williamson, Assistant Committee Clerk

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Links

Appendices

Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday, 7 November 2017

Treasury Management: Mid-Term Report 2017/18

Item number	7.7
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The purpose of this report is to give an update on Treasury Management activity in 2017/18.

In accordance with the Strategy set in March 2017 the Council completed no borrowing during the first half of the financial year and continued to fund capital expenditure temporarily from cash deposits. This approach generates significant short-term savings in Loans Charges for the Council. In following this Strategy, account is also being taken of the likely movement in interest rates in the medium and longer term and the Council's future estimated borrowing requirement.

The investment return for 2017/18 continues to show out-performance against the Fund's benchmark, although very low in absolute terms, while maintaining the security of the investments as a priority.

Treasury Management: Mid-Term Report 2017/18

1. Recommendations

- 1.1 It is recommended that the Committee:
 - 1.1.1 notes the mid-term report on Treasury Management for 2017/18;
 - 1.1.2 notes the intention to exercise the option to opt up to professional status under MiFID II (Market in Financial Instruments Directive); and
 - 1.1.3 refers the report to City of Edinburgh Council for approval and subsequent referral by the City of Edinburgh Council to the Governance Risk and Best Value Committee for scrutiny.

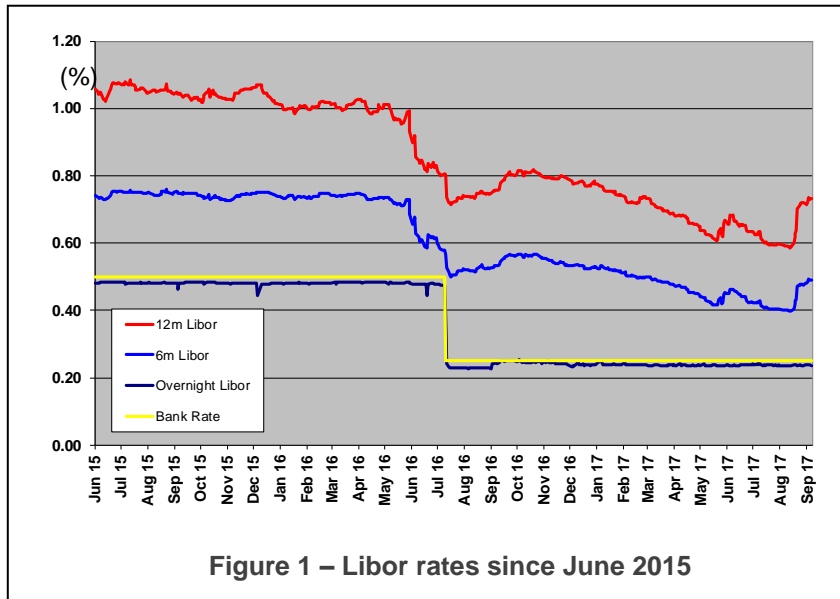
2. Background

- 2.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, the mid-term report has been prepared setting out activity undertaken.

3. Main report

- 3.1 UK Interest Rates
 - 3.1.1 During the last six months, the Bank of England's (BoE) Monetary Policy Committee (MPC) maintained UK Bank Rate at 0.25% and Quantitative Easing (QE) at £435bn. However, interest rate expectations varied significantly over the six months. At the June meeting of the MPC, three members of the Committee - Kristin Forbes, Ian McCafferty and Michael Saunders - voted for a 0.25% increase in rates citing concerns about inflation. Indeed, one of the five who voted for no change, Andy Haldane the BoE Chief Economist/Executive Director of Monetary Analysis and Statistics, stated in a speech later in June that *"Provided the data are still on track, I do think that beginning the process of withdrawing some of the incremental stimulus provided last August would be prudent moving into the second half of the year."* Both the 5-3 vote and the speech by Mr Haldane were after the result of the UK General Election was known, although Mr Haldane suggested that the result did have a bearing on his decision to vote against an interest rate rise at the June meeting.

Although expectations of an increase had been raised, inflation turned down briefly following the June MPC meeting and market expectations of a rate rise diminished again.



As can be seen in Figure 1 Libor rates increased in the run up to the snap general election and the subsequent MPC meeting. However, rates reduced with the uncertainty surrounding Brexit which the election created and the fall in the rate of CPI. More recently rates have started to increase again as a result of further indications from MPC members that UK Bank Rate may rise sooner rather than later.

3.1.2 Table 1 gives a Reuters poll of up to 62 economists, taken 1st September, showing their forecasts for UK Bank Rate until Quarter 4 2018. This showed most economists polled believed that the UK Bank Rate will remain at 0.25% through to Q4 2018.

	2017		2018			
	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Median	0.25	0.25	0.25	0.25	0.25	0.25
Mean	0.26	0.26	0.28	0.3	0.33	0.37
Mode	0.25	0.25	0.25	0.25	0.25	0.25
Min	0.25	0.25	0.25	0.25	0.25	0.25
Max	0.25	0.5	0.75	0.75	1	1
Count	62	59	56	56	52	49

Table 1 – Economists’ Forecasts for UK Bank Rate

Source: REUTERS

3.1.4 This poll was taken before the minutes of the 14th September meeting showed that interest rates may rise sooner than they had expected and also before the speech from MPC's external member Gertjan Vlieghe where he said *'that we are approaching the moment when Bank Rate may need to rise'*. A more up to date poll may show very different forecasts.

3.1.5 CPI was at 2.9% in August, above the Bank of England's 2% target and almost out of their +/- 1% range. While it is likely that the MPC would look through the current rate much of which is due to the depreciation of sterling, there are some genuine reasons for a modest increase in UK Bank Rate. In particular, reversing the 0.25% cut last August following the result of the EU Referendum would give the MPC scope to reduce it again should the outcome of Brexit negotiations not be favourable to the UK. Notwithstanding the likelihood of a reversal of the August 2016 cut in UK Bank Rate, it is still believed that the scope for any further increases in the UK thereafter is severely limited.

3.2 Investment Out-turn

3.2.1 The Treasury Management strategy is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks. The Cash Fund's Investment Strategy continues to be based around the security of the investments.

3.2.2 The rates achieved on the Council's call accounts remain low in line with UK Bank Rate. Rates achievable on UK Treasury Bills also remain low but as can be seen in Figure 2 below have increased in the six month maturity in the last couple of auctions. The auction at the end of September achieved a maximum rate of 0.40%.

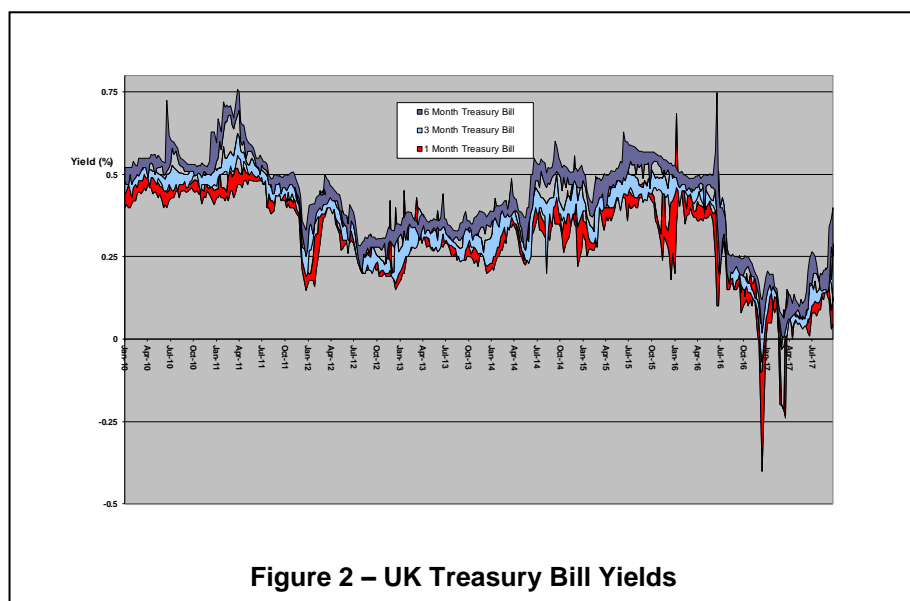
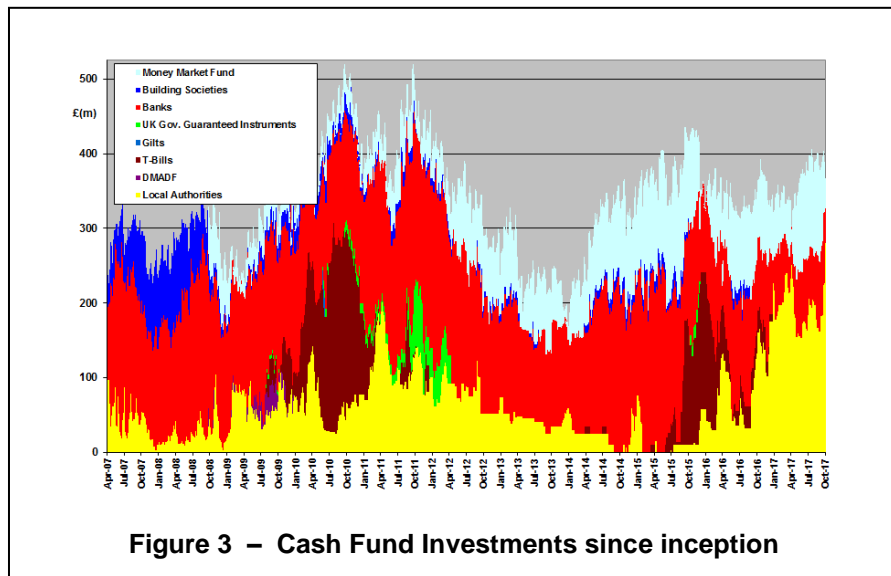
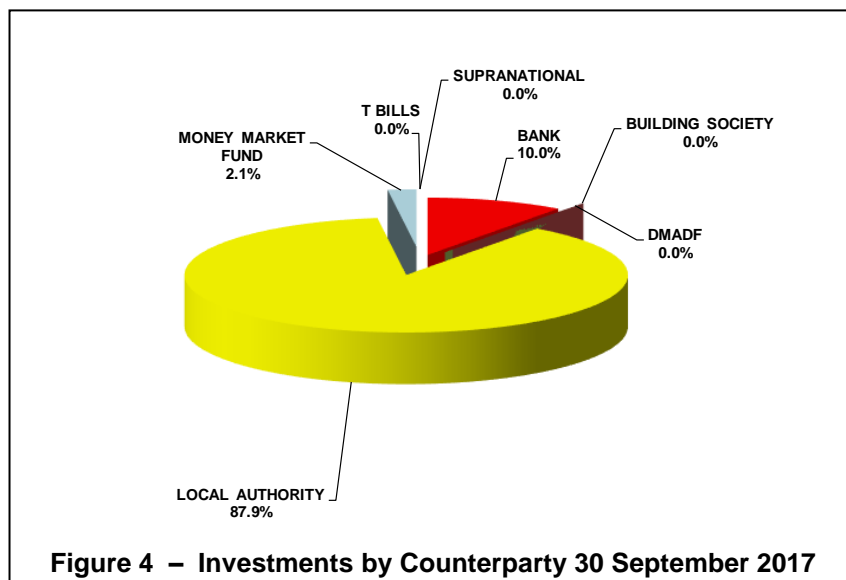


Figure 2 – UK Treasury Bill Yields

3.2.3 Figure 3 below shows the distribution of Cash Fund deposits since inception.



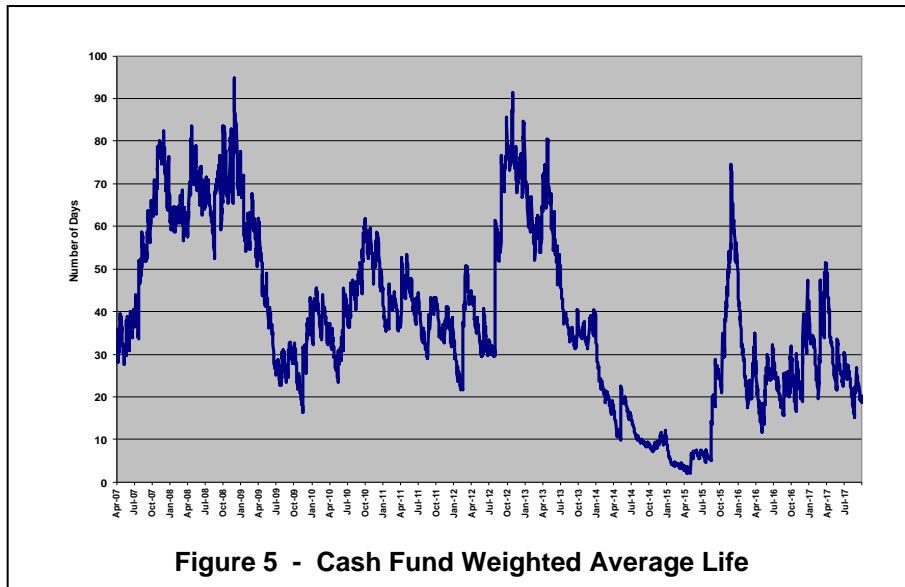
3.2.4 As shown in Figure 3, the first half of the year has been characterised by larger than usual lending to other local authorities. This was for a combination of reasons – the shortage of local authority funds at year end, the low rates on bank deposits which made local authority rates more attractive and the very low rates on UK Government Treasury Bills shown in Figure 2. As shown in Figure 4, just under 88% of the fund was invested in Local Authority deposits at the end of the six months. Just over 2% was invested with Money Market Funds and 10% with Banks in call accounts on instant access.



3.2.5 The Treasury section has been able to take advantage of a shortage of cash

in the market towards the mid-year point and achieve rates above call account levels on short fixed maturities with local authorities. These maturities are well placed to take advantage of any higher rates available should UK Bank Rate increase in November.

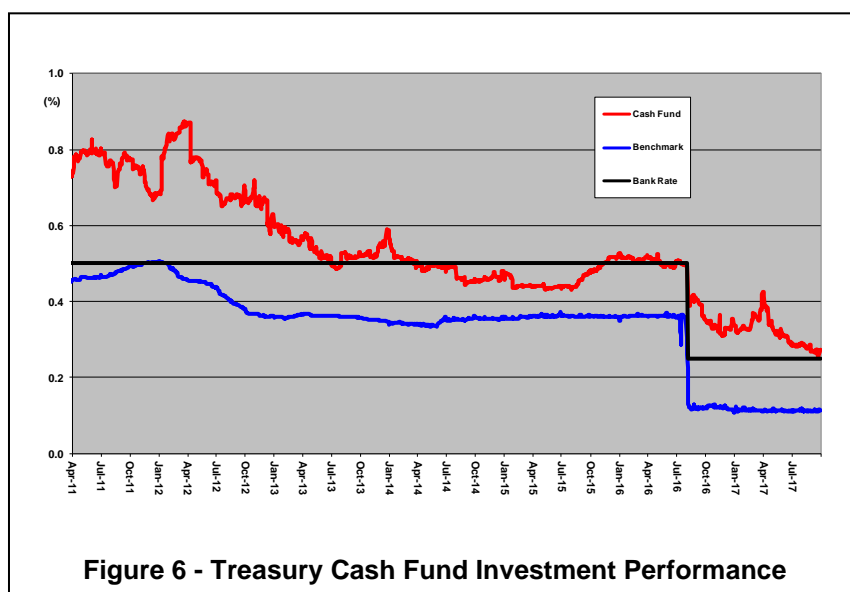
3.2.6 Figure 5 below shows the Weighted Average Life (WAL) – i.e. the average time to maturity of the Cash Fund investments since inception.



The WAL (weighted average time to the final maturity of investments) was down to 18 days at the mid year point. The decrease in the WAL is due to fixed deposits with Local Authorities being close to maturity. In addition we have provided notice monies to other authorities. It is therefore considered that the investments are positioned to take advantage of any rise in rates at the November MPC meeting.

3.3 Cash Fund Performance

3.3.1 The annualised rate of return for the Cash Fund for the six months to September 2017 was 0.30% against a benchmark of 0.11%. Figure 6 below shows the daily investment performance of the Cash Fund against its benchmark since April 2011.

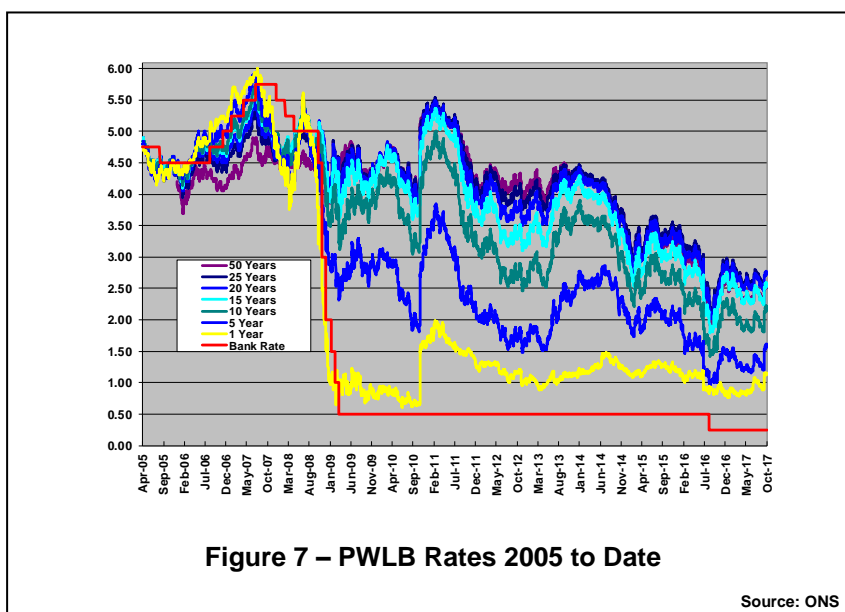


3.3.2 The small peak in April was due to being able to take advantage of the good inter-authority rates on offer over the year end. However, most of these investments were only available with a relatively short maturity. A combination of the lower rates on offer at the start of the new financial year, and subsequently the positioning of the portfolio to not long past November has meant that the performance has edged back a little. However, it is still significantly above both the benchmark and the outperformance target set by Lothian Pension Fund.

3.4 Debt Management Activity

3.4.1 Debt Management strategy for 2017/18 as outlined in the Strategy Report was to continue to use the Council's investment balances to fund capital expenditure. The Council has undertaken no PWLB borrowing since December 2012. Appendix 1 shows the current debt portfolio.

3.4.2 Figure 7 below shows the PWLB borrowing rates since April 2005. The drop in rates following the result of the EU referendum, particularly at the longer end of the curve, have largely been reversed. However, the future course of these rates are heavily reliant on the outcome of the negotiations with the EU. While the "money for time" arrangement is still the most likely outcome, if there were to be no agreement, further QE would be a significant possibility.



3.4.3 Table 2 below shows a comparison of the projected cumulative capital expenditure to be funded by borrowing and the actual external debt. More detail on the Capital Advances, along with revised Prudential Indicators are contained in the Capital Monitoring – Half year Position elsewhere on this agenda.

Capital Advances v. External Debt	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Debt b/fd	1,351,885	1,299,901	1,245,546	1,260,586	1,307,005
Cumulative capital expenditure b/fd	1,424,418	1,415,106	1,412,202	1,452,146	1,505,567
Over / under borrowed b/fd	-72,533	-115,205	-166,656	-191,560	-198,562
GF capital financed by borrowing	48,324	40,600	55,397	60,132	62,242
HRA capital financed by borrowing	20,365	36,329	64,444	73,161	61,750
less scheduled repayments by GF	-62,006	-59,077	-58,206	-57,058	-60,008
less scheduled repayments by HRA	-13,033	-18,275	-20,116	-22,297	-27,069
less scheduled repayments by Former Joint Boards	-2,962	-2,481	-1,575	-517	-544
Underlying Need to Borrow	-9,312	-2,904	39,944	53,421	36,371
Plus total maturing debt	51,984	54,355	54,960	53,581	55,567
Total borrowing requirement	42,672	51,451	94,904	107,002	91,938
Indicative PWLB or short borrowing for year	0	0	70,000	100,000	100,000
Debt at end of the year	1,299,901	1,245,546	1,260,586	1,307,005	1,351,438
Cumulative capital expenditure	1,415,106	1,412,202	1,452,146	1,505,567	1,541,938
Cumulative over / under borrowed	-115,205	-166,656	-191,560	-198,562	-190,500

Table 2 - Summary of Capital Advances v. External Debt

- 3.4.4 This table shows that at the end of 2016/17, the Council had used £115m of its investment balances to temporarily fund capital expenditure which is £22m more than was shown in the out-turn report. The change is due to the Council's new external auditors requesting that the developers' contributions which were categorised as temporary loans be restated as capital received in advance. Therefore, temporary loans have been replaced with temporary internal borrowing and there is absolutely no difference in Treasury terms.
- 3.4.5 It is intended to continue the strategy of using investments to temporarily fund the Council's borrowing requirement giving a projected under borrowing of £166m at the end of the financial year. The requirement for other major projects such as the Edinburgh Homes project will be addressed as and when they become more certain.

3.5 MiFID II

- 3.5.1 MiFID (Market in Financial Instruments Directive) is the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded. Since it was brought in in 2007, UK local authorities have been categorised as 'per se professional' clients for MiFID scope business by virtue of being "Large Undertakings". However, following the global financial crisis, the European Commission instigated a review of MiFID due to perceived widespread mis-selling of financial products, including to local authorities and municipalities in continental Europe. The outcome of the review was a revised Directive, MiFID II and in July, the FCA published a policy statement setting out the final policies on a range of issues in the UK implementation of MiFID II, including the client categorisation of UK Local Authorities. From 3 January 2018, local authorities will by default be categorised as retail clients, and firms in the financial markets will no longer be able to categorise a local authority as a 'per se professional' client for MiFID or non-MiFID scope business.
- 3.5.2 A move to retail client status would mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. Retail status would significantly restrict the range of financial institutions and instruments available to the Council. Under such a classification, the Council's ability to invest in regulated products such as such as Certificates of Deposit, Gilts, Bonds and investment funds, including Money Market Funds would be affected. Even if they were available, it is likely that the fees incurred would be significantly higher.
- 3.5.3 However the FCA's implementation of MiFID II allows for retail clients who meet certain conditions to elect to be treated as professional clients. When

being assessed by the financial institutions, the client must meet both quantitative and qualitative tests. The qualitative test requires an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved. It is likely that this criteria will be applied to Elected Members as well as officers.

- 3.5.4 Building on the MiFID II work they had been doing on opting up for the Administering Authorities for LGPS (Local Government Pension Schemes) schemes, the LGA (Local Government Association) has produced some standard documentation for local authorities and market participants to use when assessing local authorities for opt up to professional status for their Treasury Management activities. The election to professional status must be completed with all financial institutions prior to the change of status on 03 January 2018, and it is the intention to seek elective professional client status for the Council with the full range of market participants.

4. 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.

5. Financial impact

- 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.

6. Risk, policy, compliance and governance impact

- 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 the first half of 2017/18.

7. Equalities impact

- 7.1 There are no adverse equality impacts arising from this report.

8. Sustainability impact

8.1 There are no adverse sustainability impacts arising from this report.

9. Consultation and engagement

9.1 None

10. Background reading/external references

10.1 None

Stephen S. Moir

Executive Director of Resources

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11. Appendices

Appendix 1: Outstanding Debt at 30 September 2017

Appendix 1: Outstanding Debt at 30 September 2017

Market Debt (non LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	30/06/2005	30/06/2065	5,000,000.00	4.4	220,000.00
M	07/07/2005	07/07/2065	5,000,000.00	4.4	220,000.00
M	21/12/2005	21/12/2065	5,000,000.00	4.99	249,500.00
M	28/12/2005	24/12/2065	12,500,000.00	4.99	623,750.00
M	14/03/2006	15/03/2066	15,000,000.00	5	750,000.00
M	18/08/2006	18/08/2066	10,000,000.00	5.25	525,000.00
M	01/02/2008	01/02/2078	10,000,000.00	3.95	395,000.00
			62,500,000.00		2,983,250.00

Market Debt (LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	12/11/1998	13/11/2028	3,000,000.00	4.75	142,500.00
M	15/12/2003	15/12/2053	10,000,000.00	5.25	525,000.00
M	18/02/2004	18/02/2054	10,000,000.00	4.54	454,000.00
M	28/04/2005	28/04/2055	12,900,000.00	4.75	612,750.00
M	25/02/2011	25/02/2060	15,000,000.00	7.801	1,170,150.00
M	25/02/2011	25/02/2060	10,000,000.00	7.801	780,100.00
M	26/02/2010	26/02/2060	5,000,000.00	7.817	390,850.00
M	26/02/2010	26/02/2060	10,000,000.00	7.817	781,700.00
M	01/07/2005	01/07/2065	10,000,000.00	3.86	386,000.00
M	24/08/2005	24/08/2065	5,000,000.00	4.4	220,000.00
M	07/09/2005	07/09/2065	10,000,000.00	4.99	499,000.00
M	13/09/2005	14/09/2065	5,000,000.00	3.95	197,500.00
M	03/10/2005	05/10/2065	5,000,000.00	4.375	218,750.00
M	23/12/2005	23/12/2065	10,000,000.00	4.75	475,000.00
M	06/03/2006	04/03/2066	5,000,000.00	4.625	231,250.00
M	17/03/2006	17/03/2066	10,000,000.00	5.25	525,000.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	07/04/2006	07/04/2066	10,000,000.00	4.75	475,000.00
M	05/06/2006	07/06/2066	20,000,000.00	5.25	1,050,000.00
M	05/06/2006	07/06/2066	16,500,000.00	5.25	866,250.00
			212,400,000.00		11,463,300.00

PWLB

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	09/10/2008	09/10/2017	5,000,000.00	4.39	219,500.00
M	03/04/1992	25/03/2018	30,000,000.00	10.875	3,262,500.00
M	23/04/2009	23/04/2018	15,000,000.00	3.24	486,000.00
M	17/09/1992	15/05/2018	8,496,500.00	9.75	828,408.75
M	09/06/2009	09/06/2018	5,000,000.00	3.75	187,500.00
M	17/09/1993	15/11/2018	5,000,000.00	7.875	393,750.00
M	23/03/1994	15/11/2018	5,000,000.00	8	400,000.00
M	14/03/1994	11/03/2019	2,997,451.21	7.625	228,555.65
M	18/10/1993	25/03/2019	5,000,000.00	7.875	393,750.00
M	30/03/2009	30/03/2019	5,000,000.00	3.46	173,000.00
M	21/04/2009	21/04/2019	10,000,000.00	3.4	340,000.00
M	23/04/2009	23/04/2019	5,000,000.00	3.38	169,000.00
A	12/11/2008	12/11/2019	1,332,622.66	3.96	67,596.76
M	23/03/1994	15/11/2019	5,000,000.00	8	400,000.00
M	07/12/1994	15/11/2019	10,000,000.00	8.625	862,500.00
A	01/12/2008	01/12/2019	1,316,942.90	3.65	61,641.34
M	01/12/2009	01/12/2019	5,000,000.00	3.77	188,500.00
M	14/12/2009	14/12/2019	10,000,000.00	3.91	391,000.00
M	15/02/1995	25/03/2020	5,000,000.00	8.625	431,250.00
M	21/04/2009	21/04/2020	10,000,000.00	3.54	354,000.00
M	12/05/2009	12/05/2020	10,000,000.00	3.96	396,000.00
M	21/10/1994	15/05/2020	5,000,000.00	8.625	431,250.00
M	07/12/1994	15/05/2020	5,000,000.00	8.625	431,250.00
M	21/11/2011	21/05/2020	15,000,000.00	2.94	441,000.00
M	16/08/1995	03/08/2020	2,997,451.21	8.375	251,036.54
M	09/12/1994	15/11/2020	5,000,000.00	8.625	431,250.00
A	10/05/2010	10/05/2021	2,015,869.88	3.09	73,129.21
M	21/10/1994	15/05/2021	10,000,000.00	8.625	862,500.00
M	10/03/1995	15/05/2021	11,900,000.00	8.75	1,041,250.00
M	12/06/1995	15/05/2021	10,000,000.00	8	800,000.00
M	02/06/2010	02/06/2021	5,000,000.00	3.89	194,500.00
M	16/08/1994	03/08/2021	2,997,451.21	8.5	254,783.35
M	28/04/1994	25/09/2021	5,000,000.00	8.125	406,250.00
M	23/04/2009	23/04/2022	5,000,000.00	3.76	188,000.00
M	12/06/1995	15/05/2022	10,200,000.00	8	816,000.00
M	14/06/2010	14/06/2022	10,000,000.00	3.95	395,000.00
M	31/03/1995	25/09/2022	6,206,000.00	8.625	535,267.50
M	16/02/1995	03/02/2023	2,997,451.21	8.625	258,530.17
M	24/04/1995	25/03/2023	10,000,000.00	8.5	850,000.00
M	05/12/1995	15/05/2023	5,200,000.00	8	416,000.00
M	20/09/1993	14/09/2023	2,997,451.21	7.875	236,049.28
M	20/09/1993	14/09/2023	584,502.98	7.875	46,029.61

PWLB Cont'd

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	08/05/1996	25/09/2023	10,000,000.00	8.375	837,500.00
M	13/10/2009	13/10/2023	5,000,000.00	3.87	193,500.00
M	05/12/1995	15/11/2023	10,000,000.00	8	800,000.00
M	10/05/2010	10/05/2024	10,000,000.00	4.32	432,000.00
M	28/09/1995	28/09/2024	2,895,506.10	8.25	238,879.25
M	14/05/2012	14/11/2024	10,000,000.00	3.36	336,000.00
A	14/12/2009	14/12/2024	5,675,883.92	3.66	225,543.38
M	17/10/1996	25/03/2025	10,000,000.00	7.875	787,500.00
M	10/05/2010	10/05/2025	5,000,000.00	4.37	218,500.00
M	16/11/2012	16/05/2025	20,000,000.00	2.88	576,000.00
M	13/02/1997	18/05/2025	10,000,000.00	7.375	737,500.00
M	20/02/1997	15/11/2025	20,000,000.00	7.375	1,475,000.00
A	01/12/2009	01/12/2025	9,032,895.69	3.64	353,219.53
M	21/12/1995	21/12/2025	2,397,960.97	7.875	188,839.43
M	21/05/1997	15/05/2026	10,000,000.00	7.125	712,500.00
M	28/05/1997	15/05/2026	10,000,000.00	7.25	725,000.00
M	29/08/1997	15/11/2026	5,000,000.00	7	350,000.00
M	24/06/1997	15/11/2026	5,328,077.00	7.125	379,625.49
M	07/08/1997	15/11/2026	15,000,000.00	6.875	1,031,250.00
M	13/10/1997	25/03/2027	10,000,000.00	6.375	637,500.00
M	22/10/1997	25/03/2027	5,000,000.00	6.5	325,000.00
M	13/11/1997	15/05/2027	3,649,966.00	6.5	237,247.79
M	17/11/1997	15/05/2027	5,000,000.00	6.5	325,000.00
M	13/12/2012	13/06/2027	20,000,000.00	3.18	636,000.00
M	12/03/1998	15/11/2027	8,677,693.00	5.875	509,814.46
M	06/09/2010	06/09/2028	10,000,000.00	3.85	385,000.00
M	14/07/2011	14/07/2029	10,000,000.00	4.9	490,000.00
E	14/07/1950	03/03/2030	3,159.72	3	100.48
M	14/07/2011	14/07/2030	10,000,000.00	4.93	493,000.00
E	15/06/1951	15/05/2031	3,281.02	3	103.70
M	06/09/2010	06/09/2031	20,000,000.00	3.95	790,000.00
M	15/12/2011	15/06/2032	10,000,000.00	3.98	398,000.00
M	15/09/2011	15/09/2036	10,000,000.00	4.47	447,000.00
M	22/09/2011	22/09/2036	10,000,000.00	4.49	449,000.00
M	10/12/2007	10/12/2037	10,000,000.00	4.49	449,000.00
M	08/09/2011	08/09/2038	10,000,000.00	4.67	467,000.00
M	15/09/2011	15/09/2039	10,000,000.00	4.52	452,000.00
M	06/10/2011	06/10/2043	20,000,000.00	4.35	870,000.00
M	09/08/2011	09/02/2046	20,000,000.00	4.8	960,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	19/05/2006	19/11/2046	10,000,000.00	4.25	425,000.00

PWLB Cont'd

Loan	Start	Maturity	Principal	Interest	Annual
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Type	Date	Date	Outstanding (£)	Rate (%)	Interest (£)
M	07/01/2008	07/01/2048	5,000,000.00	4.4	220,000.00
M	27/01/2006	27/07/2051	1,250,000.00	3.7	46,250.00
M	16/01/2007	16/07/2052	40,000,000.00	4.25	1,700,000.00
M	30/01/2007	30/07/2052	10,000,000.00	4.35	435,000.00
M	13/02/2007	13/08/2052	20,000,000.00	4.35	870,000.00
M	20/02/2007	20/08/2052	70,000,000.00	4.35	3,045,000.00
M	22/02/2007	22/08/2052	50,000,000.00	4.35	2,175,000.00
M	08/03/2007	08/09/2052	5,000,000.00	4.25	212,500.00
M	30/05/2007	30/11/2052	10,000,000.00	4.6	460,000.00
M	11/06/2007	11/12/2052	15,000,000.00	4.7	705,000.00
M	12/06/2007	12/12/2052	25,000,000.00	4.75	1,187,500.00
M	05/07/2007	05/01/2053	12,000,000.00	4.8	576,000.00
M	25/07/2007	25/01/2053	5,000,000.00	4.65	232,500.00
M	10/08/2007	10/02/2053	5,000,000.00	4.55	227,500.00
M	24/08/2007	24/02/2053	7,500,000.00	4.5	337,500.00
M	13/09/2007	13/03/2053	5,000,000.00	4.5	225,000.00
M	12/10/2007	12/04/2053	5,000,000.00	4.6	230,000.00
M	05/11/2007	05/05/2057	5,000,000.00	4.6	230,000.00
M	15/08/2008	15/02/2058	5,000,000.00	4.39	219,500.00
M	02/12/2011	02/12/2061	5,000,000.00	3.98	199,000.00
			1,005,654,117.89		54,210,901.68

SALIX

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
E	07/01/2015	01/09/2021	315,828.56	0	0.00
E	31/03/2015	01/04/2023	1,081,738.44	0	0.00
E	22/09/2015	01/10/2023	285,739.61	0	0.00
			1,683,306.61		0.00

Governance, Risk and Best Value Committee

10.00, Tuesday, 31 October 2017

ICT in schools - update

Item number 7.7

Report number

Executive/routine

Wards

Council Commitments

Executive Summary

This report provides Committee with an update to the questions raised at its meeting of the 29 August 2017 about ICT in schools.

ICT in schools - update

1. Recommendations

- 1.1. To note the contents of this report.
- 1.2. To note that a further report on ICT in schools will be brought to Committee in January 2018.

2. Background

- 2.1. A report on the Status of the ICT programme was presented to Committee on the 29 August 2017 and provided details of the programme of works within ICT and the current service delivered by the Council's ICT partner, CGI, together with options available to the Council regarding contractual remedies.
- 2.2. Committee requested a report on:
 - a) How the decision was taken to enable pupils attending James Gillespie's High School to bring their own IT devices rather than Council devices.
 - b) What advice James Gillespie's High School were given by the directorate on the implications of their decision.
 - c) Further information of other schools within the City who were in the same situation and their experiences.
 - d) Possible solutions to the issue raised by the deputation on the lack of wi-fi at the High School and related timescales.

3. Main report

How the decision was taken to enable pupils attending James Gillespie's High School to bring their own IT devices rather than Council devices.

- 3.1. While this is the aim of James Gillespie's High School (JGHS) senior management team, no such decision has actually been taken.

What advice James Gillespie's High School were given by the directorate on the implications of their decision.

- 3.2 Please see attached position paper (appendix 1) written in February 2015 containing points and recommendations which are still relevant today. In addition to the points raised it should be noted that the national and local stance on 'poverty-proofing the school day' by ensuring there are no on-costs for pupils is

heightened. [The Education Authority Improvement Plan](#) contains this as a specific target (Section 1: Reducing Inequalities: 1.3). The position posited by JGHS, however, is that as most of their young people could access a personal device it would have been a waste of the education budget to buy school devices. Further, they feel that the guidance at the time did not preclude them from investigating this option.

Further information of other schools within the City who were in the same situation and their experiences.

- 3.3 There are presently 20,500 school iPads in use across the City of Edinburgh Council Schools.
- 3.4 Of the twenty two other High Schools, sixteen have invested in at least one pupil year group of 1 to 1 iPads and a further two are actively considering this. Seven of the High Schools' have at least 3 year groups that adopted 1 to 1 devices. In common with many other schools, JGHS have invested in iPads for staff after full consultation with the Council Digital Strategy Team and to support Learning and Teaching.
- 3.5 An opportunity was made in 2013 where schools were offered 50% funding on any year group launching 1 to 1 supplied centrally. Further funding has subsequently come from schools' devolved budgets, which is at the discretion of the headteacher to manage. The decisions that headteachers take in regard to their budgets must cover many aspects, such as staffing and the development of learning and teaching. IT may or may not figure depending on other school priorities though there is an expectation that digital skills are used to support learning and teaching.

Possible solutions to the issue raised by the deputation on the lack of wi-fi at the High School and related timescales.

- 3.6 The lack of Wi-Fi at the School is not the issue. JGHS have access to Wi-Fi throughout the school, with similar access point numbers to some of the High Schools who have a 1 to 1 policy in place. Currently pupils cannot access Wi-Fi, however permitting Public Internet Wi-Fi is technically possible, and was recently made available to enable visitors and pupils to take part in a 'Model United Nation' event. To enable this to be in place permanently the Council position needs to be reconsidered. A Short Life Working Group has been convened and remitted to review the Council position. The group will report within three months (by January 2018).
- 3.7 ICT Solutions are assisting taking forward ICT Strategy for the school and will help shape this as well as inform the potential increase of bandwidth and segregation requirements this would require.
- 3.8 Please note that currently within schools there is a single infrastructure which delivers Learning and Teaching Wi-Fi. This is a closed network and is used for those requiring access to secure/ approved council applications on council owned devices. This infrastructure is capable of delivering segregated access that could include Bring Your Own Device (BYOD) connections however this requires additional security and also each device would require to register to the Council's

Managed Device Network. Registration restricts the applications that can be downloaded to an individual's phone. Public Internet access is also technically possible and if switched on would be open to all: the user would need to register, however restriction to what users access would be difficult to monitor. Further, the implementation of the new EU legal framework: GDPR (General Data Protection Regulation) will require focused actions to ensure compliance with data sharing and data protection. In light of these new rules, public internet access may need to be even more carefully scrutinised to ensure there are no breaches of data protection.

- 3.9 Councils across Scotland are currently all facing similar issues and are making decisions based on local context. Scottish Borders have recently allowed all senior (S5-S6) pupils to use public WiFi in schools. Glasgow City, which is proactive in 'poverty-proofing the school day' has committed to providing devices for learners. The SLWG will try to gather as many examples nationally to inform its conclusions. These will be reported back in January.

4. Measures of success

- 4.1. Our learners will have the appropriate learning tools at their disposal; no child will be excluded from learning; and Headteachers will be supported to make the decisions in regard to IT that best suit the needs of their school population.

5. Financial impact

- 5.1. There are no financial impacts arising from this report.

6. Risk, policy, compliance and governance impact

- 6.1. EU legal framework: GDPR (General Data Protection Regulation) will require focused actions to ensure compliance with data sharing and data protection.

7. Equalities impact

- 7.1. The decisions outlined in the next report will specify any negative impact in relation to protected characteristics or vulnerable groups.

8. Sustainability impact

- 8.1. Decisions associated with the report will be 'future-proofed' to ensure sustainability is considered.

9. Consultation and engagement

- 9.1. The group will consult with wider groups of Headteachers while in draft form.

10. Background reading/external references

- 10.1. [Status of the ICT programme 29 August 2017](#)

Alistair Gaw

Executive Director for Communities and Families

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11. Appendices

1. BYOD Position Statement 2015

Bring Your Own Device (BYOD) discussion

General proposal

Allow secondary pupils to bring a personally-owned ICT device (which meets an agreed minimum specification) into school and allow this device to be connected to the school's wireless network so that it can be used in the classroom to support learning & teaching.

Background

While schools continue to provide some access to ICT for pupils using computer labs, the council's ongoing strategy for the development of ICT for learning is outlined in our 'Developing 1:1 Digital Learning' position paper, which states the following two key objectives:

- ICT is routinely and effectively embedded in all aspects of learning and teaching
- All learners have personal access to ICT whenever and wherever it benefits learning

Our approach to meeting these objectives so far has been to encourage schools to purchase a device (currently iPad) for pupils, on a 1:1 basis in secondary schools (implementing one year group at a time), and on a 1:N model for primary classrooms, but working towards 1:1 where appropriate (eg in P5-7), following the Digital Learning Team's 1:1 Toolkit.

By providing all pupils in a cohort with access to the same device and the same core set of immersive software tools, we can:

- **ensure inclusion and equality** for all learners.
- **support pedagogical transformation** by allowing teachers to fully embed ICT into learning and start to really redesign the learning & teaching process.

The effective implementation of 1:1 undoubtedly presents schools with new challenges to overcome, but the better each school has followed our 1:1 Toolkit to help overcome these challenges the more successful their 1;1 project has been. These include:

- Direct **senior leadership** of 1:1 and a strong ICT working group
- Significant in-house **professional development** for staff ahead of launch
- Robust **digital safety** curriculum in place
- Clear **policies and procedures** at the outset and for day to day issues
- Good **engagement with parents and pupils** prior to launch
- Appropriate levels of **technical support** for device setup, maintenance and monitoring
- Cost of buying and replacing devices

Considering BYOD

In principle, if BYOD is to be considered it must be delivered in as equitable and inclusive a manner as possible, so 1:1 (ie a device for every pupil in a cohort) must still be achieved. This would mean a school would need to be prepared to provide all pupils who do not have their own device (which meets a specified minimum standard) with a school-owned one.

Beyond that, in order to implement a genuinely effective approach to BYOD, all the above 1:1 challenges (other than cost) would still need to be addressed by the school, and some significant additional challenges also emerge.

Inclusion	
A wide range of ICT devices of varying types appearing in school further emphasises socioeconomic differences between pupils.	We either need to accept this or we specify single platform. ie you can only bring your own device if it is an iPad.
Pedagogy	
A wide range of devices will make L&T integration more difficult, and also present teachers with greater classroom management challenges. There is a danger that this actually weakens pedagogy and teacher confidence.	Again, we could specify single platform. Alternatively, there would need to be a significantly higher level of teacher professional development prior to launch.
Device safety	
Parents may be uncomfortable allowing expensive equipment into school that the school could not take responsibility for.	If we say this is at parents' own risk, then we cannot realistically achieve 1:1, so we have inequality and we weaken pedagogical impact significantly. One approach may be to only implement in senior school where we can rely on greater personal responsibility. We'd need a carefully worded Home School Agreement for parents and pupils to sign.
Inequality across schools	
While BYOD may be achievable for schools in our more affluent areas where personal device ownership is high, a policy that effectively discriminates against schools in areas of lower socio-economic status could be deemed unfair.	We either need to accept this, or we allocate additional funding to other schools to compensate.
Technical considerations	
Schools have no control over personally owned devices in terms of inappropriate software/malware, so they could have an unduly negative effect on the school's or city's network/bandwidth.	Limited bandwidth and lack of bandwidth segregation (between traffic from BT machines and traffic from wireless) means we'd need to restrict this to a few single year group pilots, at least until after ICT Procurement in March 2016.

Next Steps

Longer term, BYOD may well be our pragmatic solution for enabling 1:1 for some pupils, but it is difficult to do well and will take significant planning and preparation to get right at this time. (In many ways, the best way to prepare staff for BYOD is to run a school-provided 1:1 project first).

If we are to proceed with this now, next steps could be:

- Engage with council/SLT to determine political appetite for this approach
- SLWG decide on specifics of BYOD approach
- Decide on 1 or 2 focused pilots (single year groups only)
- Pilots begin working through 1:1 Toolkit (+ additional challenges above) to help plan and prepare for pilot launch
- Digital Learning Team audit pilots on state of readiness (as per all 1:1 implementations).

D McKee
Digital Learning Team Manager

Governance, Risk and Best Value Committee

10am, Tuesday, 28 November 2017

Corporate Governance Framework 2016/17

Item number	7.8
Report number	
Executive/routine	All
Wards	
Council Commitments	

Executive Summary

The Council operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.

The Council's self-assessment for the period 1 April 2016 to 31 March 2017 is provided for information.

Corporate Governance Framework 2016/17

1. Recommendations

- 1.1 To note the corporate governance framework self-assessment which is outlined in appendix one.
- 1.2 To agree the improvement actions that have been identified will be incorporated in Service Implementation Plans within Directorates and the Change Strategy as part of the wider performance framework.

2. Background

- 2.1 The Council operates through a governance framework which brings together an underlying set of legislative requirements, Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives and Senior Managers (CIPFA/Solace) governance principles and management processes.
- 2.2 The Council adopted the CIPFA/Solace framework in 2002. The framework (also referred to as the code) is revised from time to time, most recently in April 2016 by a Joint Working Group drawn from across the public sector in the UK including COSLA, Audit Scotland and the Local Government Association.
- 2.3 This framework “Delivering Good Governance in Local Government” is followed as best practice for developing and maintaining the Council’s local code of governance and for discharging accountability for the proper conduct of Council business through the publication of an annual governance self-assessment statement that ensures that the adopted practice within the Council is open and transparent.

3. Main report

Assessment Year 1 April 2016 – 31 March 2017

- 3.1 The CIPFA/Solace framework was revised in April 2016 with the new core and sub-principles applying for the first time to this year’s self-assessment exercise.
- 3.2 The Council’s self-assessment for the period 1 April 2016 to 31 March 2017 is provided for information.
- 3.3 Relevant services from across the Council have contributed to the self-assessment, providing evidence of compliance with each of the requirements of the code, highlighting where improvement action is required and self-assessing this evidence against the code on a scale of 1-4. Where more than one service area has

provided evidence for one requirement and a corresponding score, the scores have been considered and an average score applied.

- 3.4 Improvement actions are being taken forward in line with Service Implementation Plans within Directorates and the Change Strategy as part of the wider performance framework.
- 3.5 Service area evidence returns have been reviewed by the relevant Executive Director or Head of Service and the completed document has been reviewed by CLT.

Assessment Year 1 April 2017 – 31 March 2018

- 3.6 The Council undertakes an annual assurance self-assessment exercise between February and April each year. The annual assurance questionnaire, issued to directorates, divisions in the Chief Executive's service, council companies and joint boards, will be reviewed to ensure it incorporates the requirements of the revised corporate governance framework.
- 3.7 The two self-assessment exercises will run concurrently in 2018 to ensure both are completed within a timeframe that allows both to be considered in the drafting of the Council's annual governance statement.

4. Measures of success

- 4.1 Governance arrangements will continue to be monitored and self-assessment information provided to the Governance, Risk and Best Value Committee on an annual basis.

5. Financial impact

- 5.1 There are no direct financial impacts as a result of this report.

6. Risk, policy, compliance and governance impact

- 6.1 The process of reporting and senior management oversight of the corporate governance framework serves to strengthen the control environment and where appropriate prompt mitigating actions.

7. Equalities impact

- 7.1 There are no direct equalities impacts as a result of this report.

8. Sustainability impact

- 8.1 There is no direct sustainability impact as a result of this report.

9. Consultation and engagement

- 9.1 Consultation with all relevant service areas is undertaken in preparation of the self-assessment.

10. Background reading/external references

[Corporate Governance Framework 2015/16 – report to Governance, Risk and Best Value Committee – 18 August 2016](#)

[Corporate Governance Framework 2014/15 – report to Governance, Risk and Best Value Committee – 13 August 2015](#)

[Corporate Governance Framework 2013/14 – report to Governance, Risk and Best Value Committee - 19 June 2014](#)

Andrew Kerr

Chief Executive

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11. Appendices

Appendix 1 – The City of Edinburgh Council Corporate Governance Framework Self-Assessment 2016/2017

The City of Edinburgh Council Corporate Governance Framework Self-Assessment 2016/17

Scoring – The Council’s arrangements are scored on a scale of 1 – 4:

1 – Not compliant with local code requirements

2 – Partially compliant with local code requirements

3 – Fully compliant with the requirements of the local code

4 – Exceeds the requirements of the local code.

Principle 1	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law			
Supporting principle	1.1 Behaving with integrity			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
<p>1.1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</p>	<ul style="list-style-type: none"> • Member/Officer Protocol (2016) • Mandatory training sessions provided for Councillors on their obligations under the Code of Conduct. Multiple sessions most recently provided as part of councillor induction (June - August 2017). • Public facing councillors’ register of interests and expenses and membership of organisations maintained by Governance and Democratic Services. • Induction and ongoing training programme provided for elected members. This includes sessions on obligations on outside bodies, code of conduct and information governance responsibilities. • The Council’s Policy register maintains a central public facing record of all council policies agreed at Committee or full council level. This includes a suite of HR, Management, anti-bribery/fraud prevention, Information Governance policies that impact upon all staff and a number of area specific policies. • Employee Code of Conduct approved by Corporate Policy and Strategy Committee in August 2012. • Regular review of Whistle Blowing Policy – independent service provider with authority to decide on investigations and Policy on Fraud Prevention. • The Council’s People Strategy and People Plan for 2017-20 was approved at Finance and Resources Committee on 23 February 2017 (with a referral to the Corporate Policy and Strategy Committee). This provides a clear line of sight from the Council’s Business Plan and describes the people opportunities and challenges the Council face over the short, medium and long term and sets out the key strategic people themes we need to address in order to deliver our commitments. • Our Employee Code of Conduct and the Council’s values of Put Customers First, Honesty and Transparency, Working Together and Forward Thinking are now included as part of our new performance framework and set out our expectations. New employee induction is focussed on our 4 values so all new starts understand the importance of living these values in the early days of their employment with the Council. The new performance framework has our 4 organisational values at its core. Employees expected to refresh their 	3	<p>Executive Director of Resources</p> <p>Head of Head of Strategy and Insight</p>	

	<p>knowledge and understanding of key policies such as Anti-Bribery, Complaints etc. There is strong and demonstrable commitment from the Corporate and Wider Leadership Teams to drive cultural change and leadership development with development sessions taking place.</p>			
<p>1.1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</p>	<ul style="list-style-type: none"> • Mandatory training sessions provided for Councillors on their obligations under the Code of Conduct. Multiple sessions most recently provided as part of councillor induction (June - August 2017). • Employee Code of Conduct approved by Corporate Policy and Strategy Committee in August 2012. • Policies must be approved by Council or the responsible Executive Committee. • Locality Improvement Plans are currently in development and are likely to be approved by the Culture and Communities Committee in November 2017. • Governance Documentation Framework scrutinised annually at the Governance, Risk and Best Value Committee. • Regular meetings with elected members and political leadership to agree priorities. Regular communications across the organisation and with residents of those priorities. • Principles and our values are communicated regularly to staff and are on our internal intranet and inform the build and delivery of learning and development interventions. Values are a key part of our performance management system and our people's performance therefore takes account of how they are living those values in service delivery. 	3	<p>Head of Head of Strategy and Insight</p> <p>Executive Director of Resources</p> <p>Head of Communications</p>	<p>The Council's Business Plan was agreed on 24 August 2017. The Council Business Plan will be reviewed at Full Council on an annual basis. This review is supported by an annual mid-term review of progress towards implementation.</p>
<p>1.1.3 Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</p>	<ul style="list-style-type: none"> • Report template and guidance regularly updated. This incorporates reporting of adherence to council business plan commitments. • Mandatory training sessions provided for Councillors on their obligations under the Code of Conduct. Multiple sessions most recently provided as part of councillor induction (June - August 2017). • The Performance Management framework has at its core the principle of both what employees are delivering as well as the 'how' new approach to performance 	3	<p>Executive Director of Resources</p> <p>Head of Strategy and Insight</p>	<p>The new Performance Framework has been developed and is being embedded throughout the Council. The Performance Framework will be subject to review and consideration by Corporate Policy and Strategy Committee.</p>
<p>1.1.4 Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<ul style="list-style-type: none"> • The Council's Policy register maintains a central public facing record of all council policies agreed at Committee or Full Council level. This includes scheduled review dates. • A council policies toolkit has been developed and is available on the Council's intranet site. This includes consultation and engagement strategies for new policies, a how-to guide, guide to policies and annual review, examples and a policy template for committee reporting. • Employee Code of Conduct approved by the Corporate Policy and Strategy Committee in August 2012. 	3	<p>Executive Director of Resources</p> <p>Head of Head of Strategy and Insight</p>	<p>A programme of policy review has been agreed and policy refresher arrangements are in place for employees. Employment policies are subject to Governance, Risk and Best Value Committee (GRBV) policy assurance with a revised process having</p>

	<ul style="list-style-type: none"> • Our employee engagement programme, Pride in our People, launched in 2013 and has included many successful initiatives. An update on the activity within the last 12 months was reported to GRBV on 2 February 2017. • Assurance Statements for Council policies are reviewed and are considered as being current, relevant and fit for purpose. These are reported to the relevant Committee. Working closely with the Communications Team, relevant information is cascaded to staff via Managers news and the internal intranet pages are updated as necessary. • At the meeting of the Finance and Resources Committee in March 2016, Committee agreed the proposed time bar of one year (from date of leaving) before re-engagement or re-employment of former employees who have left employment with the City of Edinburgh Council via Voluntary Early Release Agreement (VERA) or Voluntary Redundancy (VR). This is regularly reviewed and update reports considered by Committee. With all correspondence to staff leaving under VR/VERA, they are advised of this decision made by Committee. 			<p>been agreed at the GRBV in September 2017 which will provide further scrutiny.</p> <p>As part of readiness for implementation of the new IT system (Business World) circa 30 process workshops have been completed in relation to core HR processes coupled with the design and build of 'to be' policies, procedures and guidance.</p>
Supporting principle	1.2 Demonstrating strong commitment to ethical values			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
1.2.1 Seeking to establish, monitor and maintain the organisation's ethical standards and performance	<ul style="list-style-type: none"> • Preparation and circulation of regular financial monitoring (September 2017) reports • Consideration of regular internal and external (Sep 17) audit reports by Governance Risk and Best Value Committee. • Regular review of Whistle Blowing Policy – independent service provider with authority to decide on investigations and Policy on Fraud Prevention. • Mandatory training sessions provided for Councillors on their obligations under the Code of Conduct. Multiple sessions most recently provided as part of councillor induction (June - August 2017). • Consideration of The Standards Commission for Scotland Hearing results by Council. • As a public authority, the values of public service delivery are at our core and are reflected in Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22. The principles and actions set out in this plan drive the way we work and the way we deliver services. • Our transformation programme also has these values at its core and this has informed the reshaping of our entire organisation on the concept of localities. • The Council's People strategy is built around a core set of values that guide everything we do. Our values define the culture we want to build within our organisation and sets out our commitment to each other within our workforce as well as to our citizens and communities. Our values are: 	3	<p>Executive Director of Resources</p> <p>Head of Head of Strategy and Insight</p>	<p>The Council Business plan will be reviewed annually in line with budget planning cycles. Council's new Performance Framework will be presented to Full Council in November 2017.</p>

- Customer First - We listen, are responsive, helpful and knowledgeable. We care and we treat people with respect at all times.
- Forward Thinking - We are proud to work for Scotland's capital city. We are forward thinking and focused on improving Edinburgh.
- Working Together - We work together to achieve shared goals and provide value for money services.
- Honest and Transparent - We are honest and transparent in all we do and are accountable for our decisions.
- We work in partnership with communities and service partners to deliver services of benefit to people in our communities based upon our shared understanding of people's needs in local communities.
- Council Framework to Advance Equality and Rights 2017-21 ensures that citizens are able to use Council services and join in with the life and work of the city.
- The current Performance Framework was agreed in October 2012 in line with the Council's Governance Review to ensure a clear statement of vision, values and strategic objectives aligned with the Capital Coalition Pledges are embedded within the operation of the Council. The framework detailed performance measures and described the monitoring of performance.
- As a public authority, the values of public service delivery are at our core, we work in partnership with communities and service partners to deliver services of benefit to our people.
 - Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22
 - Employee Code of Conduct
 - Disciplinary Code
 - Performance Management Framework
 - The Avoidance of Bullying and Harassment at Work Policy
 - Equality and Diversity Policy
 - Equality, Diversity and Rights Framework 2017-21
 - Council People Strategy and People Plan 2017-20

<p>1.2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</p>	<ul style="list-style-type: none"> • We are continuing to work with the Corporate and Wider Leadership Team (WLT) to ensure that the culture we aspire to have in the Council is clear (which has included the types of behaviour that the Council does not expect). • Council competencies • New employee induction. • Linking Council values to performance through a number of routes, including our New approach to performance co-produced with employees. 	<p>2</p>	<p>Executive Director of Resources</p>	<p>We will embed our organisational values in every touch point of the employee life cycle and much of this work has already started – creation of an employee induction event; design and launch of a candidate portal; design and launch of our performance management framework – seeking to assess both the ‘what’ and the ‘how’ of delivery; reviewing our leadership development offering; considered work with CLT and WLT.</p> <p>All of this work seeks to underpin and drive the culture we are aspiring to create.</p>
<p>1.2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</p>	<ul style="list-style-type: none"> • The Council's Policy register maintains a central public facing record of all council policies agreed at Committee or Full Council level. This includes scheduled review dates. • A council policies toolkit has been developed and is available on the Council's intranet site. This includes consultation and engagement strategies for new policies, a how-to guide, guide to policies and annual review, examples and a policy template for committee reporting. • Employee Code of Conduct approved by policy and strategy committee in August 2012. • The Council consults and engages with stakeholders (i.e. CLT) on policies and procedures i.e. • Review of Council Policies through consultation with TUs and approved by committee • Improved compliance with policy refresher • Values linked to performance framework • Review of priority policies to ensure best in practice 	<p>3</p>	<p>Executive Director of Resources</p> <p>Head of Strategy and Insight</p>	

1.2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation	<ul style="list-style-type: none"> The Council's Procurement Handbook (updated in 2017) incorporates guidance relating to ethical procurement which includes relevance of award criteria relating to fair work practices and supply or use of ethically- or fairly-traded products as applicable. As part of the procurement process for goods and services, the Council has set standards to manage integrity, compliance and monitoring, taking into account but not limited to, ethical and fair work practices in the tender submission documents. It is noted that should a contract be adopted from the Scottish Government Framework these standards are also included within the documentation. Contract management by service areas may give a weighting to these standards (where applicable) and they are monitored throughout the duration of the contract term. Template procurement documentation including terms and conditions is drafted with advice from Legal Services. On larger projects and bespoke contracts, specific legal advice obtained. Legal obligations imposed upon contractors cover the Council's ethical standards in relation to such matters as community benefits, environmental and sustainability impact and workers' rights 	2/3	Executive Directors of Resources	Annual Assurance Process. – Governance Statement reported to Full Council in June 2017 .
Supporting principle	1.3 Respecting the rule of law			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
1.3.1 Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<ul style="list-style-type: none"> Head of Legal and Risk appointed by the Council as Monitoring Officer on 4 February 2017 – section 7 of the Member/Officer Protocol. Members have the opportunity to challenge officers submitting reports and seek advice from the Head of Legal & Risk. Members are encouraged to seek advice from senior officers on legislative and regulatory matters. Employee Code of Conduct approved by Corporate Policy and Strategy Committee in August 2012. Contracts of employment Code of conduct A robust internal and external audit plan which includes a number key HR processes and procedures e.g. VERA/VR payments Promotion of codes of conduct of regulatory bodies such as SSSC and GTCS HR policies which support this Key Council policies are reviewed by Legal Services to ensure compliance with relevant laws and regulations. Where any proposed course of action or policy is potentially non-compliant, this is flagged by Legal Services as high risk. Legal Services will escalate concerns to senior management as appropriate. 	3	Executive Director of Resources Head of Strategy and Insight	
1.3.2 Creating the conditions to ensure that the statutory officers, other key post holders,	<ul style="list-style-type: none"> The Head of Paid Service is the Chief Executive who was appointed at the Council meeting on 28 May 2015. 	3	Head of Strategy and Insight	

<p>and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</p>	<ul style="list-style-type: none"> • The Head of Finance’s appointment and designation as the authority’s section 95 officer under the Local Government (Scotland) Act 1973. was approved by Council in November 2012. • The Chief Financial Officer’s financial responsibilities are set out in the Financial Regulations. • The Chief Financial Officer, the Chief Social Work Officer and the Monitoring Officer are standing members of the Corporate Leadership Team. • The Monitoring officer is the Head of Legal and Risk and was appointed by Council on 4 February 2016. • The Chief Education Officer was appointed by Council in January 2017. • Chief Social Work Officer is also the Director of Communities and Families and reports directly to the Chief Executive – previous Chief Social Work Officer is now interim Chief Officer of the IJB. • The Chief Social Work Officer provides an annual report to the Corporate Policy and Strategy Committee each year. • The Scheme of Delegation to Officers was reviewed in June 2016 and June 2017. • Committee Terms of Reference and Delegated Functions (June 2016 reviewed June 2017) • Contracts of employment • Code of conduct • A robust internal and external audit plan which includes a number key HR processes and procedures e.g. VERA/VR payments • Promotion of codes of conduct of regulatory bodies such as SSSC and GTCS • HR policies which support this • Key Council policies are reviewed by Legal Services to ensure compliance with relevant laws and regulations. Where any proposed course of action or policy is potentially non-compliant, this is flagged by Legal Services as high risk. Legal Services will escalate concerns to senior management as appropriate. 			
<p>1.3.3 Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</p>	<ul style="list-style-type: none"> • Committee Terms of Reference and Delegated Functions (June 2016 reviewed June 2017) • Regular review of Political Management Arrangements. Most recently approved by Council in June 2017. • The Community Empowerment (Scotland) Act received Royal Assent on in 2015 and sets out duties for public bodies in relation to community planning. Participation requests are part of the Act and allow community bodies to ask the Council, or other public authorities, to be involved in decisions and put forward their ideas for how services could be changed to improve outcomes for their community. This could include community bodies taking on delivery of services. 	<p>3</p>	<p>Head of Strategy and Insight</p>	<p>A Review of Community Councils/Neighbourhood Partnerships (locality committees) will be begin in early 2018.</p>
<p>1.3.4 Dealing with breaches of legal and regulatory provisions effectively</p>	<p>Legal Services will report breach of legal and regulatory provisions to senior management (primarily through Head of Legal and Risk, as member of CLT and Monitoring Officer). Serious breaches may be dealt with by the Monitoring Officer.</p>	<p>3</p>	<p>Executive Director of Resources</p>	

	Other breaches will be addressed by Legal Services providing appropriate advice to service areas and monitoring implementation of that advice. Legal Services are also consulted in relation to complaints from the public which allege non-compliance with laws or regulations.			
1.3.5 Ensuring corruption and misuse of power are dealt with effectively	<ul style="list-style-type: none"> The Monitoring officer is the Head of Legal and Risk and was appointed by Council on 4 February 2016. Preparation and circulation of regular financial monitoring (sep 17) reports Consideration of regular internal and external (Sep 17) audit reports by Governance Risk and Best Value Committee. Regular review of Whistle Blowing Policy – independent service provider with authority to decide on investigations and Policy on Fraud Prevention and Anti-bribery. Employee Code of Conduct approved by Corporate Policy and Strategy Committee in August 2012. Mandatory training sessions provided for Councillors on their obligations under the Code of Conduct. Multiple sessions most recently provided as part of councillor induction (June - August 2017). Member/Officer Protocol 2016. <p>Relevant policies and procedures are in place.</p> <ul style="list-style-type: none"> Disciplinary Procedure Anti-bribery Policy – update report to CP&S in Feb 2017 Fraud Prevention Procedure – update report on Fraud Prevention and Detection considered by Committee in September 2017 Whistleblowing Policy The Head of Legal and Risk acts as the Council’s Monitoring Officer. Allegations of corruption or misuse of power are considered by the Monitoring Officer, who acts independently of the Council. He has the power to conduct investigations into such allegations and following any such investigation reports his findings to full Council. 	3	Executive Director of Resources Head of Strategy and Insight	

Principle 2	Ensuring openness and comprehensive stakeholder engagement			
Supporting principle	2.1 Openness			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
2.1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness	<ul style="list-style-type: none"> Review of Political Management Arrangements (June 2017) Webcasting of Council and major committees, with access to archive recordings for five years All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). Petitions procedure streamlined as part of most recent review of political management arrangements. (June 2017). Deputations at committees 	3	Head of Strategy and Insight Head of Communications	

	<ul style="list-style-type: none"> • The Access to Information Act 1985 schedule 1 requirements regarding exempt information are implemented throughout policy and procedure. Training on the act is provided for key officers and elected members as part of the Governance Framework Training Session. • FOI Disclosure Log • Consultation Hub • Make a suggestion, compliment or a complaint • Edinburgh People Survey – annual citizen survey • Strategy and Performance hub • Access to Information • Integral to all internal communications. Developed in relationship with the media and residents in providing information about the decision making process and the decisions that have been made. • The Council’s online Strategy and Performance hub provides an overview of all Council strategies and reports against progress and performance. This framework is developed in line with the strategic direction provided by the Accounts Commission and follows best practice guidance provided by the Improvement Service. • The organisation maintains a Consultation Hub which keeps a public record of what issues the Council is engaging on, what questions are being asked, and the results of those engagements. 			
<p>2.1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p>	<ul style="list-style-type: none"> • Committee report template and guidance includes standard sections requiring authors to detail consultation and engagement, sustainability impact, equalities impact, financial impact, measures of success and risk, policy, compliance and governance impact. • Honesty and transparency is enshrined in the protocol for member officer relations in decision taking and advice giving. • The Access to Information Act 1985 schedule 1 requirements regarding exempt information are implemented throughout policy and procedure. Training on the act is provided for key officers and elected members as part of the Governance Framework Training Session. 	3	Head of Strategy and Insight	
<p>2.1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p>	<ul style="list-style-type: none"> • Member/Officer Protocol • Committee Terms of Reference and Delegated Functions (June 2017) • Scheme of Delegation to Officers (June 2017) • Webcasting of Council and major committees, with access to archive recordings for five years • All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • The committee report template require key section to be included, for example key risks and the financial impact of decisions. This provides necessary information for elected members to take decisions with clear explanation of key considerations. 	3	Head of Strategy and Insight	<p>The new Community Plan is currently being developed and will be presented to Edinburgh Partnership Board in Spring 2018.</p>

	<ul style="list-style-type: none"> • Any decisions that are taken by officers under urgency provision require a report to the next committee detailing the decision taken and the reasons. See Committee TORs. • Copies of agendas, minutes and reports for all Council and committee meetings held by Edinburgh City Archives. • Members have the opportunity to challenge officers submitting reports. • Enhanced committee reporting following the Review of Political Management Arrangements and reports include links to related council commitments. • CEC reports have sections for consultation and engagement, sustainability and equalities impact. • Financial impact reporting arrangements are in place and embedded in the financial regulations. • Contract Standing Orders (June 2016) • Council Diary arrangements reported to Council annually (last reported 18 May 2017) • The Council's Consultation Hub maintains a record of what has been consulted on and what was done as a result of those consultations. • The Council's budget engagement process explains the pressures the Council faces and the areas where it proposes to spend and save, then records what was done as a result of public feedback. • The Council's performance reporting takes into consideration appropriate feedback to the relevant stakeholders of any decisions taken by Council by using appropriate communication routes. • The Edinburgh Partnership endorsed the Community Plan 2015-18, on 19 March 2015. This plan was published following extensive consultation with stakeholders and communities. The plan focused on a small number of shared priorities across all partners with a cross-cutting emphasis on measures to tackle poverty and inequality in the city. The plan confirmed: <ul style="list-style-type: none"> • a shared partnership vision for the city • four city wide community planning outcomes and a suite of associated strategic priorities • a programme of partnership commitments to action • the strategic outcome performance indicator measures and • a community plan performance monitoring framework. 			
<p>2.1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</p>	<ul style="list-style-type: none"> • The Council regularly consults and engages with stakeholders and members of the public on its plans and policies. We use a variety of methods to seek feedback including surveys, focus groups, public meetings, and involving relevant stakeholders in participatory budgeting and local community planning. Details on how to find out about and participate in consultations are available via our Consultation Hub. • Community engagement is core for the Neighbourhood Partnership and localities approach. A wide range of activities are carried out, ensuring opportunities are provided in ways that are appropriate for communities of 	3	Head of Strategy and Insight	

	place, interest and identity. These inform service development and responses by Council and partners.			
Supporting principle	2.2 Engaging comprehensively with institutional stakeholders			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
2.2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	<ul style="list-style-type: none"> Engagement with institutional stakeholders can take a variety of forms and is determined by the nature of the relationship and the activity being undertaken. In reporting to Committee, all consultation and engagement activities relating to Council decisions are outlined and published within the content of reports. As part of the Council's Governance arrangements, regular reviews of project governance and management is carried out on larger projects and recommendations for improvement acted upon. The level of engagement carried out with Elected Members depends on the purpose of the activity and includes (but is not limited to): Regular meetings with conveners and vice conveners (weekly and/or fortnightly), briefings for member groups, 121 meetings on individual projects. The work of four Localities is informed through ongoing dialogue with community and partner agencies, together with dedicated engagement programmes, to ensure all activity reflects the aspirations and priorities within each locality. The city's Community Planning Partnership (Edinburgh Partnership) formally endorsed and approved the EP Community Plan 2015-18, on 18 June 2015. The Plan incorporates the city's Single Outcome Agreements, and includes the partnership's vision for the city, four community planning outcomes, 12 strategic priorities and complementary partnership actions and performance measures. The Plan was approved by the EP Board, comprising 13 representatives drawn from public agencies, and community bodies. The work of Neighbourhood Partnerships is informed through ongoing dialogue with community and partner agencies, together with dedicated engagement programmes, to ensure all activity reflects the aspirations and priorities within each locality. 	3	Head of Strategy and Insight Executive Director of Place	The new Community Plan is currently being developed will be presented to Edinburgh Partnership Board in Spring 2018.
2.2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<ul style="list-style-type: none"> Engagement with institutional stakeholders can take a variety of forms and is determined by the nature of the relationship and the activity being undertaken. In reporting to Committee, all consultation and engagement activities relating to Council decisions are outlined and published within the content of reports. As part of the Council's Governance arrangements, regular reviews of project governance and management is carried out on larger projects and recommendations for improvement acted upon. The Edinburgh Partnership is made up of a 'family' of nine Strategic (Delivery) Partnerships, 12 Neighbourhood Partnerships, and seven strategic advisory 	3	Head of Strategy and Insight Executive Director of Place	The new Community Plan is currently being developed will be presented to Edinburgh Partnership Board in Spring 2018

	<p>groups. The EP Board is not an incorporated body. The partnership operates in a spirit of mutual respect and partnership working. Each member has equal standing. The EP Community Plan 2015-18 includes 12 strategic priorities that have been agreed on the basis of resourced commitments made by community planning partners, Strategic (Delivery) Partnerships, and Advisory Groups.</p> <ul style="list-style-type: none"> • Neighbourhood Partnerships are Advisory Committees of the Council. They are governed by a constitution approved by Council at the time of establishment and a Neighbourhood Partnership Charter, refreshed as part of a review carried out in 2013. Guidance is provided for members through a Neighbourhood Partnership Handbook and through development activity, such as the Development and Support Programme provided for community councils. • Localities, Locality Planning and Locality Leadership Teams have agreed to place more focus on locality working and improved partnership working. In order to better support this work, the council and its partners have agreed four co-terminus locality areas. In addition, the council and its partners have established four locality leadership teams, aligned to each area, to improve service coordination, partnership activity and improved support for the work of neighbourhood partnerships. • Locality hubs have been developed to involve partnership agencies to facilitate direct access to preventative and community based Health and Social Care Services. 			
<p>2.2.3 Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> - trust - a shared commitment to change - a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit</p>	<ul style="list-style-type: none"> • The Community Safety Partnership is responsible for coordinating a multi-agency response to promote community safety, to reduce reoffending and to tackle antisocial behaviour across the city. Improving community safety and effective reduction in reoffending depends on a complex, multi-agency and multi-sector approach to the delivery of a wide range of both universal and specialist services. This multi-agency approach to community safety has strengthened the locality focus which allows for closer engagement with neighbourhoods. • The Edinburgh Health and Social Care Partnership brings together the strategic planning and operational oversight of a range of adult social care services with a number of community health and hospital based services in Edinburgh. The strategic intention is to improve the health and wellbeing of citizens by joining up the planning and delivery of health and social care services under the governance of a single body, the Edinburgh Health and Social Care Partnership. • The Strategic groups under the Integrated Joint board have partnership agencies, carer and service users membership to ensure that all views are incorporated in progressing the Integration Joint Board strategic objectives. 	3	Head of Strategy and Insight	
Supporting principle	2.3 Engaging with individual citizens and service users effectively			

Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
2.3.1 Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<ul style="list-style-type: none"> The Council developed a Consultation Framework which provides guidance to officers on deciding whether the appropriate approach to an issue is communication, engagement or consultation. <u>The Edinburgh People Survey</u> measures satisfaction with key universal services and highlights where further research or consultation may be necessary. Meaningful engagement is core to the Neighbourhood Partnership approach, providing opportunities for all members of the community to participate, influence and shape activity on an ongoing basis. Communities are encouraged and supported to be involved in a wide variety of ways for example a series of workshops have taken place across localities leading to the development of the Locality Improvement Plans. The Community Empowerment (Scotland) Act received Royal Assent on in 2015 and sets out duties for public bodies in relation to community planning. 	3	Head of Strategy and Insight	
2.3.2 Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	<ul style="list-style-type: none"> Guidance on community engagement policies and approaches is produced and cascaded to staff and members as appropriate. This includes the formal adoption of the National Standards for Community Engagement by Council in March 2017. 	3	Head of Strategy and Insight	
2.3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	<ul style="list-style-type: none"> The Edinburgh People Survey has a boosted sample of minority ethnic communities and a representative sample of people in Council housing, and people of all age groups. The Council communicates on its budget proposals with direct mailings to community organisations who represent and provide services to different stakeholder groups. Where appropriate, the Council gathers monitoring information various demographic characteristics through surveys. A wide range of engagement activities are carried out, ensuring opportunities are provided in ways that are appropriate for communities of place, interest and identity to express their needs and views on services and future provision to inform service development and delivery. This includes a recent extensive exercise to engage the community to inform the development of the Locality Improvement Plans required under the Community Empowerment (Scotland) Act 2015. The work to develop the Integration Joint Board understanding of the local population is done through ongoing dialogue with service users and partner agencies representation at regular JSNA (Joint Strategic Needs Assessment) stakeholder group meetings. The Edinburgh Partnership (EP) Board is developing new partnership protocols to govern the business of all elements of the Edinburgh Partnership (Board / 5 strategic partnerships / locality leadership teams and their sub groups / other 	3	Head of Strategy and Insight	

	<p>locality and neighbourhood governance arrangements). Principles of EP governance reflect those in the statutory community planning guidance from the Scottish Government. The new Community Plan 2018/23 (LOIP) will state ambitions to further strengthen approaches to change, challenge and effective partnership working.</p>			
2.3.4 Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	<ul style="list-style-type: none"> • <u>Budget engagement</u> decisions are reported through You Said, We Did in the form of a web page update and press release. • The Neighbourhood Partnership communications approach and performance framework for Local Community Plans set out effective mechanisms for providing feedback on how stakeholder views have informed service development and delivery. This is a core element of the National Standards for Community Engagement which has been adopted by the Council and the 12 Neighbourhood Partnerships. • Annual survey of communities and other stakeholders about impact of community payback work within their area is included in annual community payback report. • The EP Board, EP strategic partnerships and Locality Leadership Teams all engage in feedback activities through public performance reports or local engagement events, to inform the development of plans and strategies including LIPs and LOIPs. The EP focuses on co production approaches to ensure views of citizens are taken into account. The EP has supported Neighbourhood Partnerships to engage in feedback activities with local communities. 	3	Head of Strategy and Insight	
2.3.5 Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	<ul style="list-style-type: none"> • Engagement activity is designed to address the involvement of all stakeholders, with mapping and demographic data informing the approaches. This is completed in a Neighbourhood Partnership context by the production of an equalities checklist to support staff in meeting equalities legislative duties. • EP supports the Edinburgh Equality and Rights network (EaRN) to ensure communities of interest are engaged with and supported in community planning activity. 	3	Head of Strategy and Insight	
2.3.6 Taking account of the impact of decisions on future generations of tax payers and service users	<ul style="list-style-type: none"> • The Council uses population projections to anticipate future need at below city-level, enabling us to project overall demand for services and anticipate long-term need. • In line with Scottish Government legislation the Edinburgh Integration Joint Board was formally established in July 2015, with responsibility for planning the future direction and overseeing the integration of health and social care services for the citizens of Edinburgh through the Edinburgh Health and Social Care Partnership. The Integration Joint Board is tasked with delivering its vision for a caring, healthier, safer Edinburgh through taking actions to transform how Council and NHS services and staff teams work together; with other partners; and those who use services and communities. 	3	Head of Strategy and Insight Executive Directors of Resources	

	<ul style="list-style-type: none"> • The Council’s <u>Financial Regulations</u> and accompanying Finance Rules set out the requirement for Executive Directors to consider on an ongoing basis their respective budgets, including active management of risks and service pressures, delivery of approved savings and appropriate application of service investment. Taken together, these actions contribute to ensuring that the Council’s overall expenditure is maintained within budgeted levels and that financial sustainability is secured in accordance with the financial strategy. • The Council has maintained revenue expenditure within budgeted levels for ten successive years and attained its target level of unallocated reserves one year early in March 2011 and, despite severe financial pressures, has kept them at this level since that time. The Council’s overall level of unallocated and earmarked reserves was assessed as appropriate as part of the <u>2016/17 Annual Audit Report</u>, with the annual <u>Risks and Reserves</u> report considered as part of the budget process also identified as an area of good practice. • All new budget proposals are subject to detailed officer and political scrutiny at the development, implementation and subsequent delivery stages. In addition, all Committee and Council reports require authoring officers to consider, liaising as appropriate with Finance staff, the financial implications of planned actions, including the adequacy of budget provision, timing of costs and savings and any specific risks around implementation, informed by <u>specific report-writing guidance</u> in this area. The Head of Finance additionally requires to sign off the financial implications sections of all relevant reports, with the right to withdraw reports from Committee agendas where this is not undertaken enshrined in the Financial Regulations. • The Council maintains a detailed <u>five-year financial framework</u> within the context of a ten-year financial plan. In addition to capturing changes in the Council’s key income and expenditure drivers, the plan incorporates the current and future financial impacts of all material approved plans and actions, allowing decisions to be taken in the knowledge of their anticipated impact on delivery of the Council’s key priorities. • Decisions on any new borrowing are rooted in consideration of their prudence, affordability and sustainability, with levels of external borrowing assessed against a suite of prudential indicators as part of the annual budget motion and corresponding loans charge provision made within the budget framework 			
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Principle 3	Defining outcomes in terms of sustainable economic, social, and environmental benefits			
Supporting principle	3.1 Defining outcomes			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
3.1.1 Having a clear vision, which is an agreed formal statement of	<ul style="list-style-type: none"> • The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22 was agreed in August 2017. The plan forms a central part of the 	3	Head of Strategy and Insight	The Council Business plan will

<p>the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions</p>	<p>Council’s strategic planning and performance framework and is reviewed and revised regularly taking into account changes to the strategy and policy environment within which the Council operates. The plan has been built around the commitments which the new Council Administration have pledged to deliver over the next five years, setting out what we aim to do and how we aim to do it. This is the one plan that ensures that Council strategy, the City Vision, the Community Plan, the budget plan, the People Strategy and Directorate plans all combine around one direction of change which reflects the priorities of the public, elected members, partners and our people. The plan describes our Commitments to the city, our strategic aims and outcomes, our challenges, how we’ll measure success and the future of our organisation.</p> <ul style="list-style-type: none"> • Edinburgh Partnership’s Community Plan 2015-18 was approved by Edinburgh Partnership Board in March 2015 with all partners sharing a single vision for the city that: ‘Edinburgh is a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced.’ There are 4 strategic outcomes: <ol style="list-style-type: none"> 1. Edinburgh’s economy delivers increased investment, jobs and opportunities 2. Edinburgh’s children and young people enjoy their childhood and fulfil their potential 3. Edinburgh’s citizens experience improved health and wellbeing with reduced inequalities in health 4. Edinburgh’s communities are safer and have improved physical and social fabric and high level performance targets have been reduced from over 50 to 21, all of which can only be achieved through partners working effectively together. • The Council’s strategic aims of “A forward looking Council” and “An empowering Council” are underpinned by the organisation’s culture and values. These are the principles that drive how services are delivered and how people work with citizens and communities. • The Council’s People strategy is built around a core set of values that guide everything we do. Our values define the culture we want to build within our organisation and sets out our commitment to each other within our workforce as well as to our citizens and communities. Our values are: <ul style="list-style-type: none"> - Customer First - We listen, are responsive, helpful and knowledgeable. We care and we treat people with respect at all times. - Forward Thinking - We are proud to work for Scotland’s capital city. We are forward thinking and focused on improving Edinburgh. - Working Together - We work together to achieve shared goals and provide value for money services. - Honest and Transparent - We are honest and transparent in all we do and are accountable for our decisions. 			<p>be reviewed annually in line with budget planning cycles.</p> <p>Service Implementation Plans will be presented to Committee in the new year and will describe in detail how the services will approach challenges and continue to improve services for citizens.</p> <p>The new Community Plan is currently being developed and will be presented to Edinburgh Partnership Board in Spring 2018.</p>
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<p>3.1.2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p>	<ul style="list-style-type: none"> • <u>The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22</u> was agreed in August 2017. The plan forms a central part of the Council’s strategic planning and performance framework. The plan describes our Commitments to the city, our strategic aims and outcomes, our challenges, how we’ll measure success and the future of our organisation. To deliver Council vision and strategic aims, 20 associated outcomes have been set out. These outcomes link to our 52 commitments to the city which will be prioritised over the duration of this plan and into the future. The plan clearly articulates our intended outcomes and expected impacts on citizens. • Locality Improvement Plans are being developed to meet the requirements of the Community Empowerment (Scotland) Act 2015. Development has been informed by extensive engagement in each of the four Localities to ensure the views of the community are taken into account and the plans are tailored to fit the individual needs and aspirations of each of the Localities and the specific areas of need within them. The plans will detail expected impact of improvements identified. • <u>Edinburgh Partnership’s Community Plan 2015-18</u> was approved by Edinburgh Partnership Board in March 2015 with all partners sharing a single vision for the city that: ‘Edinburgh is a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced.’ There are 4 strategic outcomes: <ol style="list-style-type: none"> 1. Edinburgh’s economy delivers increased investment, jobs and opportunities 2. Edinburgh’s children and young people enjoy their childhood and fulfil their potential 3. Edinburgh’s citizens experience improved health and wellbeing with reduced inequalities in health 4. Edinburgh’s communities are safer and have improved physical and social fabric and high level performance targets have been reduced from over 50 to 21, all of which can only be achieved through partners working effectively together. 	3	Head of Strategy and Insight	The Council Business plan will be reviewed annually in line with budget planning cycles. The new Community Plan is currently being developed will be presented to Edinburgh Partnership Board in Spring 2018
<p>3.1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available</p>	<ul style="list-style-type: none"> • <u>The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22</u> was agreed in August 2017. The plan forms a central part of the Council’s strategic planning and performance framework. The plan describes our Commitments to the city, our strategic aims and outcomes, our challenges, how we’ll measure success and the future of our organisation. To deliver Council vision and strategic aims, 20 associated outcomes have been set out. These outcomes link to our 52 commitments to the city which will be prioritised over the duration of this plan and into the future. • Locality Improvement Plans are being developed to meet the requirements of the Community Empowerment (Scotland) Act 2015. Development has been informed by extensive engagement in each of the four Localities to ensure the views of the community are taken into account and the plans are tailored to 	3	Executive Director of Resources Head of Strategy and Insight	The Council Business plan will be reviewed annually in line with budget planning cycles.

	<p>fit the individual needs and aspirations of each of the Localities and the specific areas of need within them.</p> <ul style="list-style-type: none"> • The Council’s budget process is founded upon priority-based principles, with additional demographic-related investment provided on an annual basis and proportionately lower savings requirements applied to the priority areas of education, children’s services and health and social care. • The Council was one of the first in Scotland to introduce a long-term financial plan, doing so <u>in 2009</u>. The expenditure and income assumptions underpinning the plan are subject to at-least six-monthly review, with the results of <u>the most recent such assessment</u> considered by the Finance and Resources Committee on 5 September 2017. The Council’s arrangements in these areas were assessed as effective in the recently-published <u>2016/17 Annual Audit Report</u>. • The Council’s budget strategy has sustainability at its core, with, for example, no capital or other investment approved without assurance over its longer-term affordability. • In acknowledging the potential for closer integration of financial and non-financial information to inform decision-making, however, work is underway between Finance and Head of Strategy and Insight colleagues to develop service profiles for all main areas of Council activity. 			
3.1.4 Identifying and managing risks to the achievement of outcomes	<ul style="list-style-type: none"> • There is an enterprise risk management framework in place which is described in the <u>Enterprise Risk Management Policy</u> (publicly available) while the <u>Risk Management Procedure</u> is for internal use. Both documents are reviewed annually. • Enterprise risk management (ERM) refers to the activities which seek to capture all the risk exposures which an organisation faces while it seeks to achieve its objectives and/or outcomes. • The framework provides for the identification, recording, management and reporting of risks. • Risks are escalated in accordance with the policy from Service Teams, through Directorate then CLT Risk Registers. • The Governance, Risk and Best Value Committee scrutinises the top risks on a quarterly basis. 	3	Executive Director of Resources	
3.1.5 Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available	<ul style="list-style-type: none"> • Public engagement. Clarity in all communications on the decision making criteria and the decisions reached. 	3	Head of Communications	
Supporting principle	3.2 Sustainable economic, social and environmental benefits			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan

<p>3.2.1 Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p>	<ul style="list-style-type: none"> • Impact assessments on sustainability and equalities and diversity are undertaken routinely as part of the development of policies and plans when taking decisions about service provision. • These impact assessments are both stored by the service and published online. • For Committee decisions, it is required that the sustainability (including environmental) and equalities impacts have been assessed and are reported as part of the report to Committee. • Economic and social benefits are not specified requirements when policy and plan decisions are taken however they are fundamental in the Council's Business Plan and are therefore implicit in the decision making for the Council. • <u>The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22</u> forms a part of a robust strategic framework that connects the strategic vision of the Council and its partners to the detailed plans that guide the delivery of our frontline services. This framework ensures that all Council plans and strategies are driven by and focused towards the delivery of a single shared vision for the city and our services. This framework comprises of 2050 City Vision, Community Plan and Local Development Plan, Locality Improvement Plans, Council Strategies and Directorate Business Plans. 	<p>3</p>	<p>Head of Strategy and Insight</p> <p>Executive Director of Place</p>	<p>The Council Business plan will be reviewed annually in line with budget planning cycles.</p>
<p>3.2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p>	<ul style="list-style-type: none"> • The Council has a robust approach to risk and this is incorporated explicitly in all reports to Committee on decisions to be taken. The report template also requires officers to explicitly consider the financial impacts of any decisions taken. • Committee report template and guidance includes standard sections requiring authors to detail consultation and engagement, sustainability impact, equalities impact, financial impact, measures of success and risk, policy, compliance and governance impact. • The Council Business Plan will be reviewed at Full Council on an annual basis. This review is supported by an annual mid-term review of progress towards implementation. 	<p>3</p>	<p>Head of Strategy and Insight</p> <p>Executive Director of Place</p>	
<p>3.2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</p>	<ul style="list-style-type: none"> • In the development of policies and procedures, the Council takes account of the public interest associated with decisions to be taken. Committee reports are published and all Committees are broadcast through the Council's webcast function. Recordings are retained and are published on line. • Consultation and Engagement, Risk, Policy Compliance and Governance, Financial, Equalities and Sustainability criteria are applied to all Committee reports and therefore to all decisions taken by Elected Members. Officers have a duty to ensure that all relevant information is contained within Committee reports to ensure that the decisions being taken are open and transparent where benefits and impacts are in conflict. • <u>Petitions procedure redesigned as part of most recent review of political management arrangements.</u> (June 2017). 	<p>3</p>	<p>Head of Strategy and Insight</p> <p>Executive Director of Place</p>	

	<ul style="list-style-type: none"> • Deputations at Committees. • The Council gathers extensive information about the social and demographic attributes of residents and analyses this to provide input into policy decisions. • The Council explicitly offers choices about service prioritisation and policy to residents through its budget engagement activity. 			
3.2.4 Ensuring fair access to services	<ul style="list-style-type: none"> • <u>The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22</u> strategic aims ensure that citizens and communities have access to services in way that meets their needs and preferences. To deliver the vision, Council services will focus their work towards the delivery of five mutually reinforcing strategic aims: <ol style="list-style-type: none"> 1. A Vibrant City 2. A City of Opportunity 3. A resilient City 4. A Forward Looking Council 5. An Empowering Council • <u>The Council's Equality, Diversity and Rights Framework</u> ensures that citizens have a fair access to services and are able to use these services and join in with the life and work of the city. • <u>Make a suggestion, compliment or a complaint</u> • <u>Access to Information</u> • <u>FOI Disclosure Log</u> • The Council provides services in a range of ways and ensures fair access to services and to information. There are a number of ways the public can engage with Council services and recently more services are being delivered in local areas to increase the ability for all members of the community to access Council services. 	3	Head of Strategy and Insight Executive Director of Place	The Council Business plan will be reviewed annually in line with budget planning cycles.
Principle 4	Determining the interventions necessary to optimise the achievement of the intended outcomes			
Supporting principle	4.1 Determining interventions			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
4.1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided	<ul style="list-style-type: none"> • All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • Members have the opportunity to challenge officers submitting reports and ask questions at both agenda planning meetings or committee. • Workshops and briefing notes regularly used to support the Committee report. • Additional focus has been provided on the financial impact section of reports to ensure it is providing all the information a committee requires. • New section on risk in committee reports outlining the risks as a consequence of any decision on the matter. 	3	Head of Strategy and Insight	New report templates and guidance are routinely introduced, the latest of which was in September 2017.

<p>4.1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> • Deputations (representative of a group or organisation speak at a committee meeting on a subject of their choice) are welcomed at Council and Committees. • Decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • Petitions process, established in 2012, engages and involves citizens in the democratic process. To date over 18,000 signatures have been submitted. The process was reviewed in June 2017, to ensure a speedier resolution for petitioners. • Committee report template and guidance includes standard sections requiring authors to detail consultation and engagement, sustainability impact, equalities impact, financial impact, measures of success and risk, policy, compliance and governance impact. • The Council's 2016 budget engagement involved full Council, full budget prioritisation of services, allowing residents to say what they most valued and wished the Council to protect during a period of reducing budgets. • A wide range of engagement activities are carried out, ensuring opportunities are provided in ways that are appropriate for communities of place, interest and identity to express their needs and views on services and future provision to inform service development and delivery. • The Council's Locality Improvement Plan development sought the views of communities on the use of assets and the delivery of services in a local context, across organisational silos. 	3	Head of Strategy and Insight	
<p>Supporting principle</p>	<p>4.2 Planning interventions</p>			
<p>Requirements of the Local Code</p>	<p>Evidence of compliance and links</p>	<p>Score (1-4)</p>	<p>Lead Officer(s)</p>	<p>Improvement Plan</p>
<p>4.2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p>	<ul style="list-style-type: none"> • The Council's planning and performance framework is reviewed at Full Council annually in line with budget planning cycles. This review is supported by an annual mid-term review of progress towards implementation conducted in September each year. 	3	Head of Strategy and Insight	<p>A suite of performance indicators is being further developed to measure our progress and success at each level of the strategic planning framework. Indicators will be presented via dashboards and will include financial, workforce and customer</p>

elements to give a balanced view of performance against outcomes and commitments. Performance will be scrutinised by Elected Members and the Council's Corporate Leadership Team. The Council Business plan will be reviewed annually in line with budget planning cycles. Following the new Council Business Plan, Service Implementation Plans will be developed and presented to Council in the new year.

[The City of Edinburgh Council Business Plan 2017-22](#) (August 2017) forms a part of a robust strategic framework that connects the strategic vision of the Council and its partners to the detailed plans that guide the delivery of our frontline services, taking into account

				<p>changes to the strategy and policy environment within which the Council operates. This framework comprises of 2050 City Vision, Community Plan and Local Development Plan, Locality Improvement Plans, Council Strategies (that describe the corporate approaches the Council need to take to improve the management of core activities and assets such as people, finances, technology, properties and estate, sustainability and equalities, and the way change is managed) and Directorate Plans reflecting the priorities of the public, elected members, partners and our people.</p>
<p>4.2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p>	<ul style="list-style-type: none"> A wide range of engagement activities are carried out, ensuring opportunities are provided in ways that are appropriate for communities of place, interest and identity to express their needs and views on services and future provision to inform service development and delivery 	<p>3</p>	<p>Head of Strategy and Insight</p>	

	<ul style="list-style-type: none"> • The Council’s Locality Improvement Plan development sought the views of communities on the use of assets and the delivery of services in a local context, across organisational silos • National Standards for Community Engagement underpin the Council’s and Edinburgh Partnership’s and Neighbourhood Partnership’s approach. • The Edinburgh Equality Network continues to be a good mechanism for engaging with communities of interest on a range of issues. • Neighbourhood Partnerships continue to strengthen work with communities of interest with strategic activity including the production of guidance, improvements to the monitoring and evaluation framework. • The consultation toolkit and hub helps to facilitate adherence with the National Standards for Community Engagement and the principles of meaningful consultation, including guidance on making consultation accessible and inclusive. 			
<p>4.2.3 Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p>	<ul style="list-style-type: none"> • The Governance, Risk and Best Value Committee was established to take the lead role as the Council's main scrutiny panel. • Accounts Commission Best Value Audit Report stated that the Governance, Risk and Best Value Committee ‘provides effective scrutiny of the Council’s operations and performance.’ • The Convener of the Governance, Risk and Best Value Committee is a senior opposition member. Both the Chief Executive and the Executive Director of Resources attend meetings in person, supported by other members of the Corporate Leadership Team. • The Committee has the ability to review any of the Council’s activities, to require action or further reports, and to call witnesses to support its debate. • The Council has responded to external scrutiny, in the form of external audit and inspection reports, with improvement plans which are reported to the appropriate committees. • Council Companies’ Hub established in <u>June 2016</u> to improve the officer scrutiny of Council companies, including risks. It clarifies roles and responsibilities, good governance, elected members duties as councillors and the mitigation of conflicts of interest. • Annual Assurance process includes a section on risks. • When working with partners early consideration is given to risks and the appropriate framework and reporting mechanisms to be used • Members of the Corporate Risk Team have started meeting with partners to discuss shared risk (examples include NHS Lothian for IJB/HSCP risk, Edinburgh Trams for operational risk and the Tram Completion/Extension Project Director). 	<p>3</p>	<p>Head of Strategy and Insight</p> <p>Executive Director of Resources</p>	<p>Confirm bespoke arrangements for each collaborative venture and include in governance documentation. These should include (as a minimum) the following:</p> <p>Consider creating a formal Memorandum of Understanding (MOU) and/or Information</p> <p>Sharing Protocol (ISP) for each collaborative venture to agree roles and responsibilities with regard to risk management.</p> <p>Statement of agreed roles and</p>

				<p>responsibilities (including reporting lines, formats and frequencies) for each collaborative venture.</p> <p>Consideration given to creating a separate risk register for each collaborative venture (if not already in place).</p> <p>Consider creation of a risk ownership matrix as part of the collaborative venture documentation to articulate clearly who owns which risks, and documents how to monitor progress</p>
<p>4.2.4 Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</p>	<ul style="list-style-type: none"> • A new Head of Strategy and Insight function with enhanced capacity for transformation and business change support to drive service improvements was established (February 2017). • A data warehouse and dynamic dashboard reporting toolkit through Cognos has been developed to provide a single repository for all data in the Council and facilitate data profiling to identify and action data quality issues. Cognos dashboards allows data to be blended from multiple sources (internal and external) and uses a wide range of analytical tools to enable a single view of information across the Council. The dashboards provide deeper insight into performance and service provision and support effective decision making, service planning and improvement. • Targeted service improvements and enhanced monitoring of performance by CLT form a core part of the Council's new Business Planning process. • Urgent decision provision is included within the <u>Committee Terms of Reference and Delegated Functions</u>. • The <u>Scheme of Delegation</u> (June 2017) sets out the powers delegated by the City of Edinburgh Council to officers, pursuant to the Local Government 	<p>3</p>	<p>Head of Strategy and Insight</p> <p>Executive Director of Resources</p>	

	<p>(Scotland) Act 1973. The Scheme facilitates the efficient conduct of Council business by clearly setting out the nature and extent of the powers delegated to officers by the Council, thereby ensuring that decisions are taken at an appropriate level and ensure sufficient and appropriate scrutiny.</p> <ul style="list-style-type: none"> As part of the Terms and Conditions (T&C's) issued in a tender process, the T&C's detail that the delivery of goods and services may be varied (adaptable) if they follow the conditions, to allow for changing circumstance. In some cases, there is a detailed Change Control Notice. This notice is submitted to the Council, signed by the Service Provider. The Council agrees to respond to the Change Control Notice within 3 weeks of receipt. (Services agreement for use by public sector bodies). 			
4.2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	<ul style="list-style-type: none"> Progress against the delivery of our strategic plans is tracked by a Council-wide performance management framework. A key component of the framework is a well-defined suite of performance indicators which are used to measure success at each level of the strategic framework. Key performance indicators are being established through engagement with service area senior managers as part of the planning and performance framework. Coalition commitments measures are being established through consultation with service areas and elected members and will form part of the performance framework reporting to Senior Management Teams, Corporate Leadership Team and Committees. The performance framework is reviewed annually and performance reporting against the Council's commitments and outcomes forms the basis of the annual report on progress. Monitoring of performance is done through the performance dashboards which incorporate indicators around quality of service, customer perceptions and service response rates. Data for the framework and dashboards is collated centrally using the Cognos performance management system. A <u>Performance Dictionary</u> has been developed to provide a brief description and purpose of the City of Edinburgh Council's key performance indicators. KPI monitoring and measurement is an integral element in the development of a contract and forms a component of the quality score in the tender evaluation process. KPI planning at outset in the tender process ensures the performance of services / projects can be robustly and accurately measured. The successful tenderer is required to ensure provision of adequate monitoring of performance against agreed KPI's, the method of which is detailed within the tender documentation. 	3	<p>Head of Strategy and Insight</p> <p>Executive Director of Resources</p>	<p><u>The Annual Performance Overview</u> report was presented to Full Council on 24 August 2017. This report provides an overview of performance covering the key performance indicators linking to benchmarking and citizen's perception as well as progress towards achieving the community plan outcomes. This report aims to promote a 'one Council' approach to deliver on corporate, political and Community Planning priorities.</p>
4.2.6 Ensuring capacity exists to generate the information required to review service quality regularly	<ul style="list-style-type: none"> Reviewing service quality is embedded within strategic change and delivery programme which covers process review and service improvement. Service areas work in partnership with change teams to identify opportunities for new ways of working. Commercial Procurement Service works with service areas, suppliers and Head of Strategy and Insight to ensure spend and service level, including KPI 	3	<p>Head of Strategy and Insight</p> <p>Executive Director of Resources</p>	

	<p>data, is available to measure performance of the contract during its life and prior to re-tender. This ensures the Council is procuring goods and service which meet the defined needs. This allows us to ensure that the contract is being managed regarding capacity, value for money and delivering savings both financially and in service efficiencies. Service areas also monitor suppliers to ensure the general T&Cs of the contract are being met and that all sustainable and community benefits are being realised.</p>			
4.2.7 Preparing budgets in accordance with objectives, strategies and the medium term financial plan	<ul style="list-style-type: none"> • Each year the Council consults with citizens and other stakeholders on the planned changes to its budget. This is done through budget engagement exercise. The 2016 budget engagement focused on the delivery of programmes and initiatives already agreed in principle. Citizens and stakeholders were invited to contribute to the development of services and how changes might best be implemented. • The <u>Financial Strategy</u> forms part of an interwoven framework of complementary corporate strategies such as the Business Plan, Asset Management Strategy and HR Strategy, ensuring that maximum value is derived from the Council's available resources in contributing towards its priority outcomes. • The budget framework serves to align available resources to Council priorities whilst addressing the full range of the Council's commitments in a way that is sustainable and strikes an appropriate balance between efficiency, income generation, service investment and service prioritisation. In bringing forward savings proposals, Executive Directors are explicitly asked to couch savings proposals in these service and corporate priorities. 	3	<p>Head of Strategy and Insight</p> <p>Executive Director of Resources</p>	
4.2.8 Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	<ul style="list-style-type: none"> • The Council has an on-going system of review in place with regard to its main expenditure and income drivers. The contents of the revenue budget framework are subject to at-least six-monthly formal reporting, reflecting as appropriate updated grant funding estimates, population and wider demographic projections, inflationary forecasts (including pay awards) and cost impacts of legislative and other changes. • Capital expenditure and income projections are similarly based on up-to-date prudent assessments of likely receipt levels, grant funding, asset condition, Council commitments and priorities and other relevant data. By assisting service areas to develop realistic expenditure plans and promptly identifying instances of potential project delays, the level of expenditure slippage recorded across the programme has been significantly reduced in recent years, comparing very favourably with other authorities and realising savings in loans charge expenditure contributing to addressing wider savings targets. 	3	Executive Director of Resources	<p>The results of the most recent main expenditure and income drivers assessment were reported to the Finance and Resources Committee on 5 September 2017. These assumptions and the effectiveness of the overall approach were favourably assessed as part of the Council's</p>

Supporting principle	4.3 Optimising achievement of intended outcomes			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
4.3.1 Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	<ul style="list-style-type: none"> As noted for 4.2.7 above, the Council’s budget strategy affords relative protection to key service areas and priorities within an overall position that emphasises the need for both revenue and capital expenditure and income to remain in balance over the medium term. 	3	Executive Director of Resources	
4.3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	<ul style="list-style-type: none"> While recognising the Council’s legal responsibility to set a balanced revenue budget for the following financial year by 11 March, both the revenue and capital budget-setting processes adopt a whole-life approach, capturing the expenditure and income implications of approved or proposed actions not just for the following but also subsequent years. In addition to the direct impacts of specific proposals, the long-term financial plan takes account of the wider implications of the Council’s activity in such areas as the associated required levels of pay award and on-cost provision, fees and charges income and enabling investment. The framework also recognises that demand for the Council’s services mirrors changes in the population as a whole and therefore makes explicit provision for the impact of demographic-led growth in such areas as school education, older people’s care and services for those with physical and/or learning disabilities. The framework also reflects the financial impact of future changes such as approved increased employer pension contributions and anticipated changes in grant funding. While work is underway to introduce further improvements, the process also takes account of the indirect impacts of changes in demand for Council services, such as additional property and school meal costs linked to growth in the number of pupils within the Council’s schools. 	3	Executive Director of Resources	
4.3.3 Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	<ul style="list-style-type: none"> The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-22 describes how a sustainable balanced budget will be delivered in a challenging environment, with increasing demand for services at a time of on-going financial constraint. The Council’s budget framework is underpinned by a comprehensive and regular review of the key factors influencing the Council’s need to spend and the likely level of resources available to support that spend over the medium- to longer-term, be it due to demographic trends, inflationary pressures, legislative reform or grant funding or other changes. The results of these assessments are reported to the Council’s Leadership Team and the Finance and Resources Committee on an at-least six-monthly basis, allowing the adequacy of the Council’s actions to be framed against not just the immediate savings requirement but also the medium-term financial position. 	3	Executive Director of Resources Head of Strategy and Insight	

	<p>This medium-term perspective also informs the assessment of the adequacy and proposed use of the Council’s reserves in striking an appropriate balance between meeting specific liabilities as they fall due and supporting required transformation through, for example, spend to save investment or meeting staff release costs to secure recurring employee cost savings.</p> <ul style="list-style-type: none"> The Council’s capital plan similarly adopts a longer-term timeframe and is informed by explicit consideration of Council priorities, thereby maximising the level and effectiveness of investment available to take forward key initiatives with reference to the principles contained within the Asset Management Strategy and relevant Asset Management Plans. 			
4.3.4 Ensuring the achievement of ‘social value’ through service planning and commissioning	The Council is fully compliant with the Procurement Reform Act (Scotland) 2014 which places a statutory duty to consider social, economic and environmental benefits in every regulated procurement.	3	Executive Director of Resources Head of Strategy and Insight	

Principle 5		Developing the entity’s capacity, including the capability of its leadership and the individuals within it		
Supporting principle		5.1 Developing the entity’s capacity		
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
5.1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	<ul style="list-style-type: none"> The Council’s performance framework for Senior Management Teams and Corporate Leadership Team is reviewed annually and performance reporting against the Council’s commitments and outcomes forms the basis of the annual report on progress. The annual review gives Council the opportunity to ensure the outcome-based measures which join up priorities across service areas and partnership continue to be effective. 	3	Head of Strategy and Insight	
5.1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	<ul style="list-style-type: none"> Value for money considerations have been implicit in development of transformation plan business cases, particularly those for Business and Support Services and Asset Management, with relevant comparators (including, as appropriate, use of the Local Government Benchmarking Framework) informing assessments of current service efficiency and effectiveness. The Council as a member of Local Government Benchmarking Framework participates in the learning events, shares best practice and case studies in order to improve services. The Council also considers the findings of all Audit Scotland national reviews. Service areas use benchmarking findings (i.e. Education Scotland or Housemark) to determine whether they performing effectively and efficiently, whether the costs are in line with those of competitors and whether internal activities or processes or use of resources need improvement. 	2	Head of Strategy and Insight	Challenging existing practices and identifying initiatives for new and more efficient use of resources is crucial to council wide service delivery. This includes challenge and scrutiny of key areas such as performance and change. Strategy and Insight is

			<p>undertaking an organisational review to create the most effective structure for informing and supporting the policy decisions of the council. The key aim of the restructure is to develop a skilled, responsive and robust function with four objectives:-</p> <p>To provide direction to the Council, informing policy decisions with acute focussed research;</p> <p>To provide key infrastructure to support decision-making;</p> <p>To offer insightful intellectual analysis of operations; and</p> <p>To engage with stakeholders across the City, the Region, the nation and internationally.</p> <p>Through the review and, in particular through the refocussed Policy and Insight and</p>
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				<p>Strategic Change and Delivery functions, the division will seeking and applying best practice from other organisations and use management information to monitor and control resources to ensure that the Council is best able to deliver its objectives efficiently and effectively. The review is currently in its consultation phase until 5 January 2018.</p>
<p>5.1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved</p>	<ul style="list-style-type: none"> • The <u>Edinburgh Partnership</u> (EP) engage appropriately in all matters relating to communities and working in collaboration to ensure the added value can be achieved. All partners share a single vision for the city that: ‘Edinburgh is a thriving, successful and sustainable capital city in which all forms of deprivation and inequality are reduced.’ The Edinburgh Partnership provides a useful mechanism to gather partner and community views on service delivery. • In line with Scottish Government legislation the Edinburgh Integration Joint Board was formally established in July 2015, with responsibility for planning the future direction and overseeing the integration of health and social care services for the citizens of Edinburgh through the Edinburgh Health and Social Care Partnership. The Integration Joint Board is tasked with delivering its vision for a caring, healthier, safer Edinburgh through taking actions to transform how Council and NHS services and staff teams work together; with other partners; and those who use services and communities. • The Community Safety Partnership is responsible for coordinating a multi-agency response to promote community safety, to reduce reoffending and to tackle antisocial behaviour across the City. Improving community safety and effective reduction in reoffending depends on a complex, multi-agency and multi-sector approach to the delivery of a wide range of both universal and specialist services. This multi-agency approach to community safety has strengthened the locality focus which allows for closer engagement with neighbourhoods. 	<p>3</p>	<p>Head of Strategy and Insight</p>	

<p>5.1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<ul style="list-style-type: none"> • Council People Strategy and People Plan was reported to Finance and Resources Committee on 23 February 2017 and Corporate Policy and Strategy Committee 28 March 2017. • Workforce Dashboards are prepared monthly and reporting on critical people indicators. These are reviewed at CLT, Directorate leadership team meetings and the Finance and Resources Committee • Retendering of our recruitment framework to ensure visibility and scrutiny of our temporary resources across the organisation • A review of Supply Teachers completed in June 2017 which included comprehensive engagement with HT & DHT's to redesign the database (complete data refresh), process and evaluation. 	<p>2</p>	<p>Executive Director of Resources</p>	<p>Comprehensive people plans to be developed for each Directorate which are aligned to the delivery of our People Strategy. A component of this is the development of workforce plans. This work has started (in conjunction with HR, Finance and Strategy and Insight) and will see plans in place by the beginning of 2018.</p> <p>The contract award for the provision of Occupational Health Services and Employee Assisted programme will be reported to Committee in the last quarter of 2017.</p> <p>The Open Framework agreement for Learning and Development will be reported to Committee in the last quarter of 2017. Subject to approval, the framework will run for 3 years</p>
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Supporting principle	5.2 Developing the capability of the entity's leadership and other individuals			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
<p>5.2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p>	<p>All operational governance documentation is subject to review annually and form part of any review of the political management arrangements. The Governance – operational governance framework was reviewed on 2 June 2016:</p> <ul style="list-style-type: none"> • Procedural Standing Orders for Council and Committee Meetings, • Committee Terms of Reference and Delegated Functions, • Financial Regulations, • Contract Standing Orders, • Standing Orders states that ‘In an election year, the Council will hold a meeting at 10 am, no later than the third Thursday after the day of the ordinary election of Councillors’. This meeting was held on 18 May 2017 whereby the Lord Provost was appointed. The meeting was adjourned until 25 May 2017 when further appointments were made to some Sub Committee and Joint Boards. Revised political management arrangements based on the political balance of the Council and appointments to all other Committees were confirmed on 22 June 2017. <p>Following the Local Government elections in May 2017 the Governance – operational governance framework was further reviewed (29 June 2017) to meet the aims and aspirations of the newly elected Council.</p> <ul style="list-style-type: none"> • Procedural Standing Orders for Council and Committee Meetings, • Committee Terms of Reference and Delegated Functions, • Scheme of Delegation to Officers • Financial Regulations • Contract Standing Orders • Member/Officer Protocol • The Council Business Plan for the period 2016-20 was first approved by Council in January 2016. At the time of that launch the Council made a commitment to provide an annual update of the plan, to make sure that the priorities and direction the plan describes continue to remain relevant and focused on the needs of our customers and citizens, an update was considered in February 2017. • A suite of performance indicators is being further developed to measure the Business Plan 2017-2022 progress and success at each level of the strategic planning framework. Indicators will be presented via dashboards and will include financial, workforce and customer elements to give a balanced view of performance against outcomes and commitments. Performance will be scrutinised by Elected Members and the Council’s Corporate Leadership Team. 	3	Head of Strategy and Insight	

<p>5.2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p>	<ul style="list-style-type: none"> • The Scheme of Delegation to Officers was reviewed in June 2016 and June 2017. • Committee Terms of Reference and Delegated Functions set out the powers delegated by the City of Edinburgh Council to its committees and sub-committees pursuant to the Local Government (Scotland) Act 1973. • Contract Standing Orders apply (with certain exceptions) to all contracts made by or on behalf of the Council for the procurement of the execution of works, the supply of goods and materials to the Council, and/or for the provision of services. • Corporate debt policy outlines the financial needs of the Council and the social needs of our customers. 	3	Head of Strategy and Insight	
<p>5.2.3 Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p>	<ul style="list-style-type: none"> • The Scheme of Delegation to Officers was reviewed in June 2016 and June 2017. Specific reference to the chief executive's responsibilities can be found at Paragraph 4.1 and Appendix 1 in both documents. • The leader of the Council undertakes the Chief Executives performance conversation. • The Member-Officer Protocol sets out the roles and responsibilities of Elected Members and Council officers, including the Chief Executive, to ensure clarity when carrying out their respective duties. • The Council Leader was appointed as Convenor of the Corporate Policy and Strategy Committee on 22 June 2017. 	3	Head of Strategy and Insight	
<p>5.2.4 Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and 	<ul style="list-style-type: none"> • A Project Board (January 2017) was established to oversee preparations for the induction of councillors following the May 2017 Scottish Local Government elections. The Board sought and applied best practice to ensure the best use of technology to assist councillors in conducting their duties. • A comprehensive induction pack was presented to members upon election alongside a programme of essential/statutory training and elective training options. • A comprehensive induction programme for elected members was developed for implementation following the Scottish Local Government elections. This is supplemented on an ongoing basis by both regular general and tailored training for elected members. • Investment in Future, Engage, Deliver model of leadership, kicking off with Leadership Summit in April 2015, creation of Wider Leadership Team (top 100 leaders in the Council), monthly developmental meetings, establishment of leadership sets, investment in coaching, leadership sessions for senior service leaders (4th tier) to support their leadership development and co-create a high performance culture. • New monthly employee induction events introduced from August 2016, hosted by Chief Executive, Council Leader and Executive Directors. 	3	Executive Director of Resources Head of Strategy and Insight	

<p>responsibilities and ensuring that they are able to update their knowledge on a continuing basis - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</p>	<ul style="list-style-type: none"> • Launched Essential Learning, Key Policies Handbook to support policy refresher. • Ongoing job specific induction and essential learning across the Council. 			
<p>5.2.5 Ensuring that there are structures in place to encourage public participation</p>	<ul style="list-style-type: none"> • Deputations (representative of a group or organisation speaks at a committee meeting on a subject of their choice) are welcomed at Council and Committees, decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • Petitions process, established in 2012, engages and involves citizens in the democratic process. To date over 18,000 signatures have been submitted. The process was reviewed in June 2017, to ensure a speedier resolution for petitioners. • Participation is also supported through the Community Councils and Neighbourhood Partnerships. Community Councils are groups of people who care about their community and want to make their area a better place to live. They have an important role in local democracy. They represent the views of local people on Neighbourhood Partnerships and convey these views to the Council and other organisations. Neighbourhood Partnerships are Advisory Committees of the Council. They are governed by a constitution approved by Council at the time of establishment and a Neighbourhood Partnership Charter, refreshed as part of a review carried out in 2013. Guidance is provided for members through a Neighbourhood Partnership Handbook and through development activity, such as the Development and Support Programme provided for community councils. • The Council’s Consultation Hub provides a consistent approach and location to make citizens aware of consultation, and to make consultations shareable and easier to locate. • Neighbourhood Partnerships as the vehicle for community planning provide the local governance structure to enable communities to influence and inform service design and delivery. 	3	Head of Strategy and Insight	
<p>5.2.6 Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p>	<ul style="list-style-type: none"> • 360 feedback carried out (CLT and WLT) • Investment in ‘Future, Engage, Deliver’ approach which as a strong focus on seeking feedback on a regular basis • New Performance Framework incorporates key elements of giving and receiving feedback and this has been a key part of the Conversation Spotlight training events which have been delivered throughout 2017 to leaders 	3	Executive Director of Resources	Peer review in some areas eg internal audit.

5.2.7 Holding staff to account through regular performance reviews which take account of training or development needs	<ul style="list-style-type: none"> • New performance framework developed and rolled out for all staff in 2017 which means performance objectives, reviews and development plan for all staff • Achieved 96% PRD completion and iTrent recording in 2016/17 	2	Executive Director of Resources	Embedding our new Performance Management framework continues (launched in April 2017) with ongoing training ('Conversation Spotlight') for all line managers, workshops & roadshow for employees, regular communications and newly designed Orb (intranet) content and pages.
5.2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	<ul style="list-style-type: none"> • <u>Occupational Health</u> • <u>EAP</u> • Market Stall at New Employee Induction • Line Manager Training and Support • <u>Managing Attendance Procedure</u> • <u>Staff Benefits</u> • <u>Bike to Work Scheme</u> • <u>Health and Safety Policy</u> • Risk Assessment 	3	Executive Director of Resources	Needs more development to be a 4 e.g. embedding a more preventative approach to wellbeing; coupled with clarity of support from the organisation for employees and the 'ask' of employees to look after their own wellbeing.

Principle 6	Managing risks and performance through robust internal control and strong public financial management			
Supporting principle	6.1 Managing risk			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan

<p>6.1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p>	<ul style="list-style-type: none"> • Risk Management is included in New Leaders’ Induction events to emphasise the importance and relevance of risk management to all managers, and what is expected of them within their teams. • The Corporate Risk Team work alongside Directorates and Services to provide training, run risk management workshops and provide advice to ensure risk management is fully embedded across the Council. • Quarterly Risk and Assurance Committees in each Directorate and the CLT are chaired by the Chief Risk Officer (CRO) to maintain a consistent approach and ensure that the importance of risk management in the decision-making process is understood by all. • The Chief Risk Officer and Chief Internal Auditor have provided three training sessions to Elected Members which have highlighted the importance of risk management to the decision-making process. 	<p>2/3</p>	<p>Executive Director of Resources</p>	<p>To be stated explicitly in the next revision of the Enterprise Risk Management Policy and the Risk Management Procedure.</p> <p>CRO to remind Risk and Assurance Committees (by end Quarter 1 2018) and remind attendees to cascade through their areas.</p> <p>CRO to produce a short guide identifying various risk analysis tools available to assist with decision-making, and publicise through CLT by end Quarter 4 2017.</p>
<p>6.1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p>	<ul style="list-style-type: none"> • There is an enterprise risk management framework in place which is described in the Enterprise Risk Management Policy (publicly available) while the Risk Management Procedure is for internal use. Both documents are reviewed annually. • The framework provides for the identification, recording, management and reporting of risks. • Risks are escalated in accordance with the policy from Service Teams, through Directorate then CLT Risk Registers. • The Governance, Risk and Best Value Committee scrutinises the top risks on a quarterly basis. • An internal audit of the risk management function was carried out in November 2016. There were no ‘high’ findings. All actions identified are scheduled for closure within the agreed timelines. • The Annual Audit Report 2016-17 from Scott Moncrieff noted “Overall, we were satisfied that risk management arrangements appear to be embedded across the organisation”. 	<p>3</p>	<p>Executive Director of Resources</p>	

6.1.3 Ensuring that responsibilities for managing individual risks are clearly allocated	<ul style="list-style-type: none"> The Procedure document describes how Risk Owners are identified for each risk. Risk Owners ensure the risk is managed, and monitor progress against planned actions. The Procedure also describes how Action Owners may be allocated to carry out elements of the response. 	3	Executive Director of Resources	
Supporting principle	6.2 Managing performance			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
6.2.1 Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	<ul style="list-style-type: none"> Service delivery is monitored on a monthly basis by the Senior Management Teams and Corporate Leadership Team. This includes discussing exception reporting where good or poor performance has been identified and actions put in place to address poor performance. Project/Change delivery is monitored on a monthly basis. The Change Working Group assesses and prioritises new change requests to ensure alignment with the Council strategic priorities. The Change Working Group is made up of representatives of all service areas to ensure a cross-Council joined-up approach. The Change Board meets every 6 weeks and is made up of the Corporate Leadership Team (CLT). The Change Board is a holistic Council-wide governance and decision making forum to ensure significant change activities are visible, prioritised, suitably resourced and scheduled to deliver the strategic objectives of the organisation. The Council is enhancing its change management and portfolio governance process to ensure consistent standards, documentation and processes. The monitoring of the end-to-end change lifecycle (Idea, Initiation, Planning, Pipeline, Delivery & Close) will ensure robust delivery and governance of change initiatives. Both individual project Boards and the Change Board will continuously challenge the benefits of the initiatives and ensure delivery remains on track. Post-project implementation is a key part of the cycle and will include a project closure report, ongoing benefits tracking and lessons learnt. 	3	Head of Strategy and Insight	The Council Change Strategic and Portfolio will be regularly reviewed to ensure delivering both Council strategic objectives and service priorities. The overall change management process is aligned with the Business Plan and Budget planning cycles.
6.2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and	<ul style="list-style-type: none"> Councillors' Code of Conduct – Standards Commission (December 2010) Code of Conduct for Council Employees (August 2012) Member/Officer Protocol (August 2016) Committee Terms of Reference and Delegated Functions (June 2016 reviewed June 2017) Scheme of Delegation to Officers (February 2016 reviewed June 2017) 	3	Head of Strategy and Insight	The Council Business Plan 2017-2022 defines the journey of change the Council needs to make over the

<p>environmental position and outlook</p>	<ul style="list-style-type: none"> • All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • Corporate Leadership Team risks are subject to review and scrutiny at the Governance Risk and Best Value Committee (March 2017). • Each directorates risk registers is considered by the relevant Executive Committee. • Contract Standing Orders (June 2017) • Any decisions that are taken by officers under urgency provision require a report to the next committee detailing the decision taken and the reasons. • Copies of agendas, minutes and reports for all Council and committee meetings held by Edinburgh City Archives. • Members have the opportunity to challenge officers submitting reports. • Enhanced committee reporting following the Review of Political Management Arrangements and reports include links to related commitments. • CEC reports have sections for consultation and engagement, finance, risks, sustainability and equalities impact. • Enhanced financial impact reporting arrangements are in place and embedded in the financial regulations. • Webcasting of Council and the major committee meetings – webcasts available for 5 years online and then by request via the Council archive. 			<p>next four years. It describes the integrated planning framework that is built from an understanding and a vision of the pressures the Council is likely to face in the next few years. It points out significant challenges as well as policy changes to the organisations financial, social and environmental position and outlook.</p> <p>The Council Business plan will be reviewed annually in line with budget planning cycles.</p>
<p>6.2.3 Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</p>	<ul style="list-style-type: none"> • Committees have the authority to refer reports to other Committees for specific review and scrutiny. For example, the Treasury Management report was considered by Finance and Resources (3 November 2016), Council (24 November 2016) and Governance, Risk and Best Value Committee (22 December 2016). • A significant addition to the remit of the executive committees is strategic development. This allows the Local Development Plan and the corporate infrastructure investment programme that comes out of it, to be aligned with housing and economic policies. • There is also additional scrutiny of health and social care issues, recognising the Integration Joint Board’s role but also the duties and responsibilities of the Council. • The Governance, Risk and Best Value Committee retained its current cross cutting scrutiny remit within the model and also takes the lead role as the Council's main scrutiny panel. 	<p>3</p>	<p>Head of Strategy and Insight</p>	<p>A streamlined executive committee model based on the political balance of the Council was agreed in June 2017.</p> <p>This is a reduction of eight to six executive committees but also changed many of the remits to ensure a more balanced structure.</p>

	<ul style="list-style-type: none"> • Accounts Commission Best Value Audit Report stated that the Governance, Risk and Best Value Committee ‘provides effective scrutiny of the Council’s operations and performance.’ • Convener of the Governance, Risk and Best Value Committee is a senior opposition member. Both the Chief Executive and the Executive Director of Resources attend meetings in person, supported by other members of the Corporate Leadership Team. The Committee has the ability to review any of the Council’s activities, to require action or further reports, and to call witnesses to support its debate. • Where a decision is taken at the Executive Committees, Governance, Risk & Best Value Committee or the Regulatory Committee, not less than one quarter of the members present may ask for it to be passed to Council as a recommendation. • Governance, Risk & Best Value Committee can invite Conveners or Vice-Conveners to attend committee, and where appropriate, to question and hold them to account on the operational or financial performance of any service area falling within their remit. • The Council has responded to external scrutiny, in the form of external audit and inspection reports, with improvement plans which are reported to the appropriate committees. 			<p>These committees ensure that there is significant business at all committees to ensure a joined-up approach to Council services, allowing sufficient focus and time to the business of the committee.</p>
<p>6.2.4 Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<ul style="list-style-type: none"> • Development of the outcome-based Performance Framework, linking analysis of council performance directly to Directorate Plans. • Council performance framework is aligned to the five strategic aims and twenty outcomes from the Council Business Plan. Progress towards outcome achievement is discussed monthly by the Senior Managers and Corporate Leadership Team and annually by the Council. This is done through performance dashboards developed as part of the performance framework. These dashboards incorporate indicators around quality of service, customer perceptions and service response rates. Data for the framework and dashboards is collated centrally using the Cognos performance management system. Directorates (i.e. Resources and Communities and Families) discuss performance monthly using other systems to ensure areas for improvement are identified and service quality is strengthened. • A Performance Dictionary has been developed to provide a brief description and purpose of the City of Edinburgh Council’s key performance indicators. • There are detailed arrangements in place for Community Plan reporting every six months to show progress against delivery of the four community planning outcomes. • The Council monitors complaints every quarter to provide assurance, to deliver continuous improvement and to assist in benchmarking between local authorities. Reporting of complaints is a statutory requirement and is monitored by Audit Scotland in conjunction with the Scottish Public Services Ombudsman (SPSO) and in line with Best Value. 	<p>3</p>	<p>Head of Strategy and Insight</p>	

<p>6.2.5 Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)</p>	<ul style="list-style-type: none"> • Council Performance Reports provide a balanced view of the council's progress including information on successes, challenges and areas for improvements for operational, perception as well as financial indicators. • The Council's <u>revenue monitoring process</u> has in recent years placed greater emphasis on the monitoring and subsequent delivery of approved budget savings, with progress reported on a quarterly basis to the Finance and Resources Committee and relevant Executive Committees. This enhanced scrutiny at the development, implementation and delivery stages has seen a marked increase in the proportion of approved savings subsequently achieved, with 88% achieved in both 2015/16 and 2016/17. A number of improvements have also been made to the capital monitoring process, providing a detailed commentary on the principal reasons for any variation from budget and applying any lessons learned to subsequent capital programme development and delivery. • As part of the Council's <u>Annual Audit Report</u> for 2016/17, however, it has been agreed that greater transparency could be introduced within this process and a best-practice review will therefore be undertaken with a view to introducing further improvements to increase the consistency and effectiveness of post-implementation assessment. Opportunities will also be examined to provide additional coverage within the management commentary contained within the Council's Annual Accounts. 	<p>3</p>	<p>Executive Director of Resources</p> <p>Head of Strategy and Insight</p>	<p>Opportunities to improve further the clarity and transparency of existing financial reporting will be actively considered with a view to phased implementation of any resulting changes, beginning with the third quarter's in-year revenue monitoring report to be considered by the Finance and Resources Committee in January 2018.</p> <p>Opportunities to improve financial reporting and scrutiny of some areas of transformational activity, particularly within Health and Social Care, will also be examined within these timeframes.</p>
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Supporting principle	6.3 Robust internal control			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
<p>6.3.1 Aligning the risk management strategy and policies on internal control with achieving objectives</p>	<ul style="list-style-type: none"> • The <u>Enterprise Risk Management Policy</u> describes how risk management aligns with the achievement of objectives, while the <u>Risk Management Procedure</u> describes how the policy is carried out in practice. 	<p>2</p>	<p>Executive Director of Resources</p>	<p>Enterprise Risk Management (ERM) aims to align risk management with the organisation's</p>

				<p>achievement of objectives. The Council's risk management framework seeks to align with ISO31000:2009, the international standard for risk management, where possible. This will be reviewed following publication of the next revision of the ISO, expected late 2017 or early 2018.</p> <p>The CLT Risk Register will include explicit links between risks and Council Commitments.</p> <p>Explicit reference to be included in the next revision of the Enterprise Risk Management Policy and the Risk Management Procedure.</p>
<p>6.3.2 Evaluating and monitoring risk management and internal control on a regular basis</p>	<ul style="list-style-type: none"> Assurance on the adequacy and effectiveness of controls in place to mitigate the most significant risks faced by the Council is delivered via completion of the annual Internal Audit Plan. The 2017/18 plan can be located at: Internal Audit Annual Plan 2017 / 18 An Internal Audit report is produced at the end of each audit which details the controls weaknesses identified and the associated residual risks. Actions are agreed with Service Area Management to ensure that these weaknesses are remediated, and implementation dates for completion of management actions are agreed. Implementation progress is monitored and the actions implemented verified prior to closing Audit recommendations. 	<p>3</p>	<p>Executive Director of Resources</p>	

	<ul style="list-style-type: none"> • Overdue recommendations are reported monthly to the Corporate Leadership Team (CLT) and quarterly to the Council’s Governance, Risk and Best Value Committee. The latest report provided to the Governance, Risk and Best Value Committee can be found at: Latest GRBV Report 26 September 2017 • An internal audit of the risk management function was carried out in November 2016. There were no ‘high’ findings. All actions identified are scheduled for closure within the agreed timelines. • The Annual Audit Report 2016-17 from Scott Moncrieff noted “Overall, we were satisfied that risk management arrangements appear to be embedded across the organisation”. 			
<p>6.3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place</p>	<ul style="list-style-type: none"> • Wide range of internal and external counter fraud activities, including Council Tax, Benefits, parking, school placement and national fraud initiative work • Annual report to Executive Committees detailing activities. • Member/Officer Protocol (December 2014) • Councillors’ Code of Conduct – Standards Commission (December 2010) • Anti-bribery policy • Published Register of Elected Members’ Interests and Expenses. • Policy on Fraud Prevention • Anti-bribery Policy and Fraud Prevention Policy are essential learning for all Council employees, elearning modules available • The Council’s Monitoring Officer will investigate serious allegations of fraud or corruption and report findings and recommendations to full Council. • Counter fraud team continue to focus on external/customer fraud and work in tandem with Internal Audit, whose focus is detecting and preventing potential fraudulent activities by Council staff. Both areas are responsible for liaising with Council services to raise awareness of appropriate fraud prevention controls and counter measures. 	<p>3</p>	<p>Executive Director of Resources</p> <p>Head of Strategy and Insight</p>	<p>Counter fraud team continue to focus on external/customer fraud and work in tandem with Internal Audit, whose focus is detecting and preventing potential fraudulent activities by Council staff. Both areas are responsible for liaising with Council services to raise awareness of appropriate fraud prevention controls and counter measures.</p>
<p>6.3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>	<ul style="list-style-type: none"> • The internal audit plan is driven by The City of Edinburgh Council’s organisational objectives and priorities, and the risks that may prevent the City of Edinburgh Council from meeting those objectives. • The Governance, Risk and Best Value (GRBV) Committee’s remit includes agreeing internal audit plans and ensuring internal audit work is properly planned with due regard to risk, materiality and coverage (March 2017). • The annual Internal Audit plan is risk based. Where the risks associated with the Council’s governance and risk management frameworks are assessed as being inherently high or medium, specific governance or risk management reviews will be included in the annual plan. • The work of Internal Audit informs the annual Governance Statement. 	<p>3</p>	<p>Executive Director of Resources</p> <p>Head of Strategy and Insight</p>	

	<ul style="list-style-type: none"> • The Council’s risk management framework was last reviewed in 2016/17. • The 2017/18 audit plan includes the following governance related audits: Record Management; Information Governance; and 5 Major Project Assurance reviews. The full Internal Audit 2017/18 plan is located at Internal Audit Annual Plan 2017 / 18. • Where risk management and / or governance frameworks are considered as either high or medium risk in the context of individual audit reviews, these areas will be included in scope. • The annual Internal Audit plan is risk based. Where the risks associated with the Council’s governance and risk management frameworks are assessed as being inherently high or medium, specific governance or risk management reviews will be included in the annual plan. • The Councils Annual Assurance Exercise applied to Council Directorates is also extended to Council Companies and Joint Boards in tailored form. They are asked to self-assess their compliance with a wide range of controls, standard and legislation including: <ul style="list-style-type: none"> - Corporate Governance - Internal Control Environment, Risk and Resilience - Performance and improvement - Policy and regulatory requirements - Financial Control - National Agency Inspection Reports (where applicable) - Internal Audit, External Audit and Review Reports <p>Each are signed off by the responsible Director or Officer and are incorporated within the Annual Governance Statement which is reported to Full Council (29 June 2017).</p>			
<p>6.3.5 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - that its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> • Governance, Risk and Best Value Committee established to take the lead role as the Council's main scrutiny panel. • Accounts Commission Best Value Audit Report stated that the Governance, Risk and Best Value Committee ‘provides effective scrutiny of the Council’s operations and performance.’ • Convener of the Governance, Risk and Best Value Committee is a senior opposition member. Both the Chief Executive and the Executive Director of Resources attend meetings in person, supported by other members of the Corporate Leadership Team. • The Committee has the ability to review any of the Council’s activities, to require action or further reports, and to call witnesses to support its debate. • The Council has responded to external scrutiny, in the form of external audit and inspection reports, with improvement plans which are reported to the appropriate committees. 	3	Head of Strategy and Insight	
Supporting principle	6.4 Managing data			

Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
6.4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.	<ul style="list-style-type: none"> The Council's Information Governance Policies set out the Council's approach to the collection, storage, use, sharing and security of information, including employee roles and responsibilities. Policies are supported by an information governance framework consisting of detailed guidance, procedures and mandatory training for all employees. The framework is promoted through an annual communications plan which includes various awareness raising initiatives and training events. The Code of Conduct policy gives clear guidance for employees in the use of Council Assets, Systems and Information. Policy on Fraud Prevention aims to uphold the highest standard of conduct and ethics in all areas of the Council's work. The ICT acceptable use policy gives clear guidance on effective use of technology, providing opportunities to communicate and interact internally, with partners and with the public. The Policy outlines the standards of conduct that are required of you when using all electronic communications and systems. The ICT acceptable use policy gives clear guidance on effective use of technology, providing opportunities to communicate with partners 	3	Head of Strategy and Insight	
6.4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	<ul style="list-style-type: none"> The Council's Information Governance Policies set out the Council's approach to the collection, storage, use, sharing and security of information, including employee roles and responsibilities. Policies are supported by an information governance framework consisting of detailed guidance, procedures and mandatory training for all employees. The framework is promoted through an annual communications plan which includes various awareness raising initiatives and training events. The ICT acceptable use policy gives clear guidance on effective use of technology, providing opportunities to communicate with partners. 	3	Head of Strategy and Insight	
6.4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	<ul style="list-style-type: none"> Senior Management Teams regularly monitor performance of their services as part of the Council's Performance Framework. A key element of this involves senior officers analysing the performance data in advance of the performance discussion to identify areas of good practice and areas for improvement. The quality and accuracy of the data is assessed at this point to ensure that the performance information is robust. Data quality is also reviewed and audited as part of statutory returns (for example Local Government Benchmarking Framework, Children's Social Work Services returns) to ensure performance information is robust and accurate. Established management information data and reporting supports service managers with their operational decision making and allows for comparisons and trends over time to be analysed with confidence. 	3	Head of Strategy and Insight	The Council and its ICT partner (CGI) are currently developing an Information Strategy which will identify improvements, key priorities and recommend solutions. This Strategy will be presented to Committee late 2018.

Supporting principle	6.5 Strong public financial management			
Requirements of the Local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
6.5.1 Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	<ul style="list-style-type: none"> The Council Performance Framework forms part of the annual budget setting process to ensure the Council aligns its performance and planning with its budgets. This also provides an annual opportunity to review and refine the approach to performance management. The Council's Financial Regulations set out the responsibilities of Executive Directors in managing their respective budgets within approved levels. To this end, Finance staff work closely with service managers in supporting the development and delivery of robust savings measures, as well as providing timely advice facilitating the management of risks and pressures and, where necessary, highlighting issues where a service- or Council-wide response may be required. Given the constraints under which all service areas are necessarily working, the role of Finance staff continues to combine the functions of support and challenge, with an increasing emphasis upon informing decisions about the relative prioritisation afforded to services as a route towards longer-term sustainability. Within the constraint of limited resource availability, as noted in a number of previous sections, the Council's medium-term financial strategy and budget framework seek to strike an appropriate balance between reflecting the Council's commitments whilst maximising the availability and proactive use of resources to support delivery of key outcomes, acknowledging the risks to which the Council is exposed and its maturity in addressing these risks. 	3	Executive Director of Resources Head of Strategy and Insight	
6.5.2 Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	<ul style="list-style-type: none"> Technical and more general management training has been delivered to all professional accountancy staff for onward dissemination of the principles of good financial management throughout the organisation. Principal Accountants attend service senior management team meetings and the Finance function is represented on the boards of all of the main transformational projects, as well as project assurance reviews. The Council has a comprehensive system of <u>revenue</u> and <u>capital</u> monitoring in place and the summarised position is regularly considered at Service Management Teams and the Corporate Leadership Team. The focus of this monitoring has been realigned more specifically towards high-risk, material and/or more volatile areas, allowing available staffing resource to support a range of key initiatives within the Council. The Council's <u>internal control framework</u> was examined as part of the 2016/17 Annual Audit process and assessed to be well-designed and effective in supporting the Council's wider governance framework. As part of the wider new elected member induction process, the Finance function has supported improving the financial literacy of members through the provision of dedicated, well-attended sessions on financial statements, financial 	3	Executive Director of Resources	Review arrangements for project inception, development and delivery stages to ensure projects are prioritised, co-ordinated and aligned to on-going delivery of the Council's priority outcomes. Introduce additional CLT and elected member scrutiny of progress in delivery of key

	planning and treasury management. Officers are also assigned to work with each political group in developing its budget proposals and advising on wider financial matters.			transformational workstreams, particularly in Health and Social Care, Property and Customer. Target date – February 2018
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Principle 7	Implementing good practices in transparency, reporting, and audit to deliver effective accountability			
Supporting principle	7.1 Implementing good practice in transparency			
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
7.1.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	<ul style="list-style-type: none"> All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). The Council meets all obligations outlined in the Local Government (Access to Information Act) 1985. Training on the Access to Information Act is provided for key officers and elected members as part of the Governance Framework Training Session. Webcasting of Council and the major committee meetings – webcasts available for 5 years online and then by request via the Council archive. New report templates and guidance are routinely introduced, the latest of which was in September 2017. This is available on the Orb. The Council's Strategy and Performance website provides an overview of all Council strategies and reports against progress and performance. The website includes council wide performance reports as well as financial and benchmarking information. Annual publication of progress reports against the Council's outcome based Performance Framework and public scrutiny by elected members. Includes information against indicators of service quality and customer satisfaction. This report also includes annual analysis of performance against National Benchmark Indicators recommended by SOLACE and the Improvement Service. Edinburgh by Numbers is an infographic report with collection of city facts and figures for people who do business here. The publication is now led by Strategy & Insight rather than Economic Development and includes indicators not published in the document before. 	3	Head of Strategy and Insight	

	<ul style="list-style-type: none"> Annual publication of performance against <u>Community Plan</u> indicators and targets. Various thematic reports e.g. on Educational Attainment are available to access online. 			
7.1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	<ul style="list-style-type: none"> The Council meets all obligations outlined in the Local Government (Access to Information Act) 1985. Council minutes are concise and provide all necessary information as required by the Local Government (Scotland) Act 1973. Committee report template and guidance stresses the importance of using plain English and includes standard sections including an executive summary. The Council publishes performance regularly to inform our customers and stakeholders about progress towards delivery of strategic aims and outcomes. This demonstrates our ability to be transparent and accountable and our commitment to seeking continuous improvement. 	3	Head of Strategy and Insight	
Supporting principle	7.2 Implementing good practices in reporting			
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
7.2.1 Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	<ul style="list-style-type: none"> All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). The Council meets all obligations outlined with the Local Government (Access to Information Act) 1985. <u>Annual publication</u> of progress reports against the Council's outcome based Performance Framework and public scrutiny by elected members. Includes information against indicators of service quality and customer satisfaction. This report also includes annual analysis of performance against National Benchmark Indicators recommended by SOLACE and the Improvement Service. Annual publication of performance against <u>Community Plan</u> indicators and targets. Annual performance report on the Integration Joint Board (IJB) including 23 National Indicators and progress report of its strategic direction to IJB and Council. Annual submission to Local Government Benchmarking Framework on various performance indicators including indicators relating to value for money and stewardship of resources. Annual submission to Scottish Public Services Ombudsman of Council complaints. Various thematic annual submissions to stakeholders e.g. Education returns, Scottish Social Housing Charter Indicators, financial submission to Scottish Government etc. Results of <u>Edinburgh People Survey</u> are reported and acted upon. 	3	Head of Strategy and Insight	

<p>7.2.2 Ensuring members and senior management own the results report</p>	<ul style="list-style-type: none"> • Monthly performance discussion within service areas on operational performance. • Monthly CLT performance meeting discussing service level performance with exception reporting. Senior Managers accountable for their area performance providing comments for indicators along with service improvements. • Annual reporting to elected members on the <u>performance framework</u> shows a number of areas where good progress has been made and highlights areas for improvement. This report is presented to Council following the monthly CLT/SMT meetings. • Six monthly reporting to elected members on <u>coalition pledges</u> to give Council Leaders/Conveners opportunity to discuss the progress in achieving pledges milestones and performance measures. 	<p>3</p>	<p>Head of Strategy and Insight</p>	
<p>7.2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</p>	<ul style="list-style-type: none"> • All Council and Committee reports and decisions are recorded and are available on the CEC web site via Council papers online (since May 2003). • The Council meets all obligations outlined with the Local Government (Access to Information Act) 1985. • The self-assessment is scheduled to be reported to the Governance, Risk and Best Value Committee on (28 November 2017). 	<p>3</p>	<p>Head of Strategy and Insight</p>	
<p>7.2.4 Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</p>	<p>The Councils Annual Assurance Exercise applied to Council Directorates is also extended to Council Companies and Joint Boards in tailored form. They are asked to self-assess their compliance with a wide range of controls, standards and legislation including:</p> <ul style="list-style-type: none"> - Corporate Governance - Internal Control Environment, Risk and Resilience - Performance and improvement - Policy and regulatory requirements - Financial Control - National Agency Inspection Reports (where applicable) - Internal Audit, External Audit and Review Reports <p>Each is signed off by the responsible Director or Officer and are incorporated within the Annual Governance Statement which is reported to Full Council (29 June 2017).</p>	<p>3</p>	<p>Head of Strategy and Insight</p>	
<p>7.2.5 Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</p>	<ul style="list-style-type: none"> • The Council participates in the <u>Local Government Benchmarking Framework</u> and contributes to the annual analysis of performance against National Benchmark indicators recommended by SOLACE and the Improvement Service. It also participates in learning events organised by LGBF where all 32 Local Authorities discuss performance around operational and financial and share best practice. Local Government Benchmarking Framework published 2015/16 data in March 2017 with improvement plans for all themes. 	<p>3</p>	<p>Head of Strategy and Insight</p> <p>Executive Director of Resources</p>	

	<ul style="list-style-type: none"> • Within the limitations of reporting timescales, the Management Commentary within the Annual Accounts includes coverage of Council-wide performance reporting. The Council also actively participates in the Local Government Benchmarking Framework (LGBF) and other similar networks and considers all opportunities for improvement highlighted through these initiatives. • While further integration of financial and performance information remains a focus of improvement, revenue monitoring reports to Executive Committees, where applicable, set out financial considerations within the context of wider performance issues. Proposals brought forward as part of the budget development process similarly highlight potential service performance and/or accessibility considerations and, where applicable, proposed mitigating actions. 			
Supporting principle	7.3 Assurance and effective accountability			
Requirements of the local Code	Evidence of compliance and links	Score (1-4)	Lead Officer(s)	Improvement Plan
7.3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	Implementation of audit recommendations, for example Annual Audit Report, External Audit Review of Internal Financial Controls and Scottish Housing Regulator (SHR), are monitored with validation performed to confirm that controls gaps have been addressed prior to closure. All overdue recommendations (those that have not achieved their initial implementation date) are reported to the Council's Corporate Leadership Team and to the Governance, Risk and Best Value Committee as appropriate.	3	Head of Strategy and Insight	
7.3.2 Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	<ul style="list-style-type: none"> • Audit applies a standard methodology to all work performed that is aligned with the requirements of the Public Sector Internal Audit Standards (PSIAS). These can be found at Public Sector Internal Audit Standards. • We also perform an internal quality assurance exercise and are subject to an independent quality assurance check (performed every three years) by another local authority. We also apply key performance indicators, and progress against these is reported to the Governance, Risk and Best Value Committee twice per year (refer Quarterly Update report 1 July - 30 Sept 2016 includes KPIs.) These measures ensure the ongoing quality and effectiveness of Internal Audit. • Internal Audit has an independent reporting line to the Governance, Risk and Best Value Committee. The Chief Internal Auditor meets with the convenor and co-convenor of the committee at least quarterly, and more frequently if required. • Implementation of audit recommendations is monitored with validation performed to confirm that controls gaps have been addressed prior to closure. All overdue recommendations (those that have not achieved their initial implementation date) are reported monthly to the Council's Corporate Leadership Team and quarterly to the Governance, Risk and Best Value 	3	Head of Strategy and Insight Executive Director of Resources	

	Committee. The latest report is located at Latest GRBV Report 26 September 2017			
7.3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	<ul style="list-style-type: none"> Coverage and assessment of these areas forms an integral part of the annual assurance exercise in preparation for the writing of the Annual Governance Statement – June 2017. The Council’s Strategy & Insight service along with Finance lead on the Annual Audit report of Council services to support statutory duties and use external scrutiny to ensure services benchmark with their peers. The Audit Report is scrutinised by the Governance, Risk and Best Value Committee and an improvement plan is developed to ensure actions identified in the report are act on. Local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the councils, draws scrutiny activity for each council in Scotland. Edinburgh is part of the scrutiny activity which is based on the shared risk assessment. Improvement actions for each inspection are being implemented are reported regularly to senior managers and relevant Committees. 	3	<p>Head of Strategy and Insight</p> <p>Executive Director of Resources</p>	Progress report on the Audit actions will be presented to the Governance, Risk and Best Value Committee in January 2018.
7.3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	<ul style="list-style-type: none"> Council companies’ hub established in June 2016 to improve the officer scrutiny of Council companies. It clarifies roles and responsibilities, good governance, elected members duties as councillors and the mitigation of conflicts of interest. Stakeholder agreement Coverage and assessment of these areas forms an integral part of the annual assurance exercise in preparation for the writing of the Annual Governance Statement – June 2017. Annual performance report submitted by Council Companies to the responsible Executive Committee. The Councils Annual Assurance Exercise applied to Council Directorates is also extended to Council Companies and Joint Boards in tailored form. They are asked to self-assess their compliance with a wide range of controls, standard and legislation including: <ul style="list-style-type: none"> Corporate Governance Internal Control Environment, Risk and Resilience Performance and improvement Policy and regulatory requirements Financial Control National Agency Inspection Reports (where applicable) Internal Audit, External Audit and Review Reports <p>Each are is signed off by the responsible Director or Officer and are incorporated within the Annual Governance Statement which is reported to Full Council (29 June 2017).</p>	3	Head of Strategy and Insight	
7.3.5 Ensuring that when working in partnership,	<ul style="list-style-type: none"> Council companies’ hub established in June 2016 to improve the officer scrutiny of Council companies. It clarifies roles and responsibilities, good 	3	Head of Strategy and Insight	The new Community Plan is

<p>arrangements for accountability are clear and the need for wider public accountability has been recognised and met</p>	<p>governance, elected members duties as councillors and the mitigation of conflicts of interest.</p> <ul style="list-style-type: none"> • Stakeholder agreement • Annual performance report submitted by Council Companies to the responsible Executive Committee. • Neighbourhood Partnership, partnership working at Committee but decisions are delegated as per the requirements of the Local Government (Scotland) Act 1973 to the Neighbourhood Partnership Manager. • Neighbourhood Partnerships are Advisory Committees of the Council. They are governed by a constitution approved by Council at the time of establishment and a Neighbourhood Partnership Charter, refreshed as part of a review carried out in 2013. Guidance is provided for members through a Neighbourhood Partnership Handbook and through development activity, such as the Development and Support Programme provided for community councils. • The EP Board is not an incorporated body. The Edinburgh Partnership (EP) agreed new governance Protocols in September 2014. The partnership operates in a spirit of mutual respect and partnership working. Each member has equal standing. On the 18 June 2015, the Board discussed its risk exposure and an approach to risk management in the context of the new Community Plan. The EP Community Plan 2015-18 includes 12 strategic priorities that have been agreed on the basis of resourced commitments made by community planning partners, Strategic (Delivery) Partnerships, and Advisory Groups. • The Community Empowerment (Scotland) Act received Royal Assent on in 2015 and sets out duties for public bodies in relation to community planning. 			<p>currently being developed and will be presented to the Edinburgh Partnership Board in Spring 2018.</p>
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Governance, Risk and Best Value Committee

10am, Tuesday 28 November 2017

Whistleblowing update

Item number 7.9

Report number

Executive/routine

Wards

Council Commitments

Executive summary

This report provides a high level overview of the operation of the Council's whistleblowing hotline for the period 1 July to 30 September 2017.

Whistleblowing update

Recommendations

- 1.1 To note the report.

Background

- 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 July to 30 September 2017.

Main report

Reports to Safecall

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

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

Whistleblowing Review - Action Plan Progress

- 3.2 Officers are exploring options for the monitoring and reporting of management actions that result from whistleblowing investigations. It is hoped that systems already in use for monitoring and reporting other types of management action can be adapted for this purpose.

Measures of success

- 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

- 5.1 The cost of the whistleblowing hotline for the three month period 1 July to 30 September 2017 was £4,725 + VAT.

Risk, policy, compliance and governance impact

- 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

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

Sustainability impact

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

Consultation and engagement

- 9.1 A range of stakeholders, including whistleblowers and trades unions, were consulted during the pilot review.
- 9.2 There was consultation with the trades unions to secure a local agreement in relation to the revised whistleblowing policy.

Background reading/external references

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

[Finance and Resources Committee 23 March 2017: item 7.2 - Whistleblowing Policy](#)

Andrew Kerr

Chief Executive

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