

Notice of meeting and agenda

Finance and Resources Committee

10.00 am Thursday, 26th September, 2019

Dean of Guild Court Room - City Chambers

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

The law allows the Council to consider some issues in private. Any items under “Private Business” will not be published, although the decisions will be recorded in the minute.

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1. Order of business

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

2. Declaration of interests

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

3. Deputations

- 3.1 If any

4. Minutes

- 4.1 Minute of the Finance and Resources Committee of 15 August 2019 - submitted for approval as a correct record 7 - 22

5. Forward Planning

- 5.1 Finance and Resources Committee Work Programme 23 - 30
- 5.2 Finance and Resources Committee Rolling Actions Log 31 - 44

6. Business Bulletin

- 6.1 Business Bulletin 45 - 48

7. Executive decisions

- 7.1 City of Edinburgh Council - 2018/19 Annual Audit Report to the Council and the Controller of Audit - Referral from Governance, Risk and Best Value Committee 49 - 272

7.2	2018-19 Common Good Annual Performance Report – Report by Executive Director of Resources	273 - 288
7.3	The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2018/19 Audit – Report by Executive Director of Resources	289 - 338
7.4	Consultants Costs 2018/19 – Report by Executive Director of Resources	339 - 358
7.5	Cameron House Community Centre budget allocation – Report by Chief Executive	359 - 364
7.6	Edinburgh Boundaries Extension and Tramways Act 1920 Centennial - Funding Allocation – Report by Chief Executive	365 - 368

8. Routine decisions

8.1 None.

9. Motions

9.1 None.

10. Resolution to consider in private

10.1 The Committee, is requested under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 6,8 and 9 of Part 1 of Schedule 7A of the Act.

11. Private Reports

11.1	Debt Restructuring - Lender Option Borrowing Option (LOBO) Loans – Report by Chief Executive	369 - 374
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Andrew Kerr

Chief Executive

Committee Members

Councillor Alasdair Rankin (Convener), Councillor Lezley Marion Cameron (Vice-Convener), Councillor Chas Booth, Councillor Graeme Bruce, Councillor Gavin Corbett, Councillor George Gordon, Councillor Graham Hutchison, Councillor Andrew Johnston, Councillor Rob Munn, Councillor Neil Ross and Councillor Mandy Watt

Information about the Finance and Resources Committee

The Finance and Resources Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The Finance and Resources Committee usually meets in the Dean of Guild Court Room in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Veronica Macmillan or Martin Scott, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4283 / 0131 529 4237, email veronica.macmillan@edinburgh.gov.uk / martin.scott@edinburgh.gov.uk.

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

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Minutes

Finance and Resources Committee

10.00am, Thursday 15 August 2019

Present

Councillors Rankin (Convener), Cameron (Vice-Convener), Booth, Bruce, Corbett, Gordon, Hutchison, Johnston, Neil Ross, Munn and Watt

1. Corstorphine Youth and Community Centre

a) Deputation from Corstorphine Community Centre

The Committee agreed to hear a deputation from Tommy McLean of Corstorphine Community Centre in relation to the report on Corstorphine Youth and Community Centre.

The following points were raised during discussion:

- The community had shown there was a need to replace the community centre and had made great efforts to raise the funding required to provide a new centre. However, support was required from the Council.
- The community had raised approximately £500,000.
- Within the Corstorphine/Murrayfield Ward there was no Council Community Centre so the existing Community Centre was an important facility within the area and the community were missing it at the moment.
- Currently, a temporary Community Hub was being run from what was previously a furniture shop. The shop was going to be demolished in the near future and the community would lose this facility.
- The Community Centre were required to report back to the Robertson Trust regarding the position on funding in September 2019.

The Convener thanked the deputation and invited them to remain for the Committee's consideration of the report by the Executive Director of Resources.

b) Report by the Executive Director of Resources

Committee considered a report that advised that the Corstorphine Community Centre (CCC), a Scottish Charitable Incorporated Organisation, sought to develop the Corstorphine Youth and Community Centre (CYCC) at a cost of circa £2m. There was a £0.750m funding gap. The Housing and Economy Committee had recommended that the Finance and Resources Committee considered how funding "can be found to

enable the Corstorphine Youth and Community Centre development to proceed, either as match funding or council resources”.

Decision

- 1) To note that the Housing and Economy Committee in June 2019 requested that Finance and Resources Committee released funding from Albion Equity Limited to the development of Corstorphine Youth and Community Centre (CYCC) as outlined in paragraph 3.6.1 of the report.
- 2) To note that the redemption of shares in Albion Equity Limited might not proceed and that the earliest that this would be known was quarter 4 2019/20 and as a result the associated payment might not be forthcoming.
- 3) To instruct officers to use their best endeavours to work with the CCC to continue to identify all possible funding solutions including consideration in the capital spending review to be considered by Committee in December 2019.
- 4) To request that report on the CCC business plan and the financial proposals was brought to Committee in December 2019.
- 5) To instruct officers to provide a letter of comfort to the CCC and funders as appropriate.

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

2. Minutes

Decision

To approve the minute of the Finance and Resources Committee of 23 May 2019 as a correct record.

3. Finance and Resources Committee Work Programme

The Finance and Resources Committee Work Programme was submitted.

Decision

To note the Work Programme.

(Reference – Finance and Resources Committee Work Programme, submitted.)

4. Rolling Actions Log

The Finance and Resources Committee Rolling Actions Log for August 2019 was submitted.

Decision

- 1) To agree to close the following actions:
 - Action 3 – Award of Festival Attraction Contract for the Summer period in Princes Street Gardens
 - Action 4 – Construction Charter
 - Action 13 – Workforce Control Annual Report

2) To otherwise note the Rolling Actions Log.

(Reference – Rolling Actions Log, submitted.)

5. Business Bulletin

The Finance and Resources Committee Business Bulletin for August 2019 was submitted.

Decision

To note the Business Bulletin.

(Reference – Business Bulletin, submitted.)

6. Revenue Monitoring 2018/19 – outturn report

Committee considered a report which set out the provisional 2018/19 revenue outturn position for the Council based on the unaudited financial statements. The position showed an overall underspend of £1.582m, representing the twelfth successive year in which net expenditure had been maintained within approved levels.

Decision

- 1) To note the report and the provisional revenue underspend of £1.582m for the year ended 31 March 2019.
- 2) To note that this sum had been set aside within the Council Priorities Fund.
- 3) To note the contributions in 2018/19 to and from the General Fund as detailed in the report.
- 4) To note the progress during the year on the initiatives supported through the Spend to Save Fund.
- 5) To note that the Housing Revenue Account was balanced after a contribution of £6.757m was made towards in-year capital investment.
- 6) To note that the Common Good Annual Performance Report would be considered at the Committee's meeting on 26 September 2019.
- 7) To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

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

7. Capital Investment Programme – Outturn 2018/19 and Revised Budget 2019-24 (incorporating slippage)

Details were provided of the final outturn for the Council's capital programme for 2018/19, including details of capital receipts and slippage/acceleration experienced in projects within the programme. It compares the final position with the revised capital budget and the forecast position at month 9. The analysis was based on the Council's unaudited accounts for the year.

The report also set out a revised capital budget for the period 2019-24. This was based on the Council's capital investment programme approved by Council on 21

February 2019, adjusted for slippage from 2018/19, updated cash flow projections and projects approved since the budget meeting.

Decision

- 1) To note the 2018/19 unaudited capital outturn for the Council's general fund and housing revenue account (HRA).
- 2) To approve the revised capital investment programme for the period 2019-24, as set out in Appendix 6 of the report.
- 3) To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

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

8. Treasury Management: Annual Report 2018/19

An update was provided on Treasury Management activity in 2018/19.

Decision

- 1) To note the Annual Report on Treasury Management for 2018/19.
- 2) To refer the report to Council for approval and subsequent referral by Council to the Governance, Risk and Best Value Committee for their scrutiny.

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

9. Revenue Monitoring 2019/20 – Period three report

Committee considered a report on the period three revenue monitoring position for the Council and progress with the identification and implementation of required savings measures sufficient to achieve a balanced year-end position in 2019/20 and, in due course, to re-establish the stability of the budget framework.

Decision

- 1) To note the current implementation status for those savings measures approved as part of the 2019/20 revenue budget.
- 2) To note progress in developing specific actions to address residual directorate pressures.
- 3) To note the proposed measures set out in Appendix 3 of the report, by which it was planned the in-year efficiencies requirement approved by Council in February 2019 would be met.
- 4) To agree, subject to confirmation of the 2018/19 outturn and ratification by Council on 22 August 2019, earmarking a further £1m from the Council Priorities Fund as an additional contribution to the 2019/20 budget, pending development of sustainable measures to address the associated savings requirement on a recurring basis.
- 5) To note the continuing assumption that the Edinburgh Integration Joint Board (EIJB) would maintain overall expenditure within the levels of funding delegated to it by the Council and NHS Lothian.

- 6) To note the requirement to identify and implement further mitigating measures such that a balanced year-end position might be achieved and, in due course, to re-establish the stability of the budget framework.
- 7) To note the balanced projected position on the Housing Revenue Account (HRA) after making a £2.228m planned contribution towards housing investment.

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

10. Capital Monitoring 2019/20 – Month Three Position

Details were provided of capital expenditure and income forecasts for 2019/20 and explanations were provided for any variances.

Decision

- 1) To note the projected capital outturn position for the general fund and Housing Revenue Account (HRA) at month three.
- 2) To note the Council's prudential indicators at month 3.
- 3) To note that updated forecasts would be provided at months 5 and 8.
- 4) To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

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

11. Chief Executive – Revenue Budget Monitoring 2019/20 – Month Three Position

Committee considered a report which set out the projected three-month revenue budget monitoring position for Chief Executive's services, based on actual expenditure and income to the end of June 2019 and expenditure and income projections for the remainder of the financial year.

Decision

To note the forecast outturn would be in line with the approved revenue budget for Chief Executive's services for 2019/20.

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

12. Resources Directorate – Revenue Budget Monitoring 2019/20 – Month Three position

Details were provided of the projected three-month revenue monitoring position for the Resources Directorate, based on actual expenditure and income to the end of June 2019 and expenditure and income projections for the remainder of the financial year.

Decision

- 1) To note the Resources Directorate was currently projecting a budget pressure of £0.940m for 2019/20.

- 2) To note the Resources Management Team would continue to progress the identification of savings measures to offset the budget pressure to achieve outturn expenditure in line with the approved revenue budget for 2019/20.
- 3) To note the ongoing risks to the achievement of a balanced revenue budget projection for the Directorate.

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

13. Asset Management Strategy Transformation Programme - Update

An update was provided on the current position of the Asset Management Strategy (AMS).

Decision

To note the update of the component parts of the Asset Management Strategy.

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

14. Service Design Programme Update

An update was provided on the progress of the service design strategy and the initial core areas being undertaken in phase 1 of the programme.

Decision

To note the commencement of the Service Design approach and the progress achieved to date in the initial three core areas

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

15. Workforce Dashboard

Committee considered a report which provided a summary of workforce metrics for the core and flexible workforce, absence, transformation/redeployment, risk, and performance, as detailed on the Finance and Resources Committee Workforce Dashboard, for the period of May 2019.

Decision

To note the workforce information contained in the dashboard.

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

16. Commercial and Procurement Annual Report - 2019

Following approval of the Commercial and Procurement Strategy 2016-2020 by the Committee on 1 December 2016, an update on what had been delivered through the strategy from 1 April 2018 to 31 March 2019 was outlined.

Decision

To note the report and approve the Commercial and Procurement Annual Report 2019 for publication.

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

17. Update on the implementation of the Construction Charter

Committee considered a report that advised that on the 16 August 2018, the Council adopted the Construction Charter Commitments (“the Charter”), which set out the expectations the Council had for those contractors who undertook construction work on the Council’s behalf.

An update was provided on the Council’s promotion of the commitments set out in the Construction Charter.

Decision

To note the ongoing work of the Council in promoting the Construction Charter Commitments.

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

18. Award of Contract – Edinburgh Tram York Place to Newhaven Owner Controlled Insurance programme

Approval was sought to award the contract for Lots 1 and 2 of the Edinburgh Tram York Place to Newhaven Owner Controlled Insurance Programme to QBE Insurance (Europe) Ltd. The contract would be for the same time period of the Edinburgh Tram York Place to Newhaven Swept Path and Infrastructure and Systems Contracts.

The report also sought approval to award the contract for the excess layer Third Party Liability policy to Chubb

Decision

- 1) To approve the award of contract for Lot 1 (Construction “All Risks”, Existing Structures and Advanced Business Interruption (including Terrorism)) of the Edinburgh Tram York Place to Newhaven Owner Controlled Insurance Programme to QBE Insurance (Europe) Ltd for the contract value of £605,937.
- 2) To approve the award of contract for Lot 2 (Third Party Liability Insurance) of the Edinburgh Tram York Place to Newhaven Owner Controlled Insurance Programme to QBE Insurance (Europe) Ltd for the contract value of £644,000.
- 3) To approve the award of the contract for the additional excess layer of the Third-Party Liability Insurance to Chubb for the contract value of £84,000.

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

19. Award of Workplace Travel Planning Contract 2019-21

Approval was sought to award a contract for the delivery of the workplace-based travel behaviour change project element of the Council’s Smarter Choices, Smarter Places programme to Peter Brett Associates LLP. The contract would be for nine months, commencing on 1 September 2019 and would run to 31 May 2020.

Decision

To approve the award of contract to Peter Brett Associates LLP to deliver the workplace based aspect of the 'Smarter Choices, Smarter Places' (SCSP) sustainable travel behaviour change programme from 1 September 2019 to 31 May 2020, with the option to extend to 31 May 2021, subject to allocation of further external funding.

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

20. Traffic Signal Equipment Maintenance and Ancillary Support Services – Award of Contract

Approval was sought to award the Traffic Signals Equipment Maintenance and Ancillary Support Services contract to Siemens Mobility Limited. This would replace the existing contract and was expected to commence on 1 September 2019.

Decision

To approve the award of contract for Traffic Signal Equipment Maintenance and Ancillary Support Services to Siemens Mobility Limited for a period of four years, with the option to extend up to a further two years, at the estimated value of £4.5m. The new contract was expected to commence on 1 September 2019.

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

21. Trade Materials and Associated Trades – Extension to Contract Waiver

Details were provided of the proposal to extend the existing Trade Materials and Associated Trades contract arrangement for two years, to address the risks identified during the pre-procurement process and to enable further discussions with other partners and local authorities on collaborative working to progress.

Committee was requested to approve a waiver to the Council's Contract Standing Orders to allow a two-year contract extension to Travis Perkins Trading Company Limited (TPTC) at a cost of approximately £4m per annum, exclusive of VAT.

Decision

- 1) To approve a two-year extension, by way of a waiver to the Council's Contract Standing Orders, to the contract currently held by Travis Perkins Trading Company Limited (TPTC) for the supply and delivery of trade materials for the Council's Housing Property service (HP), the said extension to commence on 1 April 2020.
- 2) To note the total cost of the contract extension was approximately £8m (£4m per annum) exclusive of VAT. The cost might fluctuate depending on the volume and cost of materials required to service the repairs undertaken by HP.

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

22. Appointments to Working Groups 2019/20

Committee was invited to appoint the membership of the Joint Consultative Group, Elected Member ICT and Digital Sounding Board and the Council Health and Safety Consultation Forum.

Decision

- 1) To appoint the membership of the Joint Consultative Group (JCG) as detailed in Appendix 1 of the report.
- 2) To appoint the membership of the Elected Member ICT and Digital Sounding Board as detailed in Appendix 2 of the report.
- 3) To appoint the membership of the Council Health and Safety Consultation Forum as detailed in Appendix 3 of the report.
- 4) To postpone the re-appointment of the Property Sub-Committee until such time as a meeting of the Sub-Committee was deemed necessary.
- 5) To approve the remits of the Joint Consultative Group, Elected Member ICT and Digital Sounding Board, and the Council Health and Safety Consultation Forum 2019/20, as detailed in Appendices 1 to 3 of the report.
- 6) To agree to replace Councillor Iain Whyte with Councillor Graham Bruce on the JCG.
- 7) To agree to appoint Councillor Chas Booth to the Elected Member ICT and Digital Sounding Board.
- 8) To agree to appoint Councillor Lezley Mari n Cameron to the JCG and the Elected Member ICT and Digital Sounding Board.

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

23. Finance Policies – Assurance Statement

An update was provided on the most recent year's review of policies that fell within the remit of the Head of Finance in his capacity as the Council's Section 95 Chief Financial Officer.

Decision

To note and be assured that the Finance policies detailed in the report had been reviewed and were considered to remain current, relevant and fit-for purpose.

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

24. Annual Fraud Detection and Prevention

An overview of fraud prevention and detection activities undertaken in 2018/19 was provided.

Decision

To note the continued work by the Council on Fraud Prevention and Detection during the 2018/19 financial year.

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

25. Carbon Reduction Commitment (CRC) Annual Report

Details were provided of the Council's Carbon Reduction Commitment carbon footprint for the financial year 2018/19 and the subsequent submission of data to the Environment Agency in compliance with legislation.

Decision

- 1) To note the Council's carbon footprint for the financial year 2018/19.
- 2) To note the annual report was submitted to the Environment Agency by the statutory deadline of the end of July 2019.
- 3) To note that 2018/19 was the final year of reporting under the Carbon Reduction Commitment Energy Efficiency Scheme.

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

26. Contract Award for the Supply of Electricity to Council Properties

Details were provided of a new Scottish Government Framework Agreement (Framework) for the Supply of Electricity for the Scottish Public Sector that was awarded, on 1 April 2018, to EDF Energy Customers Ltd. On 21 June 2019, a 2-year contract for the Council's electricity supply was awarded by the Scottish Government through the Framework for the period 1 April 2019 to 31 March 2021. The contract had an estimated value of £22,301,000 for the full contract period. Based on the Council's consumption, the forecast cost avoidance savings through the use of this framework were estimated at £590,000 over the 2- year contract period.

Decision

To note that, through the national agency agreement which the Council was a party to, the Scottish Government had, on behalf of the Council, awarded a contract to EDF Energy Customers Ltd for the supply of electricity to the Council, for the period 1 April 2019 to 31 March 2021.

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

27. Proposed New Lease to Boroughmuir Rugby Club at Meggetland, Edinburgh

Approval was sought to grant a new 25-year lease to Boroughmuir Rugby Club at a stepped rent on full repairing and insuring terms, thus mitigating the Council's liability over future maintenance costs.

Decision

To approve a new 25-year lease to Boroughmuir Rugby Club at Meggetland Sports Complex, Edinburgh, on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

28. 5 Cockburn Street, Edinburgh – Proposed Lease Extension

Approval was sought to grant a 20-year lease extension to Yi Sun on the terms and conditions outlined in the report.

Decision

To approve a 20-year lease extension to Yi Sun of retail premises at 5 Cockburn Street, Edinburgh, on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources

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

29. Clubhouse and Grounds, Double Hedges Road, Edinburgh – Proposed New Lease

Liberton Rugby Club requested a new 20-year lease of the property that had been leased to them since 1979. The report sought approval to grant a new lease on the terms and conditions outlined in the report.

Decision

To approve a new 20-year lease of the clubhouse and grounds, Double Hedges Road, Edinburgh to Liberton Rugby Club on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

30. Joppa Community Tennis Club, Joppa Grove – Proposed New Lease

Committee were advised that the tennis club at Joppa Grove had historically been leased to Portobello Community Council with the lease expiring on 30 June 2019. The report sought approval to grant a new 20-year lease to Joppa Community Tennis Club on the terms and conditions outlined in the report.

Decision

To approve a 20-year lease of tennis courts and grounds at Joppa Grove to Joppa Community Tennis Club, on the terms and conditions as outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources

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

31. 82 Joppa Road, Edinburgh – Proposed New Lease

Details were provided of the former public convenience at 82 Joppa Road that had previously been marketed for disposal but this did not lead to a sale being completed. The property had been remarketed for lease and the report sought approval to grant a new 15-year lease extension to Mr Harem Murdochy on the terms and conditions outlined in the report

Decision

To approve a new 15-year lease to Mr Harem Murdochy at 82 Joppa Road, Edinburgh on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

32. 19 Stanley Street, Edinburgh – Proposed Lease Extension

Approval was sought to grant a 20-year lease extension to Edinburgh Palette on the terms and conditions outlined in the report.

Decision

To approve a 20-year lease extension to Edinburgh Palette for the industrial yard premises at 19 Stanley Street on terms and conditions as outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

33. South Gyle Crescent, Edinburgh – Various Ground Lease Extensions

Details were provided of four ground leases at South Gyle Crescent, Edinburgh let to GM Investment Trustees. The individual leases had various expiry dates and the tenant had requested each lease be extended to expire at the same time. The report sought approval for each lease to be extended to provide an unexpired term of 175 years on the terms and conditions outlined in the report.

Decision

To approve extensions on four ground leases held by GM Investment Trustees at South Gyle Crescent to 1 September 2114 on the terms as outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources.

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

34. Gas Servitude at Saughton Public Park

Approval was sought for the grant of a Deed of Servitude relating to an existing 24-inch diameter gas main approximately 476m in length.

Decision

To approve the grant of a Deed of Servitude in favour of Scottish Gas Networks PLC under the terms and conditions outlined in the report.

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

35. Proposed New Lease, St Brides Community Centre, 10 orwell Terrace, Edinburgh

Committee were advised that St Brides Management Committee had occupied St Brides Community Centre for many years with no record of a formal lease. Edinburgh Jazz and Blues Festival (EJBF) approached St Brides Management Committee with a proposal to share the building, which would allow them to run a five-year music project funded through the Platforms for Creative Excellence (PLACE) co-investment programme. A temporary lease was granted to the Committee from 3 January 19 to meet the funding requirements of the PLACE programme pending a Committee decision on a longer-term agreement, which was the purpose of this report

Decision

To continue the report and to agree that a report was brought back to Committee in one cycle containing further information in connection with the proposed lease of St Brides Community Centre to explain:

- 1) The added benefits to the Council and to the community, and any other reasons, that justified the Council's commitment to pay for all the running costs of the Community Centre compared to other community centres where there was no contribution to such costs.
- 2) The financial benefits, if any, that might accrue to St Brides Community Centre either directly or indirectly from the five year sub lease to the EJBF.

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

36. Lease for Drylaw Neighbourhood Centre, Groathill Road North, Edinburgh

Committee were advised that Drylaw/Telford Community Association wished to extend their lease for the Drylaw Neighbourhood Centre. Approval was sought to grant a new 25-year lease

Decision

To agree to continue the report and that the Lease for Drylaw Neighbourhood Centre would be incorporated in to the wider report on Community Centres that would be brought to Committee.

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

37. Edinburgh Community Solar Co-operative – Phase 2

In 2016, Edinburgh Community Solar Co-operative (ECSC) installed 1.4MW of solar PV panels in 24 Council buildings. The Board of Edinburgh Community Solar Cooperative were preparing a proposal and financial model for a second phase of solar panel installations. In order to meet the timelines set within the Government's feed in tariff scheme, the report requested that Committee delegated decision making authority to the Executive Director of Resources, in consultation with the Convenor and Vice-Convenor of Finance and Resources Committee, to grant a 21 year Licence to

Edinburgh Community Solar Co-operative to install solar PV panels on up to 11 Council owned buildings.

Decision

- 1) To agree delegate decision making authority to the Executive Director of Resources, in consultation with the Convenor and Vice-Convenor of Finance and Resources Committee, to grant a 21-year Licence to Edinburgh Community Solar Co-operative to install solar PV panels on up to 11 Council owned buildings.
- 2) To note that any grant of licence would be subject to Edinburgh Community Solar Cooperative submitting a viable business case that demonstrated both the financial and wider community benefit of the proposal.

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

Declaration of Interests

Councillor Corbett declared a financial interest in the above item as a nominated member and shareholder of Edinburgh Community Solar Co-operative.

Councillor Booth declared a financial interest in the above item as a minor shareholder of Edinburgh Community Solar Co-operative.

38. Miscellaneous Debts – Write-Off

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 6 of Part 1 of Schedule 7(A) of the Act.

Committee considered a report that summarised the current miscellaneous debt that was outstanding and deemed uncollectable and thus recommended for write-off. All possible methods of recovery had been attempted and the debt remained outstanding.

Decision

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

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

39. Award of Framework Agreement: Supply and Distribution of Fresh Fruit, Fresh Vegetables, Bakery Products and Eggs

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following items of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 12 Part 1 of Schedule 7(A) of the Act.

Approval was sought for the award of a contract to supply and distribute fresh fruit, fresh vegetables, bakery products and eggs.

Decision

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

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

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Item 5.1 - Work Programme

Finance and Resources Committee - 26 September 2019

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
1.	The Woods Centre, Wester Hailes, Proposed Disposal	October 2019		Executive Director of Resources Lead Officer: Graeme McGartland 0131 529 5956 graeme.mcgartland@edinburgh.gov.uk		
2.	National Care Home Contract – Outcome of Negotiations	October 2019		Edinburgh Health and Social Care Partnership Lead Officer: Judith proctor 0131 553 8201 judith.proctor@edinburgh.gov.uk		
3.	Workforce Dashboard	October 2019		Executive Director of Resources Lead Officer: Katy Miller 0131 469 5522 katy.miller@edinburgh.gov.uk	All F&R Committees	
4.	Revenue Budget Framework 2019-23 Progress Update	October 2019		Executive Director of Resources Lead Officer: Hugh Dunn / Fraser Rowson 0131 469 3150 / 0131 469 3166 hugh.dunn@edinburgh.gov.uk /		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
				fraser.rowson@edinburgh.gov.uk		
5.	Capital Budget Strategy 2020-2030	October 2019		Executive Director of Resources Lead Officer: Hugh Dunn / Rebecca Andrew 0131 469 3150/ 0131 469 3211 hugh.dunn@edinburgh.gov.uk / rebecca.andrew@edinburgh.gov.uk		
6.	Change Strategy: Planning for Change and Delivering Services Update	October 2019		Chief Executive Lead Officer: Hugh Dunn / Gillie Severin 0131 469 3150/ 0131 469 3042 hugh.dunn@edinburgh.gov.uk / gillie.severin@edinburgh.gov.uk		
7.	Community Centre Leases	October 2019		Executive Director of Resources Lead Officer: Lesley Turner 0131 469 5654 lesley.turner@edinburgh.gov.uk		
8.	Contract Awards and Procurement Programme (period 1 Jan 19 - 30 Jun 19)	October 2019		Executive Director of Resources Lead Officer: Iain Strachan 0131 529 4930 iain.strachan@edinburgh.gov.uk		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
9.	Bus Tracker – Contract Award	October 2019		Executive Director of Place Lead Officer: Andrew Macleod 0131 469 5314 andrew.macleod@edinburgh.gov.uk		
10.	Appointment of specialist design team to deliver three new primary schools to Certified Passivhaus standard.	October 2019		Executive Director of Resources Lead Officer: Patrick Brown 0131 529 5902 patrick.brown@edinburgh.gov.uk		
11.	Edinburgh International Conference Centre – hotel opportunity at The Haymarket Edinburgh – B Report	October 2019		Executive Director of Place Lead Officer: Kyle Drummond / David Cooper 0131 529 4849 / 0131 529 6233 kyle.drummond@edinburgh.gov.uk / david.cooper@edinburgh.gov.uk		
12.	Provisions of Registrar Services Update	October 2019		Executive Director of Place Lead Officer: Robbie Beattie 0131 555 7980 robbie.beattie@edinburgh.gov.uk		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
13.	New Build Housing Framework Agreement Lot 2	October 2019		Executive Director of Place Lead Officer: Tricia Hill 0131 529 3954 tricia.hill@edinburgh.gov.uk		
14.	Communities and Families Learning Estate	October 2019		Executive Director Communities and Families Lead Officer: Crawford McGhie 0131 469 3149 crawford.mcghie@edinburgh.gov.uk		
15.	Financial Systems Access Controls – B Report	October 2019		Executive Director of Resources Lead Officer: Lesley Newdall 0131 469 3216 lesley.newdall@edinburgh.gov.uk		
16.	Award of Contracts to the Open Framework for Support Services under Options 2, 3 & 4 of 'The Social Care (Self-Directed Support) (Scotland) Act 2013'	October 2019		Communities and Families Lead Officer: Sean Bell 0131 469 3129 sean.bell@edinburgh.gov.uk		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
17.	Award of Contract – Consultancy Services for Edinburgh Tram York Place to Newhaven Project	October 2019		Executive Director of Place Lead Officer: Hannah Ross 0131 529 6220 hannah.ross@edinburgh.gov.uk		
18.	Summary Report on Property Transactions concluded under Delegated authority	October 2019		Executive Director of Resources Lead Officer: Graeme McGartland 0131 529 5956 graeme.mcgartland@edinburgh.gov.uk		
19.	Proposed New Lease at Granton Castle Walled Garden	October 2019		Executive Director of Resources Lead Officer: Andrew McCurrach 0131 529 5956 andrew.mccurrach@edinburgh.gov.uk		
20.	Land at Clovenstone - Proposed Disposal	October 2019		Executive Director of Resources Lead Officer: Graeme McGartland 0131 529 5956 graeme.mcgartland@edinburgh.gov.uk		
21.	Land at 37 Prestonfield Gardens – Proposed Disposal	October 2019		Executive Director of Resources Lead Officer: Mark Borthwick 0131 529 2273 mark.borthwick@edinburgh.gov.uk		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
22.	Lease for Drylaw Neighbourhood Centre, Groathill Road North, Edinburgh			Executive Director of Resources Lead Officer: Claire Donaldson 0131 529 5772 claire.donaldson@edinburgh.gov.uk		
23.	Revenue Maximisation Project Report	October 2019		Executive Director of Resources Lead Officer: Stephen Moir/Lorna McAndie 0131 529 4822 stephen.moir@edinburgh.gov.uk / lorna.mcandie@edinburgh.gov.uk		
24.	Treatment and Disposal of Waste (Street Cleaning and Mechanical Street Sweeping) – Extension to Contract	October 2019		Executive Director of Place Lead Officer: Karen Reeves 0131 469 5196 karen.reeves@edinburgh.gov.uk		
25.	Depots Strategy: Collections for the Future	October 2019		Executive Director of Place Lead Officer: Gareth Barwell/Lynne Halfpenny 0131 529 5844/0131 529 3657 gareth.barwell@edinburgh.gov.uk / lynne.halfpenny@edinburgh.gov.uk		

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Progress updates	Council Commitments
26.	Electric Vehicle Programme – Enforcements and Tariffs	October 2019		Executive Director of Place Lead Officer: Janice Pauwels 0131 469 3804 janice.pauwels@edinburgh.gov.uk		

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Finance and Resources Committee

26 September 2019

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1.	27 March 2018	Sickness Absence Policy	To note that, in addition to the standard review process, a report would be brought to committee 12 months after implementation of this policy to review its impact and make any further recommendations for potential improvement.	Executive Director of Resources	November 2019		<p>Recommended for Closure</p> <p>This policy will be implemented in October 2018 and reviewed 12 months thereafter.</p> <p>Update</p> <p>This report will now transfer onto the rolling actions log for the Policy and Sustainability Committee.</p>
2.	12 June 2018	Provisions of Registrar Services	To agree a report would be brought back to Committee reporting on registrar provision across the city.	Executive Director of Place	10 October 2019		A report will be brought to the Committee for consideration at the meeting on 10 October 2019.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
3.	11 October 2018	Gender Pay Gap	Notes the further analysis and actions outlined in paragraphs 3.26 and 3.27 of the report, and calls for an update on these activities in not more than 12 months.	Executive Director of Resources	August 2019		<p>Recommended for Closure</p> <p><u>Update</u></p> <p>This report will now transfer onto the rolling actions log for the Policy and Sustainability Committee.</p>
4.	4 December 2018	Business Bulletin	To agree that a report on the profile of each Spend to Save project would be brought to Committee at the end of the financial year.	Executive Director of Resources	15 August 2019		<p>Recommended for Closure</p> <p>A report will be submitted to the Committee meeting on 15 August 2019 for consideration.</p> <p><u>Update September 2019</u></p> <p>This information was included as part of the Revenue Monitoring Outturn Report to August Committee</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
5.	4 December 2018	Temporary Accommodation Off-Contract Waiver	To agree that the Convener would discuss with the Housing and Economy Convener and Councillor Miller the possibility of preparing a holistic report which brought together the policy and financial elements of temporary accommodation and to decide thereafter what Committee would be best placed to consider it.	Executive Director for Communities and Families	May 2019		A meeting is being arranged with the Housing and Economy Convener and Councillor Miller.
6.	1 February 2019	Asset Management Strategy Transformation Programme	To agree to explore the options and opportunities available for sponsorship of Council buildings and feedback to Committee as appropriate.	Executive Director of Resources	January 2020		An update report on the draft Council Advertising and Sponsorship Policy was submitted to the Corporate Policy and Strategy Committee in May 2019. The opportunities for sponsorship of Council

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>Buildings will need to be aligned to this policy, when it is approved. A revised closure date will be advised to the Committee accordingly.</p> <p><u>Update</u></p> <p>The proposed policy was considered and approved by the Policy and Sustainability Committee on 6th August 2019. The implications arising from this will be included in the next quarterly Asset Management Strategy update to Committee.</p> <p><u>Update September 2019</u></p> <p>The next Asset Management Strategy Update Report is due to Committee in January 2020 and these actions</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							will be covered within this report.
7.	1 February 2019	Feedback on the Change Strategy and Budget Proposals 2018	To request that details of best practice and the methodology which sat behind the respondents to the engagement document be provided in future reports.	Chief Executive	August 2019		Additional information about the process behind each engagement method was included in the report on engagement which was considered at Full Council on 21 February 2019. A report will also be going to the Corporate, Policy and Strategy Committee seeking approval for proposals for ongoing engagement on the Council's change and budget processes. This report will provide information on best practice in this area.
8.	14 March 2019 (Full Council)	Motion by Councillor Watt – Funding of	Calls for a report to be submitted to Finance & Resources Committee,	Executive Director of Resources	6 December 2019		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Temporary Accommodation for Homeless People (see agenda of 14 March 2019)	within four cycles, which sets out a business case for a model of temporary accommodation for people with low support needs. This should include options for investment in council owned property and consideration of shared housing. The report should explore what role the model could play within our RRTP, demonstrate how this could work and analyse the impact on existing business models.	Executive Director for Communities and Families			
9.	30 January 2019 (action remitted from the	Business Bulletin – Review of Janitorial Services in Community Centres and Schools	To request that training for management committees, as a result of taking on any additional duties, be picked up as part of the six monthly review of	Executive Director of Resources	January 2020		Will be included as part of the Asset Management Strategy update reports to Committee.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
	North West Locality Committee March 2019)		the Service Level Agreement for janitorial services.				<p><u>Update September 2019</u></p> <p>The next Asset Management Strategy Update Report is due to Committee in January 2020 and these actions will be covered within this report.</p>
10.	2 May 2019 (Full Council)	Motion by Councillor McVey – Support for Council Employees Subject to Domestic Abuse (see agenda of 2 May 2019)	Requests that the Executive Director of Resources submits an updated domestic abuse policy relating to Council employees, within three cycles, to the Finance and Resources Committee which reconfirms the existing commitment to paid special leave, or safe leave, for people who are experiencing domestic abuse and updates and aligns the	Executive Director of Resources	August 2019		<p>Recommended for Closure</p> <p>A report is scheduled on the Committee work programme for August 2019.</p> <p><u>Update</u></p> <p>This report will now transfer onto the rolling actions log for the Policy and Sustainability Committee and is scheduled for the next meeting of the Committee.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			policy fully with the Domestic Abuse (Scotland) Act 2018.				
11.	23 May 2019	Motion by Councillor Burgess – Cameron House Community Centre (see agenda of 23 May 2019)	Therefore, calls for a report on these issues, including detailing the background to the reason for these requests.	Chief Executive	September 2019		The convener requested that this is brought to the September Finance and Resources Committee
12	15 August 2019	Revenue Monitoring 2018/19 - Outturn Report	To agree that a briefing note would be circulated providing details about how much funding is available in the Central Energy Efficiency Fund (CEEF) to members of the committee.	Executive Director of Resources	October 2019		Recommended for Closure A briefing note was circulated to members on 09.09.19. Update A briefing note will be circulated prior to October Committee.
13	15 August 2019	Treasury Management: Annual Report 2018/19	To agree that a report will come back to the Finance and Resources Committee following the conclusion of	Executive Director of Resources			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			discussions with RBS and Natwest in relation to LOBOs at appropriate point.				
14	15 August 2019	Revenue Monitoring 2019/20 Period Three Report	<p>1) To agree that the Executive Director of Place would provide further information regarding Place Management Savings.</p> <p>2) To agree that the Head of Finance would provide a briefing note containing a list of savings that were rejected by the Council's Administration to Committee members</p>	<p>Executive Director of Place</p> <p>Executive Director of Resources</p>			<p><u>2) Update September 2019</u></p> <p>A briefing note is being prepared for circulation to Committee Members</p>
15	15 August 2019	Workforce Dashboard	To agree that the head of Human Resources would provide further information regarding unfunded salaries.	Executive Director of Resources	October 2019		<p>Recommended for Closure</p> <p>A briefing note was circulated to members on 09.09.19.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p><u>Update September 2019</u></p> <p>The Head of Human Resources is preparing a briefing note that will be circulated to Committee Members in advance of the October meeting.</p>
16	15 August 2019	Update on the Implementation of the Construction Charter	The Executive Director of Resources to provide details on contractors who do not adhere to the commitments set out in the charter.	Executive Director of Resources	October 2019		<p>Recommended for Closure</p> <p>A briefing note was circulated to members on 09.09.19.</p> <p><u>Update September 2019</u></p> <p>A communication for Committee Members has been drafted and will be circulated in advance of October Committee</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
17	15 August 2019	Corstorphine Youth and Community Centre	<p>1) To instruct officers to use their best endeavours to work with the CCC to continue to identify all possible funding solutions including consideration in the capital spending review to be considered by committee in December 2019.</p> <p>2) To request a report on the CCC business plan and the financial proposals for its December 2019 meeting.</p>	Executive Director of Place	December 2019		A meeting was held with Officers and CCC on 26 August 2019.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			3) To instruct officers to provide a letter of comfort to the CCC and funders as appropriate.		August 2019		3) Recommended for Closure A letter of comfort sent 28 August 2019
18	15 August	Proposed New Lease, St Brides Community Centre, 10 Orwell Terrace, Edinburgh	1) To request that the report is continued and is brought back to Committee in one cycle containing further information in connection with the proposed lease of St Brides Community Centre to explain 1. The added benefits to the Council and to the community, and any other reasons, that justify the Council's commitment to pay for all the running costs of this Community Centre	Executive Director of Resources	October 2019		<u>Update September 2019</u> A Report on Community Centres is scheduled for October Committee; this will include detail in response to this action.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>compared to other community centres where there is no contribution to such costs; and 2. The financial benefits, if any, that may accrue to St Brides Community Centre either directly or indirectly from the five year sub lease to the EJBF.</p> <p>2) To note that a report was coming before Committee detailing the roles, remits, costs etc. of Community Centres across the city.</p>				
19	15 August 2019	Lease for Drylaw Neighbourhood Centre, Groathill Road North, Edinburgh	To agree to continue the report and that the Lease for Drylaw Neighbourhood Centre would be incorporated in to the wider report on Community Centres.	Executive Director of Resources	October 2019		<p><u>Update September 2019</u></p> <p>A Report on Community Centres is scheduled for October Committee; this</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							will include detail in response to this action.



Business bulletin

Finance and Resources Committee

10.00am, Thursday 26 September 2019

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

Finance and Resources Committee

Convener:	Members:	Contact:
<p>Convener Cllr Alasdair Rankin</p>  <p>Vice – Convener Cllr Lezley Cameron</p> 	<p>Councillor Gordon Councillor Munn Councillor Bruce Councillor Hutchison Councillor Johnston Councillor Watt Councillor Booth Councillor Corbett Councillor Neil Ross</p>	<p>Veronica MacMillan Tel: 0131 529 4283</p> <p>Liam MacDonald Service Policy Advisor Tel: 469 3174</p>

Recent news	Background
<p>At the Council meeting of 14 March 2019, the EU Registration motion by Councillor McVey was approved, and requested that expenditure on provision of assistance by Registration Services to citizens making EU Settled Status applications be monitored and reported through the Business Bulletin of the Finance and Resources Committee. Updates were provided to Committee in May and August 2019.</p> <p>In the nine-week reporting period ending 23 August 2019, there were 304 applications of which 64 or 21% were from out with the Edinburgh area. There has been an increase in requests from an average of 18 per week to 33 per week in the reporting period. If a charge of £14 had been levied on the 64 applications received from out with Edinburgh area this would have amounted to income of £896. Applications for assistance continue to be received from across the country.</p>	<p>Robbie Beattie, Senior Manager. Tel: 0131 555 7980 Email: robbie.beattie@edinburgh.gov.uk</p>

Forthcoming activities

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Finance and Resources Committee

10.00am, Thursday, 26 September 2019

City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit – referral from the Governance, Risk and Best Value Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Governance, Risk and Best Value Committee has referred the attached report to the Finance and Resources Committee for approval, and onward referral to the City of Edinburgh Council for noting.

Andrew Kerr

Chief Executive

Contact: Jamie Macrae, Committee Officer

E-mail: jamie.macrae@edinburgh.gov.uk | Tel: 0131 553 8242

Referral Report

City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit – referral from the Governance, Risk and Best Value Committee

2. Terms of Referral

- 2.1 The Governance, Risk and Best Value Committee on 17 September 2019 considered a joint report by the Chief Executive and the Executive Director of Resources, which detailed the principal findings arising from the Council's 2018/19 external audit.
- 2.2 The Governance, Risk and Best Value Committee agreed:
- 2.2.1 To note that, following the audit process, it was anticipated that an unqualified audit opinion would be issued on the Council's Annual Accounts for 2018/19.
 - 2.2.2 To refer the audited Annual Accounts for 2018/19 to the Finance and Resources Committee for approval and thereafter to Council for noting.
 - 2.2.3 To note that, following approval by the Finance and Resources Committee, the audited Annual Accounts would be signed and submitted to the external auditor.
 - 2.2.4 To note the areas of strength identified within the wider scope audit work and that progress in the delivery of the remaining improvement actions set out in Appendix 5 of the auditor's report would be reported to the Committee during the coming year.
 - 2.2.5 To request that an update report be submitted to the Governance, Risk and Best Value Committee in January 2020 on progress with the action plan.
 - 2.2.6 To agree that the Convener would write to the Convener of the Policy and Sustainability Committee to request details of the Committee's planned scrutiny activities and when reports were expected.
- 2.3 The report is therefore referred to the Finance and Resources Committee for approval, and onward referral to the City of Edinburgh Council for noting.

3. Background Reading/ External References

3.1 [Governance, Risk and Best Value Committee – 17 September 2019 – Webcast](#)

4. Appendices

Appendix 1 – report by the Chief Executive and the Executive Director of Resources

Governance, Risk and Best Value Committee

10.00am, Tuesday, 17 September 2019

City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are requested to:
 - 1.1.1 note that, following the audit process, it is anticipated that an unqualified audit opinion will be issued on the Council's Annual Accounts for 2018/19;
 - 1.1.2 refer the audited Annual Accounts for 2018/19 to the Finance and Resources Committee for approval and thereafter to Council for noting;
 - 1.1.3 note that, following approval by the Finance and Resources Committee, the audited Annual Accounts will be signed and submitted to the external auditor; and
 - 1.1.4 note the areas of strength identified within the wider scope audit work and that progress in the delivery of the remaining improvement actions set out in Appendix 5 of the auditor's report will be reported to the Committee during the coming year.

Andrew Kerr
Chief Executive

Contact: Gavin King, Democracy,
Governance and Resilience Senior Manager
E-mail: gavin.king@edinburgh.gov.uk |
Tel: 0131 529 4239

Stephen S Moir
Executive Director of Resources

Contact: Hugh Dunn, Head of Finance
E-mail: hugh.dunn@edinburgh.gov.uk |
Tel: 0131 469 3150

City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit

2. Executive Summary

- 2.1 The report summarises the principal findings arising from the Council's 2018/19 external audit. While primarily focused on the review of the financial statements, the wider scope aspects of the audit include consideration of the Council's financial management, financial sustainability, governance and transparency and arrangements to secure and demonstrate value for money.
- 2.2 The proposed audit certificate provides an unqualified audit opinion on the financial statements and other prescribed matters but the accompanying report notes the failure of the Council's remaining Significant Trading Operation (STO) to break even over a rolling three-year period.
- 2.3 The report concludes that the Council has a well-developed and responsive medium-term revenue budget framework and had appropriate arrangements in place for managing its financial position during the year. In common with other councils, however, the savings requirement in both the current and future years remains challenging and will require development of robust savings proposals and a focus on strategic priorities.
- 2.4 While noting the review during 2018/19 of the effectiveness of the Council's political governance arrangements and the resulting improvement actions, the report also emphasises a need to accelerate implementation of internal audit recommendations. In addition, while acknowledging improvements in some areas, certain indicators within waste management, adult social care and homelessness services remain poor and, as such, the pace of change in implementation again needs to be increased.

3. Background

- 3.1 The Council submitted its unaudited Annual Accounts to the external auditor by the required date of 30 June.

- 3.2 The review of all matters relating to external audit forms part of the remit of the Governance, Risk and Best Value Committee and is an important aspect of the overall governance arrangements of the Council. The external auditor will attend the Governance, Risk and Best Value Committee meeting to provide an overview of the accompanying report and respond to specific queries members may have on its content. Given the Committee's scrutiny function, however, approval of the annual accounts will be secured by onward referral to the Finance and Resources Committee meeting taking place on 26 September.
- 3.3 In discharging its work, the external auditor is required to comply with Audit Scotland's revised Code of Audit Practice and ISA260: Communications with those charged with governance. As part of the standard, the auditor is required to highlight:
- Relationships that may bear on the independence, integrity and objectivity of the appointed auditor and audit staff;
 - The overall scope and approach to the audit, including any expected limitations, or additional requirements;
 - Expected modifications to the audit report;
 - Management representations requested by him/her;
 - Unadjusted misstatements other than those that are clearly trivial;
 - Material weaknesses in internal control identified during the audit;
 - Qualitative aspects of accounting practice and financial reporting, including accounting policies; and
 - Matters specifically required by auditing standards to be communicated to those charged with governance and any other matters that are relevant to the audit.

4. Main report

- 4.1 There are no qualifications to the proposed audit certificate. As in previous years, however, the audit opinion includes an explanatory paragraph in respect of the Council's remaining Significant Trading Organisation (STO). The Edinburgh Catering Services – Other Catering STO failed, over the three-year rolling period to 2018/19, to meet the statutory requirement to break even, although in-year financial performance in 2018/19 continued the trend of improving year-on-year performance.
- 4.2 As part of the audit work, two material adjustments were incorporated within the audited accounts to reflect (i) a prior-year adjustment in respect of housing stock valuation (ii) the combined impact of movements between the respective net pension fund liability in February and March 2019 and estimates of the impact of recent legislative change and Court rulings upon future liabilities. Neither adjustment, however, has an impact on the Council's reported outturn for the year which remains an overall underspend of £1.582m. While no further amendments

are anticipated, as of the time of writing, the accounts remain to be finalised and members will therefore be advised of any material changes at the Committee's meeting.

4.3 As with the past two years' reports, the audit reflects the revised approach to best value agreed by the Accounts Commission in June 2016. This "wider scope" audit comprises four elements:

- Financial management;
- Financial sustainability;
- Governance and transparency; and
- Value for money.

4.4 The key messages from the audit are presented on pages 2 and 3 of the Scott-Moncrieff report, with a number of action points for the Council to address in the coming months also noted. These, together with the management responses provided by the Council (including assigned responsibility and associated timescale for implementation), are shown on pages 55 to 60. The report also summarises on pages 61 to 73 progress made in implementing the recommendations contained in previous years' reports.

Annual accounts (pages 7 to 18)

4.5 An unqualified opinion has been given on the financial statements and other prescribed matters, albeit the report notes that the Edinburgh Catering Services – Other Catering STO failed to meet the statutory requirement to break even over a rolling three-year period. The in-year deficit for 2018/19 was £0.036m, forming part of a cumulative three-year deficit of £0.269m. The external auditor's report notes a number of agreed measures, including implementation of a revised pricing strategy and a re-assessment of service delivery locations, with a view to returning the service towards a break-even or profitable operating position.

4.6 The report notes that the working papers received to accompany the financial statements were of a good standard, with the results of the Council's group bodies also appropriately reflected within the financial statements and no instances of concern with regard to the legality of transactions or events identified.

4.7 As intimated in last year's audit report, Paragraphs 24 to 32 note a change of valuation date for the Council's property, plant and equipment. Audit work undertaken confirmed the appropriateness of these valuations based on the assets' usage and condition. As set out in Paragraph 4.2 above, however, in noting the requirement for the Council to ensure the on-going appropriateness of all related assumptions and estimates of asset valuation, a prior-year adjustment in respect of the opening valuation of the Council's housing stock was reflected within the audited accounts.

- 4.8 Paragraphs 33 to 38 provide an overview of a number of pertinent issues affecting the year-end pension valuation liability. Given the tightness of year-end accounts closure timescales, the unaudited accounts are of necessity based on estimates provided by the Fund's actuary, using actual investment returns to the end of February 2019, with any material difference between these and the actual year-end position reflected in the audited accounts as appropriate. In addition, following a Supreme Court ruling in June 2019, the estimated impact of the McCloud judgement on transitional arrangements accompanying the move from a final salary to career-average pension scheme has been reflected in the audited accounts. Alongside the associated Fund liability associated with Guaranteed Minimum Pension (GMP) legislation, the precise implications of which remain to be fully established, the audited accounts reflect a total net increase in the pension liability of £53.703m.
- 4.9 The auditor's report notes, in Paragraphs 47 to 49, the significant progress made by the Council in reviewing and updating the contents of its Common Good Register. In the spirit of increasing transparency further, opportunities to formalise use and maintenance of Common Good assets should continue to be examined.
- 4.10 The auditor's report also notes that, while the Executive Directors' Statements that inform the content of the Annual Governance Statement (AGS) were scrutinised in detail by the Governance, Risk and Best Value Committee, the AGS itself had not been subject to explicit scrutiny prior to its incorporation within the annual accounts and recommends that this omission be addressed in subsequent years' processes.

Financial sustainability (pages 19 to 22)

- 4.11 The report concludes that the Council has a well-developed and responsive medium-term revenue budget framework whilst noting the intention to present for members' consideration a longer-term (circa ten-year) strategy during the coming months.
- 4.12 In common with other councils, however, the savings requirement in both the current and future years remains challenging and will require development of robust savings proposals and a focus on strategic priorities. In addition, significant further work is required to secure the financial sustainability of the Edinburgh Integration Joint Board.

Financial management (pages 23 to 29)

- 4.13 The report notes that the Council had appropriate arrangements in place for managing its financial position during the year, with the 2018/19 outturn being the twelfth successive year in which expenditure has been maintained within approved levels. The extent of reliance on non-service budgets in achieving this position (and

the consequent need for spend within Directorates to be maintained within approved levels in the current and future years) is, however, emphasised.

- 4.14 Paragraphs 131 to 138 set out the key findings of the external auditor's review of the financial model used to inform consideration of the extension of the existing tram system from York Place to Newhaven. These findings, attesting to the underlying integrity of the model, were presented to all elected members prior to the Council meeting on 14 March 2019 at which the extension was approved.
- 4.15 The external auditor's report also concludes that the Council's system of internal financial control is well-designed (the report on which basis this judgement has been reached is included elsewhere on the Committee's agenda) and the arrangements with regard to the detection of fraud and irregularity sufficient and appropriate, complemented by active participation in the most recent National Fraud Initiative.

Governance and transparency (pages 30 to 37)

- 4.16 The auditor's report notes the main elements and improvements resulting from the recent review of the Council's political management arrangements, recommending that the on-going assessment of these arrangements' effectiveness include consideration of further measures to improve the clarity of, and use of technology in, the presentation of reports for elected members. In general terms, however, the information provided to members to inform decision-making and to support their continuing professional development is considered sufficient. The importance of adhering to approved member-officer protocols in respect of sensitive information is, however, emphasised.
- 4.17 Paragraphs 160 to 180 include an in-depth evaluation of the Council's arrangements to support the enhanced empowerment of communities. These revised arrangements, while taking some time to finalise, reflect significant time and resource commitment by officers and their effectiveness in delivering desired outcomes will be reviewed as part of the Council's best value audit work in early 2020.
- 4.18 Whilst noting satisfactory embedding of risk management arrangements across the Council, the auditor's report highlights a need to accelerate implementation of audit actions, including those associated with the prior year's ICT partner security management arrangements.
- 4.19 Paragraphs 205 to 215 evaluate the Council's arrangements to secure fairness and equality for stakeholders, concluding that equality, diversity and human rights are embedded in the Council's vision and strategic direction and included in planning, evaluation and reporting processes.

Value for money (pages 38 to 44)

- 4.20 The report notes the development of a robust performance framework to measure progress against the aims and outcomes set out within the Council's 2017-22 Business Plan, allowing members to provide appropriate scrutiny in delivery of these objectives. The Annual Performance Report for 2018/19 is additionally seen to represent an honest and balanced assessment of in-year performance.
- 4.21 While necessarily based on 2017/18 Scotland-wide data, paragraphs 228 and 229 highlight a continuing decline in comparative performance against Scotland's other local authorities as assessed by the Local Government Benchmarking Framework, with poor performance in some adult social care, environmental and homelessness service indicators highlighted as detailed in Paragraphs 232 to 257. Good progress in the implementation of the Housing and Roads Services Improvement Plans is, however, noted.

Other aspects of wider scope audit

- 4.22 Appendix 2 of the report on pages 48 and 49 appraises members of the principal findings across a number of further risk areas, including European Union exit preparedness, key supplier dependence and wider openness and transparency, with appropriate arrangements assessed to be in place in all of these areas. An assessment against the Accounts Commission's strategic priorities is also included in Appendix 4 on pages 53 and 54.

5. Next Steps

- 5.1 Subject to approval by the Finance and Resources Committee on 26 September, the annual accounts will be signed and submitted to the external auditor.
- 5.2 Progress in implementing the improvement actions set out in Appendix 5 will be reported to the Governance, Risk and Best Value Committee over the coming year.

6. Financial impact

- 6.1 There is no direct additional impact arising from the report's contents, although the on-going effectiveness of the Council's current financial management and planning arrangements has been noted.

7. Stakeholder/Community Impact

- 7.1 The annual audit report includes a comprehensive review of the effectiveness of existing and proposed arrangements to empower communities.

- 7.2 The financial statements were made available for public inspection in July for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. While no objections to the accounts were received during this period, a recommendation on ensuring the timely display of the physical public inspection notice was made and future years' processes will be revised accordingly.

8. Background reading/external references

- 8.1 [External Audit Plan 2018/19](#), Governance, Risk and Best Value Committee, 19 March 2019
- 8.2 [Unaudited Accounts 2018/19](#), City of Edinburgh Council, 27 June 2019

9. Appendices

- Appendix 1 – 2018/19 Annual Audit Report to the Council and the Controller of Audit
- Appendix 2 – 2018/19 Audited Annual Accounts

City of Edinburgh Council

2018/19 Annual Audit Report to the
Council and the Controller of Audit

September 2019September 2019





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1. Key messages



Key messages

<p>Annual accounts</p>	<p>The annual accounts for the year ended 31 March 2019 are due to be approved by the Finance and Resources Committee on 26 September 2019. We report within our independent auditor's report an unqualified opinion on the financial statements and on other prescribed matters.</p> <p>We have, however, drawn attention in our independent auditor's report to the fact that the Council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over the three- year period to 2018/19. While this is a failure to comply with the Local Government in Scotland Act 2003, it does not affect our overall opinion on the financial statements. There are no other matters that we must report to you by exception.</p>
<p> Financial Sustainability</p>	<p>The Council has a well-developed and responsive medium term revenue budget framework. The Council does not however currently have a long term financial strategy. We understand that this will be developed and presented to the Council over the course of 2019/20.</p> <p>In December 2018, the Council had identified an estimated savings requirement of £41million in 2019/20. Reports to the Finance and Resources Committee have emphasised the need to prioritise the identification and delivery of these savings in order to achieve a balanced outturn position. As reported in August 2019, there still remains a residual gap of £11.416million before one-off mitigation through the Council Priorities Fund. In addition to this the residual Edinburgh Integration Joint Board (EIJB) gap for 2019/20 is £7.15million which assumes the delivery of £11.941million of savings. The delivery of this savings requirement poses a significant risk and challenge to the Council and we will continue to closely monitor this for the remainder of the 2019/20 financial year.</p>
<p> Financial Management</p>	<p>The Council had appropriate arrangements in place for managing its financial position during 2018/19. The Council reported a net underspend against its revised balanced revenue budget of £1.582million (representing 0.2% of the total budget for the year). The Council has been able to maintain expenditure within budget for the twelfth successive year, despite reporting a net overspend within general fund directorates of £12.331million and delivering only 60% of approved savings in the year. Savings across non-directorate specific areas, including loans charges and Council Tax income were crucial in delivering a balanced overall position for the year. In 2019/20, these non-directorate specific area savings have been built into the financial plan, limiting the ability to use them in offsetting overspends within the directorates in the current and future years.</p> <p>We carried out a review of the revised financial model used to support the Council's decision to extend the Edinburgh Trams route as part of our audit. Our findings were presented to the Council in March 2019 and are summarised in the financial management section of this report.</p>
<p> Governance & Transparency</p>	<p>The Council has reviewed its political management arrangements to further improve its decision making effectiveness.</p> <p>During the 2018/19 audit, it has become clear that the arrangements for sharing sensitive information between some Councillors and the leadership team require to be reviewed. There are tensions which arise from dealing with personal sensitive data and the rights of Councillors to have access to all information required to carry out their duties. It is important that all Councillors and senior staff have a clear understanding of their rights and responsibilities in relation to information held by the Council. Councillors and the senior leadership team should review the current protocols to ensure these are still appropriate and that both members and officers can comply fully with their responsibilities.</p> <p>We are concerned that there are still considerable overdue findings from internal audit reports and late management responses to draft internal audit reports. In August 2019 internal audit reported that 47 internal audit findings (those overdue where management action had not been actioned or evidenced) were outstanding. Of these 26 were more than one year old. 118 management actions were also identified as overdue. There were high rated findings in both overdue management actions and internal audit findings. Greater prioritisation should be given to addressing issues raised by internal audit across the Council.</p>



	<p>As part of our 2016/17 external audit of the City of Edinburgh Council, we performed a review of CGI's security management arrangements. During the current year audit, we assessed the extent to which progress has been made in addressing outstanding recommendations from the 2016/17 review. Overall, the evidence received from CGI has not been sufficient to allow us to form an opinion on whether recommendations have been appropriately addressed. Based on the evidence that has been provided, there is limited evidence of progress against the majority of recommendations.</p>
 <p>Value for Money</p>	<p>The Council continues to monitor its' performance against "The Programme for the Capital Business Plan 2017 – 2022." The Council outlines its ongoing commitment to improve and invest in local services delivered to citizens.</p> <p>We are satisfied the Council reports its public performance in line with the Local Government Benchmarking Framework. We also consider the 2018/19 Annual Performance Report, represents an honest and balanced view of the 2018/19 performance of the Council.</p> <p>The Council in 2018/19 has demonstrated improvements in performance in several areas including delayed discharge levels, the number of families and young people living in temporary, bed and breakfast accommodation and the proportion of individuals earning less than the living wage.</p> <p>Certain performance indicators in waste management, adult social care services and homelessness however remain poor and significant improvements are required, including an acceleration in the pace of change in delivering improvements.</p>

Looking forward

In May 2019 the Accounts Commission confirmed that City of Edinburgh Council was included in the programme of Best Value audits planned for 2020. It is currently anticipated that best value audit work will be undertaken between February and April 2020 with the outcomes reported in a Best Value Assurance Report in July/August 2020.

Conclusion

This report concludes our audit for 2018/19. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

Scott-Moncrieff
September 2019



2. Introduction

This report is presented to those charged with governance and the Controller of Audit and concludes our audit of the City of Edinburgh Council for 2018/19.

We carried out our audit in accordance with Audit Scotland’s Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

At the City of Edinburgh Council, we have designated the Governance, Risk and Best Value Committee as “those charged with governance”.



Introduction

1. This report summarises the findings from our 2018/19 audit of the City of Edinburgh Council (“the Council”).
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Governance, Risk and Best Value Committee (GRBV) at the outset of our audit. The core elements of our work include:
 - an audit of the 2018/19 annual accounts, for both the Council and its group and the charitable trusts, and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
 - an assessment of the arrangements for the collection and publication of statutory performance information in accordance with the Accounts Commission direction;
 - provision of opinions on a number of grant claims and returns including Whole of Government Accounts;
 - providing existing evidence and intelligence for, and participating in, shared risk assessment (SRA) processes;
 - audit and report on Best Value and the Strategic Audit Priorities (refer to Appendices 3 and 4) and;
 - Monitoring the Council’s participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



3. The Council is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. The report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. We give each recommendation a grading to help the Council assess their significance and prioritise the actions required.
5. We discussed and agreed the content of this report with Council management. We would like to thank all management and staff for their co-operation and assistance during our audit.
6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis

Confirmation of independence



all facts and matters that may have a bearing on our independence.

7. We confirm that we will comply with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence. Our assessment includes consideration of:
 - Provision of non-audit services to the Council's group components; and
 - Relationships between Scott-Moncrieff and the Council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.
10. As part of our 2018/19 audit we added value to the Council and Audit Scotland in a range of ways, including:

Regular contact with the Council

11. We invest senior time to ensure that we keep up to date with significant issues and share that knowledge across our team. Examples include:
 - Our Engagement Partner and Director hold quarterly meetings with the Chief Executive and the Executive Director of Resources;
 - We hold regular catch ups with the Head of Finance (Section 95 Officer);
 - We meet with the Chief Internal Auditor on a regular basis.
 - We hold discussions with the Council's finance team, in advance of the preparation of the annual accounts, to consider the applicable accounting treatment of balances

and transactions. In 2018/19 this included working with the finance team to identify ways to streamline the annual accounts.

Training and development

- We supported the Council Finance Team to deliver training on understanding the financial statements by providing training materials and examples of scrutiny questions for elected members.
- We host Non-Executive Director forums which elected members have attended.

Providing assurance to the Council and Audit Scotland

- We met the deadlines set out in Audit Scotland's annual planning guidance in respect of the delivery of audit plans, independent auditor reports and annual reports.
- We have worked alongside Audit Scotland's correspondence team to respond to queries received on the Council;
- In response to a specific risk identified, we carried out a review on the revised financial model used to support the decision to extend the Edinburgh Trams route. Our findings were reported to the Council and shared with the Controller of Audit.

Feedback

12. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: www.surveymonkey.co.uk/r/S2SPZBX.
13. While this report is addressed to the Council, it will be published on Audit Scotland's website www.audit-scotland.gov.uk.



3. Annual accounts

The Council's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2018/19 annual accounts.



Annual accounts

An unqualified audit opinion on the annual accounts

The annual accounts for the year ended 31 March 2019 are due to be approved by the Finance and Resources Committee on 26 September 2019. We report within our independent auditor's report:

- An unqualified opinion on the annual accounts; and
- An unqualified opinion on other prescribed matters.

We have drawn attention to the fact that the Council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over the three year period to 2018/19.

Overall conclusion

An unqualified audit opinion on the annual accounts

14. The annual accounts for the year ended 31 March 2019 are due to be considered by the Governance, Risk and Best Value Committee on 17 September 2019 and approved by the Finance and Resources Committee on 26 September 2019. We report within our independent auditor's report:

- An unqualified opinion on the annual accounts; and
- An unqualified opinion on other prescribed matters.

15. We have drawn attention in our audit report to the fact that the Council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over a three year period (paragraph 41). While this is a failure to comply with the Local Government in Scotland Act 2003, it does not affect our overall opinion on the financial statements.

these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 2.

Good administrative processes were in place

16. We received unaudited annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to staff at the Council for their assistance with our work.

Our assessment of risks of material misstatement

17. The assessed risks of material misstatement described in Exhibit 2 are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to



Exhibit 2 – Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1. Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

Excerpt from the 2018/19 External Audit Plan

18. We have not identified any indications of management override in the year. We have reviewed the Council's accounting records and obtained evidence to ensure that transactions were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.
19. During our prior year audit, we recommended that user access controls to the financial ledger should be strengthened. At that time, any member of the Council finance team with ledger access could post to those organisations' financial ledger to whom they provide such services. We noted during our current year audit that arrangements have now been put in place to tailor and restrict user access to the ledger.

2. Revenue recognition

Under ISA (UK) 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Council could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

Excerpt from the 2018/19 External Audit Plan

20. At the planning stage of our audit cycle, we reported that we did not believe the risk of fraud in revenue recognition was present in Council Tax income, non-domestic rates, housing rents and non-ring fenced government grants and we therefore rebutted this risk. Our assessment of this risk has been reviewed throughout the audit and our conclusion to rebut this risk has remained appropriate.
21. We did however conclude that the risk of fraud in relation to revenue recognition is present in all other revenue streams. We evaluated each type of revenue transaction and documented our conclusions. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the annual accounts. To inform our conclusion we evaluated Council's key revenue streams and reviewed the controls in place over revenue accounting. We also carried out testing to confirm that the revenue recognition policy is appropriate and that it was applied consistently throughout the year.



3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

Excerpt from the 2018/19 External Audit Plan

22. We have evaluated each type of expenditure transaction and documented our conclusions. We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the annual accounts. To inform our conclusion we carried out testing to confirm that the Council’s policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

4. Asset valuation and additions

The Council’s revised general fund capital budget for 2018/19 is £239million. As at period 9, the Council was reporting a projected outturn of £201million. The housing revenue account capital budget for 2018/19 is £81million. As at period 9, the Council was reporting a projected outturn of £80million.

The Council carries out a rolling programme of revaluations that ensures all property, plant and equipment required to be measured at fair value is revalued at least every five years.

There is a risk of material misstatement to the annual accounts relating to the recognition of capital expenditure and asset valuations.

Excerpt from the 2018/19 External Audit Plan

23. During 2018/19, the Council reported capital additions of £209.674 million. We carried out testing on material additions and concluded that those additions had been accounted for in the annual accounts in accordance with the Council’s accounting policy and the applicable accounting standard.

Valuations

24. We reviewed the Council’s valuation process and noted the following;
- Valuations are generally carried out by internal valuers. We considered the instructions and information provided to the valuer and performed procedures to confirm the accuracy and completeness of the information. Instructions are disseminated to the individual valuers through the valuation handbook and supporting valuation templates. The results of the valuation exercise were formally communicated to the Council through a valuation report for each asset valued and an overarching valuation report. From our review of the instructions provided to the valuer, the valuers report and assessment of the valuer’s expertise, we are satisfied that we can rely on their work.
 - All property, plant and equipment required to be carried at fair value were included in the five year rolling programme and had been revalued within this time period.
 - Valuations are usually carried out as at 31 March. There is however no requirement for valuations to be carried out at this date and authorities may use a different date within the year subject to the standard condition that the carrying amount at the end of the year does not differ materially from the current value at that date. For 2018/19,



the Council valuations were prepared as at 1 October 2018; this is a change from the previous practice of using 1 April in the relevant financial year. The valuer has provided us with assurance that the carrying amount of these assets as at 31 March 2019 does not materially differ from the date of valuation.

- We confirmed that the basis of valuation for assets is appropriate based on their usage. We reviewed valuation movements against indices of price movements for similar classes of assets and investigated any valuations movements that appeared unusual against this. Overall the valuation movements were in line with our expectation.
- We reviewed the reasonableness of valuation assumptions applied, as they relate to land and buildings, Council dwelling and investment properties. Based on the audit work performed we concluded that the valuations of land and buildings, Council dwellings and investment properties are reasonable.
- A significant level of effort has been committed to developing valuation arrangements in 2018/19. This included the introduction of a valuation handbook, formal instructions and valuation report; the requirement to now consider the remaining useful life of an asset when it is revalued; and consideration of property condition surveys when performing an impairment assessment. However, as set out below, further improvements are required.

Council Dwellings

25. Council dwellings are valued using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. An adjustment factor is applied to reflect the lower rent yield from social housing compared to market rates.
26. In 2018/19, the valuer reviewed the selection and valuation of all beacon properties and the adjustment factor applied, in line with the Council's five year rolling revaluation programme. Council dwellings had not been revalued in the five year period, resulting in a valuation increase of £428million (40% of net book value as at 31 March 2018). We have not identified any industry changes in 2018/19 that would account for this level of change in valuation, hence a proportion of this increase will reflect movements in the four years to 31 March 2018. Following a re-evaluation by the valuer of fair values of Council house dwellings at 31 March 2018 a prior year adjustment of £269.3million has been made to the net book value of Council dwellings.
27. The Council must ensure that all key assumptions and estimates over the valuation of property, plant and equipment are formally reviewed on an annual basis to ensure these remain appropriate. For Council dwellings, this includes the selection and valuation of beacon properties, and the adjustment factor applied.

Action plan point 1

Remaining useful life

28. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that may be incurred in relation to an individual asset. In 2018/19, the valuer undertook an exercise to review the useful life of assets revalued in the period in response to previous audit reports. This ensures the useful life reflects the outcome of recent property condition surveys.
29. The updated useful lives have not been reflected in the fixed asset register or depreciation calculations for 2018/19; but will be updated for 2019/20. The Council must ensure that the remaining useful life of all assets is considered on an annual basis and any material changes are reflected in a timely manner.

Action plan point 1



Impairment

30. As noted in our 2017/18 annual audit report, a paper was presented to the Council's Finance and Resource Committee in January 2018 on the condition of its building estate. This reported noted that, based on detailed condition surveys of the Council's operational estate, there was a requirement to spend £153million over the next five years to address the backlog maintenance. We noted that no assessment of impairment was carried out in 2017/18, other than for those assets forming part of the 2017/18 valuation programme.
31. Condition surveys are being reformed as part of the five year rolling programme. The valuer obtained a listing of all properties surveyed in 2018/19 and identified those where the condition survey had changed. An assessment was made as to whether a revaluation was necessary and whether there was any indication of impairment; revaluations were performed as necessary.
32. The condition surveys performed in 2018/19 are a strong source of evidence to indicate whether an impairment may have occurred. However, this only considers a proportion of the Council's operational estate and does not take cognisance of other sources of information such as the level of maintenance and repairs required in the year. While no indication of material impairment was identified, we would encourage the Council to further develop its procedures for assessing whether there has been an impairment of its estates portfolio.

Prior year action plan point 2

5. Pension assumptions

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. Assumptions may become less relevant over time, particularly where new information becomes available. There is a risk that the assumptions used are not appropriate.

Excerpt from the 2018/19 External Audit Plan

33. We obtained the information provided to the actuary and agreed to source documentation to confirm accuracy. We reviewed the assumptions used by the actuary and compared these to benchmarks across the sector.
34. We reviewed the validity of the information provided to the actuary and compared this with the actual information reported by City of Edinburgh Council and the Lothian Pension Fund. We considered the results of the actuary alongside our work across the sector and noted the following:
35. The unaudited annual accounts were prepared based on an actuarial report received in April 2019. A subsequent actuarial report was received in May 2019 which had been revised to take account of the year-end results of Lothian Pension Fund.
36. The net pension liability within the audited annual accounts was further revised to take account of the financial effects of the 'McCloud Judgement' and the Guaranteed Minimum Pension (GMP) equalisation:
 - **McCloud Judgement:** This case related to an employment tribunal ruling that transitional provisions impacting on a public sector final salary scheme were



unlawfully age discriminatory. This was upheld in the Courts in December 2018 although the UK Government at that stage sought leave to appeal this judgement. The ruling has implications for all public service schemes including the LGPS funds. In June 2019, the Supreme Court rejected the UK Government's request for a further appeal.

- **Guaranteed minimum pension (GMP)** was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits. As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

37. Management requested a revised actuarial report from its Actuary. The financial effect of these pension issues has resulted in an increase in the net pension liability of £53.703million.
38. As at 31 March 2019, the Council reported a net pension liability of £659.468million, compared to a net pension liability of £482.493million as at 31 March 2018. In addition to the increase in the deficit due to the circumstances noted above, the in-year movement has arisen primarily due to changes in financial assumptions made by the actuary.

Other risk factors

39. In addition to the identification of significant audit risks (Exhibit 2), we identified in our External Audit Plan a number of risk factors which could potentially result in a material misstatement to the annual accounts. An update on these risk factors is set out below:

Significant trading operations

40. Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to operate their significant trading operations so that income is not less than expenditure over each three-year period. The Council has failed to comply with this statutory requirement for the three-year period ending 31 March 2019 in respect of its one significant trading operation; Edinburgh Catering Services – Other Catering. We have reported this matter in our independent auditor's report.
41. Despite improvements in recent years' financial performance, the Council's Edinburgh Catering Services – Other Catering trading operation reported a deficit of £36,000 in 2018/19 and a cumulative three-year deficit of £0.269million. We have reported that Edinburgh Catering Services has

failed to meet this financial objective in each of the three years of our audit appointment.

42. Moving forward to reduce the deficit the Council will implement a revised tariff to ensure all inflationary rises are covered. A new till system is to be introduced to track income more effectively. This will provide more effective management information and support expected proposals on the rationale of locations of the service delivery.

Common good

43. Local Authorities are required to administer common good funds under section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide benefit to the population of the area either through the disbursement of funds, securing assets for on-going use for the population or contributing to specific local projects/initiatives.

Common good asset registers

44. Part 8 of the Community Empowerment Act (Scotland) 2015 came into force on 27 June 2018. This places a statutory duty on local authorities to



establish, maintain and publish a register of all property held by them for the common good. Local people must be consulted on the register, to make sure nothing has been left out. Local authorities are also required to publish their proposals and consult community bodies before disposing of or changing the use of common good assets.

45. In July 2018, the Scottish Government, following consultation in 2017, issued statutory guidance for local authorities on how they should carry out these new legal duties.
46. The guidance identifies that a local authority should 'aim to publish the first version of its common good register as soon as practicable after the initial twelve week consultation period has closed, and in any case, within six months of the end of the consultation.'
47. The Council's common good register was published for consultation in September 2018 and members of the public were able to provide feedback on the register until 31 December 2018. We have reviewed the steps taken by the Council to update the register during this period and noted that they have made significant progress in responding to feedback received. In total, 62 responses were received. As a direct result of the consultation, 18 assets have been transferred from the Council's asset register to the Common Good Fund.
48. As noted above, the guidance required the Council to publish a first draft of the register within 6 months of the consultation period closing. The first post-consultation draft of the register was published on the Council's Common Good Webpage on 28 June 2019, complying with Scottish Government Guidance. The register has remained on the website for the period and the Council has provided updates over the representations received.
49. We understand that the first draft of the register is to be provided to the Finance and Resources Committee in September 2019.

Common good fund annual accounts

50. The Common Good Fund stands separate from the Council's annual accounts and has been described as "the ancient patrimony of the community".
51. During 2018/19, a deficit of £35,000 was reported on the common good fund. Overall useable common good funds stood at £2.352million as at 31 March 2019.

52. In 2016, the Council's Finance and Resources Committee approved the use of the common good fund for planned maintenance of part of the common good assets. £2million was earmarked in 2015/16 (following a receipt from the sale of East Market Street Garage), to fund a maintenance programme for common good assets. Since this earmarked fund was created in 2016, £110,000 has been used on the Scott Monument and £3,000 on surveys at the City Observatory. As at 31 March 2019; the remaining balances have been split £0.496million to remain in the fund and £1.856million in the planned property maintenance earmarked reserve fund.
53. During our 2018/19 audit of the common good fund annual accounts we noted the following:

Common good fund income and expenditure

54. The unaudited common good fund comprehensive income and expenditure statement reported a full disclosure of the income and expenditure which related to the common good fund. Property costs expenditure for the period totalled £4.553million which has been offset by Rent Income for the period of £1.684million. In order to achieve a breakeven position, the Council has offset the expenditure with an income recharge of £1.680million and capital funding of £1.189million.
55. Whilst we note that the common good fund annual accounts disclose the income and expenditure which relates to the Fund, we would encourage the Council to continually review its relationship and use of the common good funds and put in place documented arrangements for the use and maintenance of those assets.

Prior year action plan point 3

Our application of materiality

56. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
57. Our initial assessment of materiality for the group annual accounts was £20.4million and for the Council single entity annual accounts £18.7million. We revised our assessment, following receipt of the unaudited annual accounts, to £21.8million for the



group¹ and £19.8million for the Council and it remained at these levels throughout our audit.

58. Our assessment of materiality is set with reference to gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of the Council and its group.

Performance materiality

59. Performance materiality is the amount set by the auditor at less than overall materiality for the annual accounts as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the annual accounts as a whole.
60. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance testing thresholds used are set out in the table below:

	Area risk assessment £million		
	High	Medium	Low
Group	9.810	11.990	15.260
Council	8.910	10.890	13.860

61. We agreed with the Governance, Risk and Best Value Committee that we would report on all material corrected misstatements, uncorrected misstatements with a value in excess of £250,000, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Governance, Risk and Best Value Committee on disclosure matters that we identified when assessing the overall presentation of the annual accounts.

Audit differences

62. Two material adjustments were made to the unaudited annual accounts in respect of valuations

(paragraphs 25-27) and the net pension liability (paragraphs 35-38).

63. We did identify further adjustments to the unaudited annual accounts which have been reflected in the final set of annual accounts. While these are reflected in the final annual accounts they were not considered material.
64. We identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

Council representations

65. We have requested that a signed representation letter be presented to us at the date of signing the annual accounts. This letter is to be signed by the section 95 officer on behalf of the Council.

An overview of the scope of our audit

66. The scope of our audit was detailed in our External Audit Plan, which was presented to the Governance, Risk and Best Value Committee in March 2019. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
67. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
68. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

Group audit

69. The Council has a complex group which requires consolidation of a range of subsidiaries, associates and joint ventures. The group structure is detailed within the Council's annual accounts.

¹ For the significant components, within the Council group, we have allocated a materiality that is less than the overall group materiality. For CEC Holdings this was assessed at £300,000 and for Transport for Edinburgh at £3.3million.



70. As part of our audit we reviewed the consolidation entries made within the group accounts and confirmed entries back to the financial statements of the group bodies. Overall, we concluded that the results of the group bodies had been appropriately consolidated into the Council's group accounts.

71. As part of our audit planning process we assessed the group, for the purposes of approach to the audit of the group, and deemed the following subsidiaries to be significant in the context of the group audit:

- CEC Holdings; and
- Transport for Edinburgh.

72. We revisited our assessment, following receipt of the unaudited accounts. Our assessment remained unchanged. We did not identify any further significant components in the context of our group audit.

73. Scott-Moncrieff is the appointed auditor to CEC Holdings and Transport for Edinburgh. During our audit we liaised with the audit engagement teams to confirm that their programmes of work were adequate for our purposes.

74. We have nothing to report in respect of the following matters:

- No significant deficiencies in the system of internal control or instances of fraud were identified by the component auditor; and
- There were no limitations on the group audit.

Legality

75. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual accounts. Our audit procedures included the following:

- Reviewing minutes of relevant meetings;
- Enquiring of senior management and the Council's solicitors the position in relation to litigation, claims and assessments; and
- Performing detailed testing of transactions and balances.

76. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

Other matters identified during our audit

77. During the course of our audit we noted the following:

The Local Authority Accounts (Scotland) Regulations 2014

78. As part of our audit we reviewed the Council's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10² as they relate to the annual accounts. In 2018/19 we received correspondence relating to the notice of the public right to inspect. Upon review there was found to be a delay in displaying the hard copy of the public inspection notice which is required to be published prior to 17 June as outlined by the 2014 Regulations. The notice was published in the local newspaper and on the City of Edinburgh Council website by 17 June 2019, however, was not available at Council offices until 26 June 2019.

79. We highlighted issues with regards to the public inspection in 2017/18 and we would recommend the Council makes arrangements to ensure full compliance in 2019/20.

Action plan point 2

80. Other than the above issue we concluded that appropriate arrangements are in place to comply with these Regulations.

Management commentary

81. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to include a management commentary within the annual accounts. The management commentary is intended to assist readers in understanding the annual accounts and the organisation that has prepared them.

82. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts. We have concluded that the management commentary is consistent with the

² Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.



annual accounts and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

Annual governance statement

83. The Chief Executive and the Council Leader have confirmed that in their opinion, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its group systems of governance. The Annual Governance Statement identifies a range of actions that have been, or will be, taken by the Council to continue to progress improvements in the Council's governance arrangements.
84. We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016.
85. We continue to note that the Annual Governance Statement is not reported to the Governance, Risk and Best Value Committee (GRBV) prior to the annual accounts being reported. This means that the GRBV has not had the opportunity to consider whether the assurance statements reflect their understanding of risk or consider the adequacy of planned governance improvements.

Prior year action plan point 10

Remuneration report

86. Our independent auditor's report confirms that the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Charitable trust funds

87. The Council administers six charitable trust funds. Over the last few years the Council has rationalised the number of charitable trusts down from over 100 to six.
88. The total charitable trust fund balance as at 31 March 2019 amounts to £14.868million, an increase of £199,000 in comparison with the prior year.
89. The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The Council's charitable trust funds are covered by

the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit.

90. We have audited the Council's 2018/19 charitable trust funds. Our findings from our audit have been separately reported to the Trustees. In summary we reported the following:
- We have provided an unqualified audit opinion on the charitable trust funds annual accounts;
 - The Council has complied with the Local Authority Accounts (Scotland) Regulations 2014 as they relate to its charitable trust funds;
 - We did not identify any significant weaknesses over the accounting systems and internal controls associated with the charitable trust funds. We have however identified some areas with scope for improvement which have been included in a separate management report to the Trustees of the charitable trust funds.

Looking forward – IFRS 16 Leases

91. IFRS 16 Leases will be effective from 1 April 2020. IFRS 16 Leases will lead to a substantial change in accounting practice for lessees where the current distinction between operating and finance leases will be removed. Instead, it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee's obligation to pay for that right.
92. There are new requirements for measurement of the lease liability where it will initially be measured at the present value of the lease payments payable over the lease term but may rise to reflect any reassessment or lease modifications, or revised lease payments.
93. This will be an area of focus for our 2019/20 audit.

Qualitative aspects of accounting practices and financial reporting

94. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:



Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the Council.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	<p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Significant estimates have been made in relation to property, plant and equipment and pension liabilities. We consider the estimates made, and the related disclosures, to be appropriate to the Council.</p> <p>We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the expert is appropriate.</p>
The appropriateness of the going concern assumption	We have reviewed the financial forecasts for 2019/20. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Council will continue to operate for at least 12 months from the signing date.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the management commentary or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the accounts.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.



4. Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered.



The Council has a well-developed and responsive medium term revenue budget framework. The Council does not however currently have a long term financial strategy. We understand that this will be developed and presented to the Council over the course of 2019/20.

In December 2018, the Council had identified an estimated savings requirement of £41million in 2019/20. Reports to the Finance and Resources Committee have emphasised the need to prioritise the identification and delivery of these savings in order to achieve a balanced outturn position. As reported in August 2019, there still remains a residual gap of £11.416million before one-off mitigation through the Council Priorities Fund. In addition to this the residual Edinburgh Integration Joint Board (EIJB) gap for 2019/20 is £7.15million which assumes the delivery of £11.941million of savings. The delivery of this savings requirement poses a significant risk and challenge to the Council and we will continue to closely monitor this for the remainder of the 2019/20 financial year.



Significant audit risk

95. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities

Financial sustainability

During our 2017/18 audit, we noted that the Council has a well-developed and responsive Medium-Term Revenue Funding Framework.

In September 2018, the Finance and Resources Committee considered an update on the key financial assumptions underpinning the Council's revenue budget framework over the next four years. In noting the requirement to identify and deliver estimated recurring savings of at least £28million in 2019/20 and £106million by 2022/23, members approved *Planning for Change and Delivering Services 2019 – 2023* as the basis of public engagement. This period of engagement ran from 1 October to 7 December 2018, inviting the public to respond to a series of high-level proposals for change.

The financial assumptions underpinning *Planning for Change* have been reviewed and updated following the announcement of the provisional Local Government Finance Settlement for 2019/20. Alongside changes in a number of other expenditure factors, these have increased the incremental savings requirement in 2019/20 to £41.0million.

The achievement of the projected savings requirement presents a significant financial challenge particularly in the context of delivery of savings (80% of savings were delivered in 2017/18).

Excerpt from the 2018/19 External Audit Plan

96. As noted in previous years, the Council has a well-developed and responsive Medium Term Revenue Budget Framework. This framework covers a rolling period of four years; with the assumptions underpinning the framework reviewed on a regular basis and reported to members on at least a half yearly basis. The Council does not currently have a long term (over five years) financial strategy. We understand that a report will be presented to the Finance and Resources Committee during 2019/20 which outlines the Council's longer term financial projections. As outlined below we have reviewed the Council's arrangements for managing its financial position in this context.

Medium term financial planning

97. In September 2018, the Finance and Resources Committee considered an update on the key financial assumptions underpinning the Council's revenue budget framework over the next four years. In noting the requirement to identify and deliver estimated recurring savings of at least £28million in 2019/20 and £106million by 2022/23, members approved *Planning for Change and Delivering Services 2019 – 2023* as the basis of public engagement. A period of engagement ran from 1 October to 7 December 2018, inviting the public to respond to a series of high-level proposals for change.
98. Since the publication of *Planning for Change*, the Council has continued to develop the underlying detail of its long-term Change Strategy, centred around three key principles:
- driving improvements to deliver high quality services that citizens both expect and deserve;
 - targeting investment on prevention and early intervention to reduce long-term reliance on its services and enable citizens to lead active, independent lives; and
 - delivering growth within the city that is sustainable and inclusive.
99. The financial assumptions underpinning *Planning for Change* were reviewed and updated following the announcement of the provisional Local Government Finance Settlement for 2019/20. Alongside changes in a number of other expenditure factors, these increased the incremental savings requirement in 2019/20 to £41.0million. As a result, the savings requirement over the four year period for the framework is estimated to be £134.800million. The Council also noted that if a similar finance settlement was received, as in 2019/20, the revised savings requirement would be almost £150million.



100. The principal assumptions contained within the framework are detailed in Exhibit 3:

Exhibit 3: Principal assumptions contained within the revenue budget framework

	2019/20	2020/21	2021/22	2022/23
Expenditure				
Employee pay award	3%	3%	3%	3%
Other inflation	3%	3%	3%	3%
Income				
Discretionary fees and charges increase	5%	RPI +2%	RPI +2%	RPI +2%
Council Tax increase	3%	3%	3%	3%
Government grant funding change	-0.4%	-0.4%	-0.4%	-0.4%

Source: Council wide Change Strategy and Budget Framework September 2018 (Note: the government grant funding change assumption has been revised to reflect the actual level of settlement received in 2019/20 i.e. 0.7% ` annual reduction across all four years).

101. In addition to the principal financial assumptions, the revenue budget framework incorporates additional annual investment for the financial impact of demographic change, including changes in school pupil rolls, number of older people and individuals with physical and/or learning disabilities. The incremental provision for these assumptions over the four year period totals £37million.

2019/20 revenue position

102. In light of the challenging context within which the Council's 2019/20 budget was set, the need for action across four main areas was identified. Regular update reports have been presented to the Finance and Resources Committee on these areas:

- Development of robust implementation plans for the specific savings actions totalling £29.2million which were approved for delivery in 2019/20;

- Development of detailed and specific proposals to address the £9.5million efficiency savings target which was also approved as part of the 2019/20 budget;
- Identification of mitigating actions to address estimated combined residual pressures of £8.8million across the Communities and Families, Place and Resources Directorates; and
- Agreement, through the EIJB, of specific plans to address its estimated budget gap in 2019/20.

103. Progress in developing implementation plans for all specific savings approved for delivery in 2019/20 is regularly reviewed by the Corporate Leadership Team (CLT) Change Board. Additional project management support has also been allocated from the non-recurring £1million approved by Council in October 2018 to assist delivery of the more challenging approved savings measures.

104. In recognition of the trend of a reduction in the delivery of savings and the measures required to deliver those savings becoming more challenging, a risk contingency has been applied in estimating the actual level of savings that will be delivered during the year. An assumption has been made that 85% of savings identified will be delivered; this results in a revised residual gap of £11.416million.

105. In a report to the Finance and Resources Committee in August 2019, the following was noted:

- 93% of savings by value are assessed to be on track to be delivered during the year;
- Actions to address the Council wide 1.55% efficiencies target have been identified;
- Actions to address residual Directorate pressures on a sustainable basis through the identification and implementation of appropriate mitigating actions have also been identified.
- The residual Edinburgh Integration Joint Board (EIJB) gap for 2019/20 is £7.15million. This assumes full delivery of the approved savings programme of £11.941million on which some 71% of savings as at 19 July 2019 were currently assessed as green or amber.

106. A further update is to be provided to committee in October 2019.

107. We acknowledge the Council is taking active steps to achieve financial balance in 2019/20. The delivery of this savings requirement however poses a significant risk and challenge to the Council and we will continue to closely monitor this for the remainder of the 2019/20.



Edinburgh Integration Joint Board (EIJB)

108. The Council's financial offer to the EIJB for 2019/20 included continuation of the £4million additional funding provided in 2018/19, £9.127million for additional demography pressures, and an on-going requirement to recognising the Scottish Living Wage, along with a further £0.887million for the Carers' Act. The Council also approved to pass on, in full to the EIJB, a further £3.023million provided through the Local Government Settlement for expansion of free personal care for those under 65 years of age. Additional funding of £2.5million was added to the Council Priorities Fund and drawn down based on achievement of prolonged improvements in service outcomes i.e. delayed discharge, timings for assessment. £0.2million was also made available as transitional funding for organisations facing the greatest impacts following the loss of EIJB grant funding. Despite this significant investment substantial savings require to be delivered in year to maintain financial balance.
109. The Chief Executive has written to the Chief Officer of the Edinburgh Health and Social Care Partnership, re-emphasising the urgent need for development of detailed and sustainable savings proposals for 2019/20, given the resulting and increasing impact on the remainder of the Council's activity. Members of the Finance and Resources Committee have also met with the Chief Officer of the Edinburgh Health and Social Care Partnership and the Chief Financial Officer of the EIJB to discuss the EIJB's current and anticipated financial challenges and, more critically, their plans to achieve financial sustainability.
110. The EIJB's financial plan in 2019/20, despite a challenging efficiencies programme and the release of unallocated funds, contained unfunded spending commitments of £7.15million as at 31 August 2019. The financial and service performance of the EIJB remains a high risk issue and the Council needs to work together with the EIJB and NHS Lothian to reach an agreed financial settlement.

Prior year action plan point 6

Capital investment programme

111. The Council budgets for capital expenditure are based on a rolling five-year capital investment programme which is set within a high-level ten-year capital plan. This allows for a strategic approach to investment in the Council's assets.
112. The Council set its current capital investment programme on in February 2019 for the period 2019-

24 and identifies £907.886million investment in the Council's general fund services.

113. In August 2019, the programme was revised to take account of slippage and acceleration from 2018/19. The programme also reflects projects where funding has been approved since February 2019, with the most significant project being the Tram to Newhaven business case, which was approved in March 2019. The Council's indicative capital investment plan for the period 2019-2024 now totals £1.112billion.

Housing revenue account

114. The Council's housing revenue account five year budget strategy (2019-2024) is underpinned by the following key strategic documents:
- Five year business plan: sets out planned investment of £874million over a five year period. Assumes a 2% annual increase in rents.
 - Thirty year business plan
 - Five year capital investment programme
 - A Rapid Rehousing Transition Plan (RRTP)
 - Mixed Tenure Improvement Strategy
 - Strategy Housing Investment Plan (SHIP).
115. As reported to Finance and Resources Committee in August 2019, the HRA is forecasting a balanced position in 2019/20. Risk areas have been identified, including pressures over housing repairs and maintenance and the continued roll out of Universal Credit. These risks are monitored and reported to the Housing, Homelessness and Fair Work Committee and Policy and Sustainability Committee. Similarly, the Council is forecasting that its HRA capital investment programme in 2019/20 will be fully funded.



5. Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



The Council had appropriate arrangements in place for managing its financial position during 2018/19. The Council reported a net underspend against its revised balanced revenue budget of £1.582million (representing 0.2% of the total budget for the year). The Council has been able to maintain expenditure within budget for the twelfth successive year, despite reporting a net overspend within general fund directorates of £12.331million and delivering only 60% of approved savings in the year. Savings across non-directorate specific areas, including loans charges and Council Tax income were crucial in delivering a balanced overall position for the year. In 2019/20, these non-directorate specific area savings have been built into the financial plan, limiting the ability to use them in offsetting overspends within the directorates in the current and future years.

Around 75% of the general fund capital programme and 100% of the HRA programme was delivered in 2018/19.

We carried out a review of the revised financial model used to support the Council's decision to extend the Edinburgh Trams route as part of our audit. Our findings were presented to the Council in March 2019 and are summarised in this section of the report.



Financial performance

116. The 2018/19 Comprehensive Income and Expenditure Statement shows that the Council spent a total of £2billion on the provision of public services and recorded an accounting deficit of £127million. The accounting deficit is partly technical as it includes elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting (the Code), and which are subsequently adjusted to show their impact on statutory Council reserves.

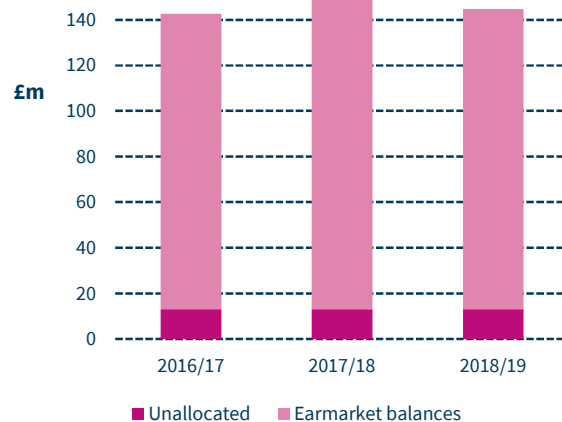
117. The key measure of performance in the year is the movement in the Council's general fund balance. Following the required adjustments, the net impact on the general fund is a decrease of £6.440million to £144.845million³. In total, cash backed (useable) reserves held by the Council decreased by £34.879million in the year to £242.883million (Exhibit 4).

Exhibit 4: Movement in the Council's useable reserves per the Annual Accounts 2018/19

	2017/18 £million	2018/19 £million	Movement £million
General Fund	151.285	144.845	(6.440)
Housing Revenue Account (paragraph 125)	0	0	0
Renewal and Repairs Fund	58.123	26.346	(31.777)
Capital Fund	63.558	55.908	(7.650)
Capital Grants Unapplied Account	4.796	15.784	10.988
Total useable reserves	277.762	242.883	(34.879)

118. In 2018/19 £131.820million of the general fund balance was earmarked with the remainder representing an unallocated general fund of £13.025million (Exhibit 5). This balance is in line with the medium-term strategy of the Council. The unallocated general fund equates to 1.36% of the annual budgeted net expenditure. There were no planned or actual contributions to the unallocated general fund for 2018/19.

Exhibit 5: The Council's General Fund balance decreased in 2018/19



Source: Annual Accounts 2016/17 to 2018/19

³ The overall decrease in the level of reserves is largely due to a net reduction within the Council Tax Discount Fund; reflecting a drawdown to support planned development of affordable housing in line with the HRA Business Plan.



119. Amounts are earmarked for a number of reasons:

- Balances set aside for specific financial risks (£92.421million) – including, for example, staff release costs, dilapidations and the insurance fund.
- Balances set aside from income received in advance (£30.364million) – includes grant income where there are timing differences between the receipt of grant income and associated planned expenditure.
- Balances set aside for investment in specific projects (£2.962million) – these will deliver savings in future years, such as Spend to Save.
- Balances held under the School Board Delegation Scheme (DSM) and Pupil Equity Fund (PEF) (£6.073million).

Revenue performance against budget

120. On 22 February 2018, the Council set a 2018/19 revenue budget of £989.1million. The revenue budget approved was based on the following:

- An increase in Council tax rates by 3%;
- The delivery of £36.5million directorate specific and corporate savings;
- Service investment of £25.602million in areas including property condition surveys and repairs and maintenance (£8.5million), additional funding to Health and Social Care (£4million) and additional provision for employee pay awards (£5.430million), homelessness initiatives (£2million); and
- The use of earmarked reserves of £6.152million.

121. Throughout the year updates are made to the revenue budget to reflect, for example, additional funding received, increases in Council tax income, one-off contributions from earmarked funds and savings in loan charges. As at 31 March 2019; the revised, balanced budget, was £991.173million.

122. The Council reported a net underspend against its revised balanced revenue budget of £1.582million. The Council has been able to deliver services within budget for the twelfth successive year, despite reporting a net overspend within general fund directorates of £12.331million and delivering only 60% of approved savings in the year (Exhibit 6).

123. As highlighted in Exhibit 6, three general fund directorates exceeded budgets during the year and did not achieve savings targets. The Resources Directorate reported a net underspend, despite only achieving only 39% of its savings target.

Exhibit 6: Extract from the 2018/19 Outturn Statement

Directorate	Budget £million	Actual £million	Variance £million	% planned savings achieved
Chief Executive	9.853	9.656	(0.197)	100
Communities and Families	394.862	397.307	2.445	81
Health and Social Care	200.754	208.237	7.483	44
Place	51.559	54.295	2.736	53
Resources	172.718	172.582	(0.136)	39
Lothian Valuation Joint Board	3.575	3.575	-	-
Directorate totals	833.321	845.652	12.331	
Non-directorate specific areas	157.852	142.229	(15.624)	100
Movements in reserves	(3.882)	(1.504)	2.378	-
Sources of funding	(987.291)	(987.959)	(668)	-
Total	-	(1.582)	(1.582)	60

124. Savings across non-directorate specific areas, including loans charges and Council Tax income were crucial in delivering a balanced overall position for the year. In 2019/20, these non-directorate specific area savings have been built into the financial plan, limiting the ability to use them in offsetting overspends within the directorates in the current and future years.

125. As highlighted in the financial sustainability section of this report, the Council has recognised the need for robust savings proposal developments and scrutiny at the inception, development and delivery stages.

Housing revenue account (HRA)

126. The balance on the HRA is nil. In line with the HRA Business Plan, at the end of 2018/19 the HRA was balanced after making a contribution of

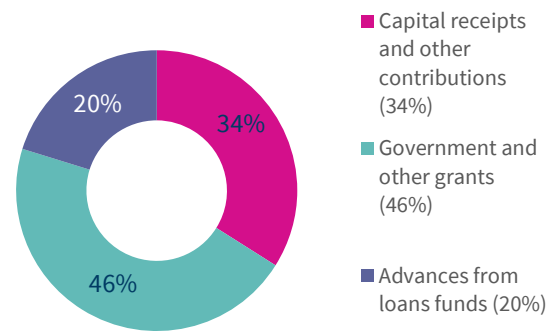


£6.757million towards in-year capital investment, with sums also drawn down from the Strategic Housing Investment Fund (SHIF) during the year to meet the cost of approved projects. The funds held in the SHIF are earmarked for investment in existing housing stock and future capital investment in new homes through the Council's own housing development programme.

Capital expenditure

127. During 2018/19, the Council reported total capital additions of £267million; of which £186million were general fund additions and £81million were housing revenue account (HRA) additions. In so doing the Council delivered on 75% of the revised general fund capital programme and 100% of the HRA revised capital programme. This was funded as shown in Exhibit 7.
128. Projects contributing to the slippage include:
- Early years programme (£15million)
 - National Housing Trust on-lending (£11.8million): completion of mid-market homes.
 - Edinburgh Living (£10.1million): completion of mid-market homes
 - North Bridge Refurbishment (£8.5million)
129. As noted under the 'financial sustainability' section of this report, the Capital Investment
130. Programme (CIP) for the general fund has been adjusted to reflect levels of slippage reported in 2018/19. As there was a negligible net overspend on the HRA capital programme, no revisions were required.

Exhibit 7: Sources of Capital Funding



Source: Capital outturn report 2018/19

Edinburgh Tram – York Place to Newhaven extension

189. Our annual audit plan identified a significant audit risk relating to the Edinburgh Tram proposed extension:



Financial management: Edinburgh Tram – York Place to Newhaven Project

In November 2015, the Council approved in principle Stage 1 plans to extend the Edinburgh tram line from York Place to Newhaven. An Outline Business Case (OBC) was presented to the Council in December 2015 and a high level governance structure was agreed in order to progress Stage 1 activities. This included mobilisation of internal resource, commencement of the procurement process for internal support, site investigation and waiving the Contract Standing Orders to retain the existing tram senior advisor.

As set out in our 2017/18 External Audit Plan and continued into 2018/19, we are undertaking work in conjunction with the Council's internal auditors to review the tram extension project. The scope of our review was considered by the Tram Extension and Leith Programme Board in August 2018. The key areas included within the scope are:

- Options appraisal process;
- Financial model;
- Project business case;
- Project governance;
- Procurement process and supplier management; and
- Lessons learned.

Our work is focused on the options appraisal process and the financial model, while internal audit are considering the project business case, governance arrangements, procurement processes and lessons learned.

In our 2017/18 Annual Report on the Audit we reported on our initial findings; covering the options appraisal process and preliminary work on the financial model.

In 2018/19, we will carry out a review of the revised financial model which is used to develop the final business case.

Excerpt from the 2018/19 External Audit Plan

- | | |
|--|--|
| <p>131. In 2017 the Council prepared an Outline Business Case for the completion of the existing tram line from York Place to Newhaven. Over the following year detailed design work was undertaken as well as the development of a financial model and the work to support the procurement of this contract. In February 2019 the Transport and Environment Committee considered the detailed final business case for the project. This was subsequently referred to full Council in March 2019 and approved.</p> | <p>134. Our review of the financial model involved:</p> <ul style="list-style-type: none"> • Considering the competencies, capabilities and objectivity of all external parties involved in inputting to the financial model. • Reviewing the assumptions and data used to construct the financial model, and • Reviewing the model's architecture and functionality. |
| <p>132. As part of our responsibilities to report on how the Council demonstrates best value, we agreed to undertake work to consider how the Council had performed against the following best value characteristics:</p> <ul style="list-style-type: none"> • Sound governance at a strategic, financial and operational level; • Sound management of resources; and • Use and review of options appraisal | <p>135. Our conclusions were set out in a letter to the Director of Finance and was also provided to all Members prior to the Council meeting in March. Overall, we concluded that the use of external specialists was appropriate. We were able to agree all material assumptions used in the financial model to supporting evidence, and we were satisfied with the integrity of the financial model. We raised a number of key observations which the Council responded to in a briefing note (again shared with all Members). These are set out below:</p> |
| <p>133. The scope of our work was agreed in conjunction with internal audit.</p> | |



Scott-Moncrieff observation	Council response
Not all sensitivities were considered within the FBC	The worst case cumulative scenario shows a deficit of £131.9m. These scenarios were considered highly unlikely to arise.
The Council used an optimism bias of 6% in line with Scottish Government guidance. A review carried out by Oxford Global Projects was used to support the Council's modelling of optimism bias to reflect a 20% chance of cost overruns. The Oxford Global Projects work also highlighted that to reduce the chance of cost overrun to 5% the Council would have to make contingency for higher project costs of £334.8million. The consultants recognised that this cost was highly unlikely to be required given the work undertaken to date.	The Council ran the financial model using the 5% chance of cost overrun. In the event that this was the eventual outcome the effect was projected to be a deficit of £68m.
Some of the assumptions used in the financial model were based on 2017 data.	2017 figures were validated wherever possible against more up to date 2018 data.
The FBC noted that the Council would consider any recommendations arising from the Edinburgh Tram Inquiry being led by Lord Hardie when these become available.	The Council undertook its own lessons learned exercise and the results of this were built into the Final Business Case. Lord Hardie has yet to report on the findings in relation to the original Edinburgh Tram project.
The potential financial uncertainties arising from Brexit had not been modelled or included within the Final Business Case	Whilst accepting this, the Council noted that risk and sensitivity work regarding the project had included consideration of the impact of exchange rate fluctuations, labour market shortages, interest rate changes, the impact on tourism and a more general economic down-turn which could be caused by Brexit.
136. The Council's procurement strategy for this contract was based on market research and consultation with interested parties. The project was subsequently split into two lots: Lot 1 was the main infrastructure and systems contract, Lot 2 the swept path contract. For Lot 1, following a tendering process, a shortlist of two applicants tendered for the work and following a subsequent best and final offer stage the contract was awarded to SFN JV a joint venture between three contractors. For Lot 2 following a tender process Morrison Utility Services Ltd ((MUS Ltd) were awarded the contract.	delivery of the project. The contractors are currently finalising prices based on detailed design work with the Project Board likely to determine whether a final notice to proceed is issued by October 2019. Construction work will start in early 2020 with a target completion date of 2023.
137. A Project Board made up of senior officers within the Council and representatives from Edinburgh Trams and Transport for Edinburgh is responsible for taking the project forward. The Project Board also includes an independent member and has its own Finance and Risk sub-group which meets monthly to monitor project risks, make recommendations to the Project board and decide on specific matters affecting project delivery. The Senior Responsible Officer (SRO) reports into the Project Board but has overall responsibility for the	138. Internal audit's involvement in the tram project is ongoing. Reviews have been undertaken of project governance and the procurement of the tram infrastructure & systems contract and swept path contract. Both reviews were rated as medium risk with recommendations raised and agreed with the SRO. Systems of internal control 139. We have evaluated the Council's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach includes documenting the processes and key internal financial controls within the Council's key financial systems and performing walkthrough testing to confirm our understanding of those



systems. For certain systems we also test a sample of internal financial controls to establish whether they provide adequate assurance to support the preparation of the financial statements.

140. As reported more fully in our Review of Internal Financial Controls report, we did not identify any significant deficiencies in the design, implementation or operation of internal financial controls over the Council's key financial systems. We considered the systems to be well designed. We did identify areas with scope for improvement which, if addressed, would further strengthen the system of internal financial control.

Internal audit

141. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Council's total audit resource. Each year we consider whether it is the most effective use of the Council's total audit resource to place reliance on the work of internal audit. When reliance is to be placed over the work of internal audit we carry out an assessment of the internal audit function to ensure this is sufficient in terms of quality and volume, and is performed in accordance with the Public Sector Internal Audit Standards (PSIAS).
142. We have reviewed the Council's internal audit arrangements in accordance with International Standard on Auditing 610 (Using the Work of Internal Auditors), to determine if we could rely on the work of internal audit and if so, to what extent.
143. In its 2018/19 annual report, internal audit noted that it had not fully conformed with Public Sector Internal Audit Standards (PSIAS) for the following reason:
144. Ongoing recruitment challenges arising from staff turnover and an increase in the size of the in-house internal audit team had impacted upon the implementation of the internal quality assurance process to ensure consistency of audit quality
145. Action has been taken to address instances of non PSIAS conformance. Internal audit managed its resourcing challenges to ensure sufficient and appropriate audit coverage. We have considered this area of non PSIAS conformance when assessing whether reliance can be placed on the work of internal audit. We concluded that this has not had a direct impact on our assessment.
146. Overall we concluded that we will place reliance on the work of internal audit where appropriate.

Prevention and detection of fraud and irregularity

147. In accordance with the Code of Audit Practice, we have reviewed the arrangements for the prevention and detection of fraud and irregularity. Overall, we found the Council's arrangements to be sufficient and appropriate.

National Fraud Initiative (NFI)

148. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
149. The NFI exercise produces data matches by comparing a range of information held on various public bodies' systems to identify potential fraud or error. Bodies investigate these matches and record appropriate outcomes based on their investigations.
150. The most recent NFI exercise commenced in October 2018 and as part of our 2018/19 audit we monitored the Council's participation in NFI. We submitted an assessment of the Council's participation in the exercise to Audit Scotland in June 2019. Overall we concluded that the Council continues to actively participate in the NFI exercise.



6. Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. Through the chief executive, monitoring officer and section 95 officer, the Council is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements. Organisations usually involve those charged with governance in monitoring these arrangements.



The Council has reviewed its political management arrangements to further improve its decision making effectiveness.

During the 2018/19 audit, it has become clear that the arrangements for sharing sensitive information between some Councillors and the leadership *team require to* be reviewed. There are tensions which arise from dealing with personal sensitive data and the rights of Councillors to have access to all information required to carry out their duties. It is important that all Councillors and senior staff have a clear understanding of their rights and responsibilities in relation to information held by the Council. Councillors and the senior leadership team should review the current protocols to ensure these are still appropriate and that both members and officers can comply fully with their responsibilities.

We are concerned that there are still considerable overdue findings from internal audit reports and late management responses to draft internal audit reports. In August 2019 internal audit reported that 47 internal audit findings (those overdue where management action had not been actioned or evidenced) were outstanding. Of these 26 were more than one year old. 118 management actions were also identified as overdue. There were high rated findings in both overdue management actions and internal audit findings. Greater prioritisation should be given to addressing issues raised by internal audit across the Council.

As part of our 2016/17 external audit of the City of Edinburgh Council, we performed a review of CGI's security management arrangements. During the current year audit, we assessed the extent to which progress has been made in addressing outstanding recommendations from the 2016/17 review. Overall, the evidence received from CGI has not been sufficient to allow us to form an opinion on whether recommendations have been addressed. Based on the evidence that has been provided, there is limited evidence of progress against the majority of recommendations.



Governance and transparency

Governance arrangements

151. In May 2019, the Council reviewed its political management arrangements. This followed a request by the Council to the Chief Executive to address the imbalance in workload across executive committees, to consider the use of committee working groups, give greater opportunity for policy business at Council meetings and increase the opportunity for scrutiny by executive service committees.
152. As a result of the review, the Council's political management arrangements have been modified from 1 August 2019. Executive committee remits have been rebalanced and the former Corporate Policy and Strategy Committee given a stronger corporate, cross-cutting role with a refreshed membership including all executive committee conveners. Performance reporting including reporting on progress against commitments will in future be undertaken by this committee on a six-monthly basis, rather than through executive committees. We will continue to monitor whether this addresses the issues identified with the previous arrangements during our 2019/20 audit.
153. In considering committee remits the Council considered committee statistics including the volume of reports being submitted to committees. We recommend that further consideration is given as to whether the content of reports can be improved in terms of their clarity and use of technology.

Action plan point 3

154. During the 2018/19 audit, it has become clear that the arrangements for sharing sensitive information between some Councillors and the leadership team require to be reviewed. There are tensions which arise from dealing with personal sensitive data and the rights of Councillors to have access to all information required to carry out their duties. It is important that all Councillors and senior staff have a clear understanding of their rights and responsibilities in relation to information held by the Council. Councillors and the senior leadership team should review the current protocols to ensure these are still appropriate and that both members and officers can comply fully with their responsibilities.

Action plan point 4

155. Our consideration of committee minutes and associated reports concluded that a robust array of support materials was available to decision makers.

including objectives, target KPIs and other metrics. Corporate plans and strategies are referenced throughout performance reports. In general, we considered the information provided to committees was sufficient for members to assess the impact of decisions on resources and performance.

156. The Council provides continuing development opportunities for elected members to support them in their roles and to better understand their responsibilities. The Council has revised its Councillor induction and training programme, drawing upon best practice from other organisations including the Scottish Parliament, informed by exit interviews conducted with Councillors who indicated their intention not to stand again and also reflecting the views of political groups.

Leadership and vision

157. In August 2017, the new Administration published its Business Plan 2017-22. The plan sets out the five Strategic Aims and 20 outcomes for the current term and links the aims and outcomes to 52 coalition commitments. As the capital city, and lead for the Regional City Deal, the Council's role in delivering leadership and clarity of vision for the future is critical.
158. Since 2016, the Council has engaged with partners and communities to develop the Edinburgh City Vision 2050. In 2018 the Community Plan 2018 – 2028 was published by the Edinburgh Partnership. The Plan sets out a programme of work under three workstream priorities:
- Enough money to live on;
 - Access to work, learning and training opportunities; and
 - A good place to live.
159. The Community Plan is supported by four locality community planning partnerships which are responsible for managing the priorities of each locality: leading, delivering and progressing the associated locality improvement plans.

Best value focus – community responsiveness

160. Empowering communities is a national priority for the Scottish Government. It is an important part of public service reform, focussing attention on reducing disadvantage and inequality and improving outcomes for communities.



161. The Edinburgh Partnership was established as the community planning partnership for the city and is responsible for meeting the statutory requirements of the Community Empowerment (Scotland) Act 2015 (the Act), providing community bodies with new rights in a drive to boost community power and engagement.
162. The Act, which provided the Council with a welcome opportunity to refresh its ways of working, requires the production of a Local Outcomes Improvement Plan (LOIP) or 'Community Plan', The Edinburgh Partnership Community Plan 2018-2028 (Community Plan) underwent an Integrated Impact Assessment (IIA) and was approved by the Partnership Board at its meeting in October 2018 and now provides the framework for supporting the delivery of partnership working to tackle poverty and inequality, considered to be the single most critical challenge faced by community planning partners in the city. This current Community Plan replaces its previous equivalent which had been developed under the old Administration and related to the period 2015-18. A complementary governance framework outlining the vision, membership and remit of the respective components of the Partnership has also been developed.
163. Under the Council's Strategic Planning Framework 2016-2028, the Community Plan forms part of a wider multi-agency approach to improving outcomes for Edinburgh's residents and communities. The Community Plan has been designed to complement and align with wider Council strategies and plans, rather than duplicate or replicate what is already happening.
164. The Community Plan sets out an initial programme of work under these three priority workstreams, identifying:
- What is known now – evidence on the scale of the challenge and opportunity to make improvements through partnership action;
 - What is being done now – current partnership activity already in place and the additional activity needed to meet the vision;
 - What difference the work within the Community Plan will make – the changes and actions that will be led by the Council through the implementation of the Community Plan, and the outcomes those actions will deliver; and
 - How it will be determined whether a difference has been made – the performance indicators set against the plan to provide insight into progress.
165. The developments in community planning have taken significant time to establish. The Community Plan remains in its infancy and many of the key component parts are still being bedded in. During 2019/20 we will re-visit this area to satisfy ourselves that the planned programme of work has been appropriately actioned, good progress is being achieved and that stakeholders are satisfied with the changes made.

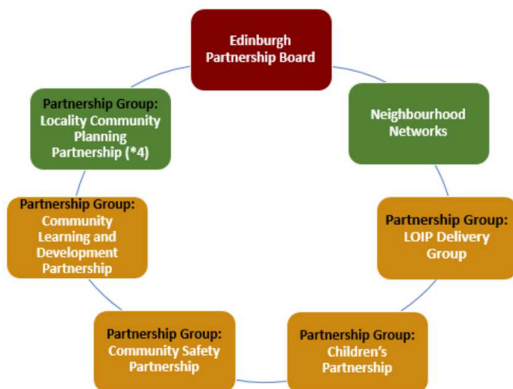
Community responsiveness – revised community planning structures

166. The Edinburgh Partnership recognised that the community planning arrangements in the city were complex with the governance model operating at three levels: city, locality and neighbourhood (community).
167. In December 2017 the Partnership agreed to carry out a review and consultation of governance and partnership working arrangements with the aim of identifying a simplified and streamlined model of working that would:
- Provide a shared understanding and clarity of purpose;
 - Maximise stakeholder influence and participation; and
 - Provide greater accountability and transparency, all with a view to delivering better outcomes for communities and specifically those experiencing the greatest inequality.
168. The work was managed by a project board and was undertaken in two phases: Phase 1 being review and Phase 2, consultation.
169. The review phase, which sought stakeholders' views on the effectiveness, strengths and challenges of the current arrangements and opportunities for improvement, identified weaknesses in the arrangements particularly in relation to transparency, connectivity and community participation. There was a focus on ensuring opportunities were provided for all voices to be heard and in particular on providing a mixture of communication methods that suited different communities and individuals. The review identified that any changes to the governance structure should be radical and not limited to tweaking what was in place.
170. The findings of the review phase were then used to inform the questions posed in the consultation phase, conducted in accordance with the Council's Consultation Framework. The consultation sought the views of participants as to how to simplify the



- Edinburgh Partnership's governance arrangements and improve community participation in its decision making with two options proposed within.
171. We are satisfied that the one-and-a-half month consultation was accessible to stakeholders in a variety of forms (online, paper based, face-to-face workshops), and we were advised that additional publicity was undertaken through social media messaging, and information posted on partners websites and through newsletters, reducing the risk of exclusion.
172. 80 responses to the consultation were received from a variety of stakeholder groups. Responses were unanimously in favour of the new governance structures helping to strengthen community influence and representation in community planning and a variety of proposals were shared as to how this may be achieved. Participants felt that the new governance structure is one way in which the Edinburgh Partnership will clarify how communities are being listened to and also recognised that better communication was key to improving transparency.
173. The findings from both the review and consultation, together with the statutory requirements of the Act, then informed the development of the new governance arrangements which were approved by the Edinburgh Partnership in October 2018 as follows:
175. Additionally there are now four locality community planning partnerships (LCPPs) established (albeit not determined by statutory regulation) which are accountable to the Board in respect of leading, delivering and progress on the locality improvement plan (LIP). We have been advised that the LCPPs should be fully operational by December 2019. These LCPPs replace the locality committees previously in place which have now been disbanded.
176. The revised neighbourhood networks foundation (NNs) is based around the old Neighbourhood Partnership boundaries, applying established geography to determine the neighbourhood networks: previously there were 12 neighbourhood partnerships and now there are 13 networks. These bodies are continuing as community planning bodies whilst the membership, boundaries and remit of the new NNs are considered. It has been recognised that there are already established informal networks within communities and that the development of the NNs should be about broadening and linking them together.
177. The overall role of the networks will be to identify the priorities and outcomes for community planning through building effective and meaningful community participation. Responsibility for determining how best to ensure the different community voices are heard will form a key element of the networks remit.

Exhibit 8: New governance arrangements



174. Under the revised governance model, the Edinburgh Partnership Board, with a refreshed membership and remit remains the strategic lead. The Board is now supported by four partnerships, reduced from the 11 previous partnership and advisory groups. All four partnerships, each with their own remit and membership are directly accountable to the Board.
178. The remit and membership of the locality community planning partnerships and neighbourhood networks are currently being developed with partners as part of the stakeholder engagement process at a local level. However, to ensure consistency across the city, we understand that these will be subject to the agreement of the Board as part of its governance framework, albeit this should not be to the detriment of appropriately recognising the diversity of all communities represented.
179. Good communication across all the groups within the governance structure is seen as key to ensuring trust is built between groups.
180. Whilst an agreed revised governance model has now been reached, it must be recognised that the evolving legislative landscape could bring with it a need for further changes in the future. We are satisfied that the Council has invested significant resource over the last year and a half in reaching its revised position with regard to its Partnership governance structure and its Community Plan. However, whilst the implementation phase remains live, we will need to ensure that we re-visit this in



2019/20 to satisfy ourselves that the revised structures have been satisfactorily rolled out and are delivering needed results.

Following the public pound

181. The Council uses a number of arms-length external organisations (ALEOs) to provide services on its behalf, including Transport for Edinburgh Limited and CEC Holdings Limited. While the ALEOs are responsible for the delivery of the services, the Council remains responsible for the public money it provides to the ALEO and the quality of services the ALEO provides. The Council needs to hold ALEOs to account for their use of public funds and should have sufficient governance arrangements in place to do so.
182. A Council Governance Hub, chaired by the Chief Executive, has been established to scrutinise the management of the Council's ALEOs, seek assurance over the delivery of services and to ensure that the Council is aware of any risks. ALEOs are also required to report to the Council once a year with their forward plans which are considered at the relevant Council committee, with their accounts and past performance is scrutinised by the Governance, Risk and Best Value Committee.
183. We are satisfied that the Council's following the public pound arrangements appear to be well-developed and improving.

Standards of conduct

184. In our opinion, the Council's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate.

Risk management

185. Well-developed risk management arrangements help Councils to make effective decisions and secure better use of resources. The Council's GRBV committee is responsible for monitoring the effectiveness of the risk management arrangements in place with risk management responsibilities held at corporate, divisional and team level and leadership teams reviewing risks quarterly.
186. Emerging risks are escalated to the Corporate Leadership Team (CLT) as appropriate. During our review, we were satisfied that risks are actively managed and subject to escalation or scaling down as appropriate. There is now a single risk management system in place to manage Health and Social Care Partnership and Integration Joint Board risks.

187. The Council reviewed its Enterprise Risk Management Policy and risk appetite in August 2018. We consider this provides a strong basis for monitoring risk. A review of GRBV meetings confirmed there is robust discussion on the CLT's risk reports.
188. The Councils highest 6 corporate risk as reported in August 2019 are:
- Health and social care services -- increased demands for services and demographic changes impacting adversely on financial and operational performance;
 - The age and condition of certain Council properties impacting on operational delivery and the safety of staff and service users;
 - The lack of appropriately qualified programme management resource to successfully deliver major programmes and projects on budget and to time;
 - Information and data security failure;
 - Reduced funding and increased demand impacting on medium term financial planning;
 - Occurrence of a major incident.
189. During the year there have been changes in the organisation and personnel within the risk management team. Arrangements going forward are currently being reviewed with the intention of further delegating responsibility to teams and reviewing the use of future risk management arrangements.
190. Overall, we are satisfied that risk management arrangements appear to be embedded across the Council. We did however note that risk no longer features as a standing heading on Council reports requiring decisions. We recommend that is re-introduced to ensure it is properly considered in decision-making.

Action plan point 5

Responding to audit recommendations

191. In August 2019 internal audit's annual audit opinion for 2018/19 was reported to the Council's GRBV. The opinion stated that the Council's established control environment; governance and risk management arrangements, had not adapted or evolved sufficiently to support the effective management of the risk environment and the Council's most significant risks. A red rated opinion was issued reflecting that significant enhancements were required to the Council's established control environment to ensure that the most significant risks were mitigated and managed. Internal audit



highlighted the following significant areas where improvement was required:

- Key first line management controls (most notably quality assurance reviews) had frequently not been established or were not consistently reviewed to support the management of key service delivery risks;
- Significant concerns continued to be highlighted in relation to the management of technology risks.
- Further improvements were required to ensure that: Senior Responsible Officers and project managers are managing projects in line with the Council’s project management framework, whole of life costing is applied to projects and that adequate project management resource is provided to support major projects
- A new Corporate Property Strategy which is achievable and realistic is required as is complete and accurate data on all Council property assets.

192. The red rated audit opinion has not changed since the previous financial year. The Council needs to make clear progress in addressing the weaknesses identified to allow an improved internal audit opinion.

193. We are concerned that there are still considerable overdue findings from internal audit reports and late management responses to draft internal audit reports. Whilst these are reported monthly to the Corporate Leadership Team and quarterly to GRBV this trend has continued throughout 2018/19. In August 2019 internal audit reported that 47 internal audit findings (those overdue where management action had not been actioned or evidenced) were outstanding. Of these 26 were more than one year old. 118 management actions were also identified as overdue. There were high rated findings in both overdue management actions and internal audit findings.

194. Whilst we are satisfied that internal audit is seen as an important element of the internal control framework by senior management and Councillors there needs to be a greater prioritisation of addressing issues raised by internal audit across the Council.

Action plan point 6

CGI contract management

195. As part of our 2016/17 external audit of the City of Edinburgh Council, we performed a review of CGI’s security management arrangements. CGI was appointed in 2016 for an initial period of seven years

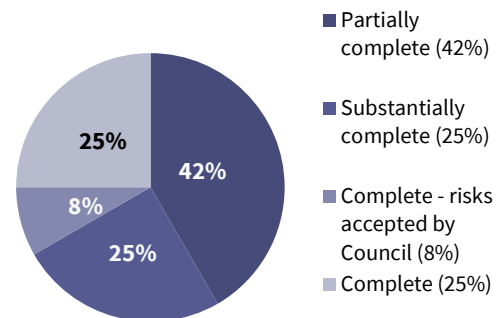
to provide outsourced ICT and transformation related services to the Council.

196. Our review contained twelve recommendations, 9 of which were rated as “High”.

197. The findings from this report were presented to the November 2017 Governance, Risk & Best Value (GRBV) Committee as a ‘B’ agenda item. In response to the findings, the Committee agreed that an update on progress with agreed actions should be presented to the January 2018 and then the May 2018 meetings.

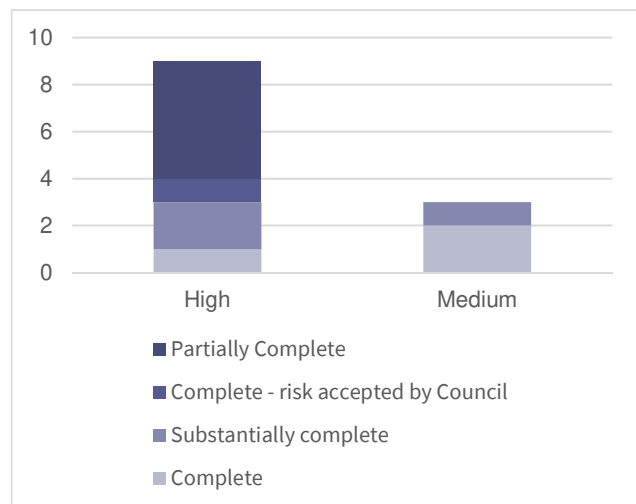
198. The progress report submitted to the May 2018 GRBV Committee was as follows:

CGI Security Management follow-up May 2018 – Summary of progress



199. By grade the position was:

Completion rates by risk grading



200. As part of our external audit work for the 2018/19 audit, we requested an update from CGI with supporting evidence to allow us to assess the extent



to which progress has been made in addressing outstanding recommendations.

201. Overall, the evidence received from CGI has not been sufficient to allow us to form an opinion on whether recommendations have been addressed. Based on the evidence that has been provided, there is limited evidence of progress against the majority of recommendations.

Action plan point 7

202. In particular, we noted that there has not yet been any internal vulnerability scanning performed. CGI agreed to provide this service in early 2018 and it is concerning that this action remains outstanding.
203. We also noted that controls in relation to management and monitoring of generic and default privileged accounts for the Wintel environment are not sufficiently robust to confirm that access can be attributed to a named individual and that use of such accounts is subject to regular monitoring. CGI does include details in monthly security reports of active privileged accounts but these do not provide any assurance on their appropriateness and when the accounts were last used.
204. The patching status of servers and desktops is reported on a monthly basis to the Security Working Group. We noted that the patching levels of the Wintel and UNIX environments are continuing not to meet agreed standards.

Best value focus – fairness and equality

External strategies

205. The Council has continued during the year to develop its Equality, Diversity, and Rights Framework 2017-21. The Framework includes a set of five service improvement outcomes, developed through engagement with members of the Edinburgh Equality and Rights Network, community planning partners, and senior managers and chief officers in the Council.
206. The Framework outcomes were informed by community and service area intelligence drawn from engagement processes, including the development of the Edinburgh City Vision 2050, along with insights from needs assessments and performance information.
207. At the time of completing our audit, it was clear that the external arrangements around fairness and equality, and the Edinburgh Partnership Community Plan ('Community Plan'), were still in the implementation phase.

208. Discussion about concrete outcomes against which the Community Plan will measure indicated that whilst broad outcomes around employment rates, neighbourhood satisfaction, access to affordable housing, and child poverty rates are in place, ways of measuring and outcomes against other equalities measures are yet to be fully determined.

209. The Community Plan 2018- 2028 makes clear that the Council will continue to measure, monitor and develop the plan to reflect the community and progress made. We will consider during 2019/20 whether appropriate actions, and ongoing monitoring and reporting have been implemented.

Internal Council strategies

210. The Council's internal arrangements are also undergoing a transformation. A new Diversity and Inclusion Strategy and Plan is due for committee approval in October 2019.
211. The new strategy clearly looks to engage with the current Council staff to assess the Council make-up and identify gaps, as well as to strengthen internal policies to support staff with varied needs.
212. The plan includes greater involvement with staff networks and plans to use focus groups and external third parties to help inform the process of developing a more inclusive culture that promotes diversity and respect.
213. As reported by Audit Scotland, the Council has a responsibility to tackle poverty, reduce inequality and promote fairness, respect and dignity for all citizens. In achieving Best Value the Council has to be able to demonstrate that: equality and equity considerations lie at the heart of strategic planning and service delivery, that there is a commitment to tackling discrimination, advancing equality of opportunity and promoting good relations within the organisation and the wider community, that equality, diversity and human rights are embedded in its vision and strategic direction and throughout all of its work, including its collaborative and integrated community planning and other partnership arrangements, and there is a culture which encourages and is working towards the elimination of discrimination.
214. We are satisfied from our review of Council documents (including the Business Plan, Change Strategy, the Community Plan and Equalities and Rights Impact Assessments (ERiAs)) as well as discussions with key staff that there is evidence that equality, diversity and human rights are embedded in the Council's vision and strategic direction.



215. Equality considerations are included in the Council's planning, evaluation and reporting processes. There is evidence that there is a commitment to tackling discrimination and advancing equality opportunities and promoting good relations within the organisation and externally, including in its collaborative and integrated community planning and partnership working.

Edinburgh and South East Scotland Regional City Deal

216. On 7 August 2018 the Council signed the Edinburgh and South-East Scotland City Region Deal. Other co-signatories to the Deal included five other local authorities, the region's universities and colleges and the region's business and third sectors. The Deal committed the UK and Scottish Governments to jointly invest £600m over the next 15 years with regional partners committing to add in excess of £700m. Projects included within the Deal included transport, research development and innovation, culture, employability and housing.

217. The principal projects impacting directly on the City of Edinburgh Council's responsibilities were:

- West Edinburgh public transport infrastructure
- IMPACT concert hall
- New housing partnership
- Housing infrastructure projects

218. Business cases for each of the projects are required to be approved by both Governments and the Councils/HE/FE Courts involved and then by the Joint Committee. To date 8 business cases covering approximately 30% of the total projects envisaged under City Deal have been approved.

219. The City of Edinburgh Council was appointed as the accountable body for City Region Deal finance and all grant funding from the Government with the exception of funding on the Sheriffhall roundabout project will be channelled through the Council. In the year to March 2019 no funding was received relating to City Deal projects, the first funds of £41.6m being received from the Scottish Government in April 2019.

220. A Joint Committee comprising the leaders from the six local authorities involved and representatives from the universities/college sectors, the business sector and the third sector together with a secretariat has been established. The Joint Committee will meet at least four times during the year and will oversee and monitor the implementation of the City Deal Programme. Below the Joint Committee, an Executive Board will be supported by Advisory and Thematic Advisory Boards and Groups. Project groups will be

established as part of the respective Business Cases and these will feed into the Advisory Boards. Standing Orders setting out delegated authority levels were approved by the Joint Committee in November 2018.

221. City Deal work is supported by a Programme Management Office established within the Council. This is jointly funded by the 7 partners to the Deal.

222. In 2019/20 further consideration will be required with regard to the accounting required to reflect City Deal transactions and other contributions within City of Edinburgh Council's accounts. We recommend that these discussions take place as soon as possible.

223. Whilst the majority of the City Deal is concerned with the funding of construction projects it is clear that the groups which have been set up as part of the City Deal governance structure enable regional partners to come together to consider joint working over a range of regional issues.



7. Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the Council's own reporting of its performance.



The Council continues to monitor its' performance against "The Programme for the Capital Business Plan 2017 – 2022." The Council outlines its ongoing commitment to improve and invest in local services delivered to citizens.

We are satisfied the Council reports its public performance in line with the Local Government Benchmarking Framework. We also consider the 2018/19 Annual Performance Report, represents an honest and balanced view of the 2018/19 performance of the Council.

The Council in 2018/19 has demonstrated improvements in performance in several areas including delayed discharge levels and the number of families and young people living in temporary, bed and breakfast accommodation.

Certain performance indicators in waste management, adult social care services and homelessness however remain poor and significant improvements are required, including the pace of change in implementing such improvements.



Value for money

Performance framework

224. The Council published “The Programme for the Capital: The City of Edinburgh Council Business Plan 2017-2022” in August 2017. The business plan sets out the Council’s vision and strategic aims for the term of the administration. These strategic aims are summarised as delivering:

- A Vibrant City
- A City of Opportunity
- A Resilient City
- A Forward-Looking Council
- An Empowering Council.

Public Performance Reporting

225. It is the duty of a local authority to make arrangements for the reporting to the public of the outcomes of the performance of its functions.

226. Public performance reporting is a fundamental requirement of Best Value. Local authorities must ensure that in approaching public performance reporting they must: engage stakeholders, give an honest and balanced picture plus, information is published in a timely and engaging manner.

Local Government Benchmarking Framework

227. The Accounts Commission has a statutory power to define performance information that local authorities have to publish. The 2015 Direction, which applies until 31 March 2019, reinforced the Accounts Commission’s focus on public performance reporting (PPR) prescribed two statutory performance indicators.

SPI 1: Each Council will report a range of information setting out:

- Its performance in improving local public services (including with partners).
- Its performance in improving local outcome (including with partners).
- Its performance in engaging with communities and service users, and responding to their views and concerns.
- Its performance in achieving Best Value, including its use and performance benchmarking; options appraisal; and use of resources.

SPI 2: Each Council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework.

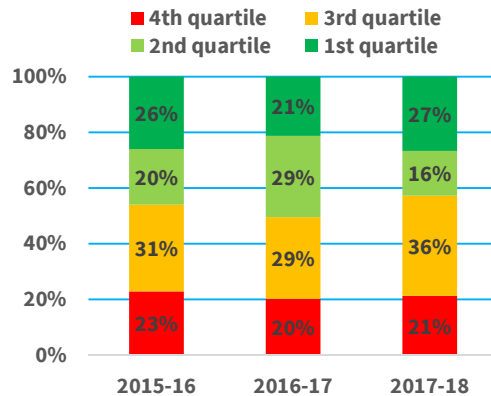
228. We are satisfied the Council reports its’ public performance in line with the Local Government Benchmarking Framework. We also consider the 2018/19 Annual Performance Report, represents an honest and balanced view of the 2018/19 performance of the Council.

229. Overall, the City of Edinburgh’s performance compared to other Scottish local authorities declined in 2017/18 (Exhibit 9 on “performance relative to other Scottish authorities”). The analysis relates to 2017/18 given the timeframe for collecting and publishing LGBF information. Across 75 Local Government Benchmarking Framework (LGBF) indicators, the Council improved performance in 36 of the indicators; has seen two indicators maintaining performance and reported a decline in 37 indicators. Four children’s performance indicators, which are collected every two years with 2016/17 being the latest update, have not been included. Areas of poor performance falling below the national average include:

- The quality and housing standard of Council provided houses (measured by the dwellings meeting the Scottish Housing Quality Standard), remains the lowest nationally for the fourth year in a row. Performance however, has improved in 2017/18 to 80.7% compared to 2016/17 at 75.6%
- The Council recorded lower levels of satisfaction with refuse collection at 63.3%, placing the City of Edinburgh as the lowest ranked authority in Scotland.
- 88.7% of assessed streets achieved a cleanliness score (LEAMS). This is a reduction of 3.6% compared to 2016/17. Satisfaction with street cleaning continued to decline and the Council achieved a low score of 61.3%.
- The cost of road maintenance (measured per kilometre of roads) continues to be substantially higher than the Scottish average. In comparison to other urban cities in Scotland (Aberdeen City, Glasgow City and Dundee City), the Council has comparatively high costs for road maintenance.



Exhibit 9: Overall 2017/18 performance slightly declined relative to other Scottish authorities.



Source: Local Government Benchmarking Framework, Improvement Service 2019.

230. Our performance analysis demonstrates that there are areas the Council performs strongly in, which include:
- Cost indicators for primary, secondary and pre-school per pupil.
 - The percentage of rent lost due to voids in 2017/18 was 0.58%, 0.31% less than the Scottish average.
 - The proportion of individuals earning less than the living wage has decreased to 14% in 2017/18. Edinburgh City Council ranks as the second-best performing authority within this indicator.
 - Adult satisfaction with parks, open spaces, museums and galleries continues to increase year-on-year. This is in part due to the Council continuing to provide low cost leisure services to citizens.
231. In terms of the Council's performance in 2018/19 against previous years, whilst there has been some improvement in some of the Council's key indicators we are disappointed to note that there is a continuation of areas of poor performance within Adult Social Care Services, Environmental Services and Homelessness.

Action plan point 8

Adult Social Care Services

232. Our annual audit plan identified a significant audit risk relating to Health and Social Care:



Value for Money: Health and social care

Our audit in 2017/18 highlighted specific concerns around the performance of health and social care outcomes. An analysis of performance against the rest of Scotland for national outcome indicators continues to place it in the lowest quartile for a number of key indicators including:

- The number of days people spend in hospital when they are ready to be discharged
- The percentage of carers who feel supported to continue in their role
- The proportion of the last 6 months of life spent at home or in a community setting.

In December 2018 the follow-up report from the Care Inspectorate and HIS on services for older people in Edinburgh was published. It found that whilst Edinburgh had made some progress in certain areas only limited progress had been made in improving outcomes and experiences for older people and that there was a lack of strategic leadership and ownership of the improvement agenda. A further report on progress will be made in 2019/20.

The half-year update, reported to the Finance and Resources Committee in December 2018, pointed to an anticipated year-end overspend, without the identification and implementation of further savings measures, of £7.041million. This position primarily reflected a combination of additional expenditure relative to approved levels in the areas of Direct Payments, Individual Service Funds and Care at Home and higher-than-budgeted transport costs, alongside a shortfall in income. The overall level of overspend was expressed net of £3.780million of non-recurring EIJB contributions.

An agreement on funding to support additional service activity, receipt of which is predicated on the achievement of improvements in delayed discharge levels, is in the process of being finalised with NHS Lothian.

The Chief Executive has written to the Chief Officer of the Edinburgh Health and Social Care Partnership, re-emphasising the urgent need for development of both a suitably-robust EIJB recovery plan for 2018/19 and detailed and sustainable savings proposals for 2019/20, given the resulting and increasing impact on the remainder of the Council's activity. Members of the Finance and Resources Committee have also met with the Chief Officer of the Edinburgh Health and Social Care Partnership and the Chief Financial Officer of the EIJB to discuss the EIJB's current and anticipated financial challenges and, more critically, their plans to re-attain financial sustainability.

The Council's financial offer to the EIJB for 2019/20 includes continuation of the £4million additional funding provided in 2018/19, £9.127million for additional demography pressures, and an on-going commitment to recognising the Scottish Living Wage, along with a further £0.845million for the Carers' Act. The Council will also pass on, in full to the EIJB, the monies provided through the Local Government Settlement for expansion of free personal care for those under 65 years of age. Additional funding of £2.5million is to be added to the Council Priorities Fund and drawn down based on achievement of prolonged improvements in service outcomes i.e. delayed discharge, timings for assessment. £0.2million is also being made available as transitional funding for organisations facing the greatest impacts following the loss of EIJB grant funding.

Excerpt from the 2018/19 External Audit Plan

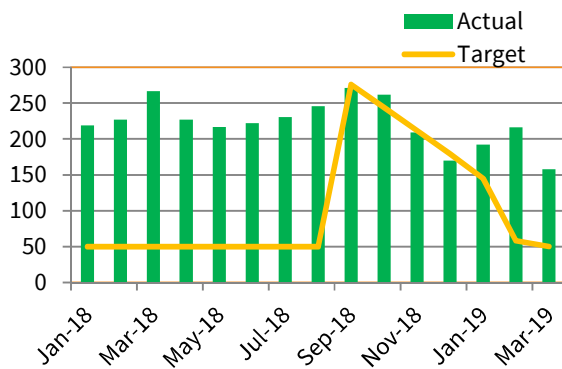
233. Edinburgh City Council is one of the key partners in the Edinburgh Health and Social Care Partnership (EHSCP). In 2018/19, EIJB prioritised focus on shifting the balance of care from a medical and/or residential setting to supporting more residents within their homes.
- The total number of people with an overdue care assessment review fell by 26% in comparison to 2017/18.
 - The number of individuals in the community awaiting care packages stood at 440 patients, a 52% reduction from 2017/18.
 - Average waiting times for non-urgent assessments reduced to 37 days, the lowest waiting period since 2016.
234. In 2018/19, performance outcomes were better in the following of areas within adult social care services:
- Total number of people delayed awaiting discharge from hospital (Exhibit 10)
235. Exhibit 10 demonstrates that the EIJB met its aims for delayed discharges in the months of September, November and December 2018. March 2019 saw the



lowest figure of individuals awaiting discharge at 158.

- 236. The Edinburgh Health and Social Care Partnership has been working with care providers to support recruitment growth and reduce waiting times via the Sustainable Community Support Programme. As at March 2019, 440 residents in the community were awaiting a package of care – 548 fewer people compared to 2017/18.

Exhibit 10: The Edinburgh Health and Social Care Partnership have not reached Delayed discharge targets in 2018/2019.



Source: Performance Report to Edinburgh Integration Joint Board.

- 237. The proportion of residents receiving care at home remained at 57% in 2018/19. This is due in part to the ongoing demand for care at home services.

Care inspectorate findings

- 238. In June 2019 the Care Inspectorate in partnership with Education Scotland and Healthcare Improvement Scotland and HMICS published a report on children and young people in need of care and protection in Edinburgh.
- 239. The inspection collected and reviewed evidence against 22 quality indicators set out in the Care Inspectorate’s quality framework for children and young people in need of care and protection and involved meetings with children and young people, parents and carers, staff and those with leadership and management responsibilities.
- 240. Edinburgh’s Partnership works through multi-agency childrens’ services management groups across four localities. The report’s conclusion was

“The Care Inspectorate and its scrutiny partners are confident that the partnership has the capacity to continue to improve and to address the points highlighted in this report.

Staff are competent, confident and clear in their understanding about the expectations of their roles with children in need of care and protection.

Supported by collaborative leaders and a positive approach to learning and development, they can further build on the good practice we have seen.

The self-evaluation submitted by the partnership as part of this inspection demonstrated its knowledge of areas of improvement and reflected a collaborative response that included staff at all levels.

The initial response to concern element of the interagency referral discussion process was robust.

Services are responsive to the needs of children and young people and there is a willingness to try new approaches and look for solutions.

However, while we are confident the partnership has the capacity to continue to improve, to do this they will need to evaluate the impact of services and use evidence more systematically. Using data, feedback and lessons from quality assurance activity in a more joined-up way will help the partnership know consistently what is making a difference and what needs to change. Continuing to embed self-evaluation will help the partnership establish how to deliver improvement in outcomes for children and young people.”

- 241. Across a range of areas reviewed for the quality and effectiveness of services the Partnership scored well with no areas considered weak or unsatisfactory.

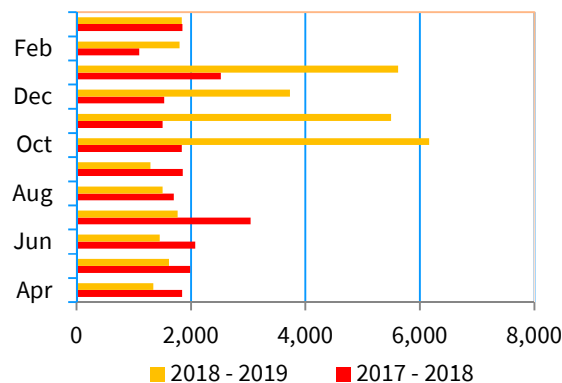
Environmental Services

- 242. Waste Management Services have identified two key measures of success, the number of missed bin service requests and customer satisfaction (using Edinburgh’s People Survey). Compared to last year, the Council’s performance against other local authorities fell, with a significant number of indicators in the lowest performing quartile.
- 243. The four-day week collection model implemented by the Council took a few months to settle in. There were significant periods of disruption particularly between October 2018 and January 2019 where performance was impacted (Exhibit 11 on “domestic missed bin requests”).
- 244. 10,786 more calls were received in 2018/19 compared to 2017/18 in relation to the collection of missed service requests for domestic kerbside bins. The total number of missed service requests for domestic kerbside bins equates to 0.16% of all collections carried out in the year.



245. Communal bin service requests received 21,868 calls in 2018/19, a significant increase from 15,155 in 2017/18. Various factors contributed to this including: contamination of recycling bins, resident misuse and capacity.
246. As Exhibit 11 outlines, performance has improved in recent months. However, planned internal targets have yet to be achieved.
247. The Council has embarked on a longer-term redesigning project, to restructure the way in which the communal bin service is delivered, following significant resident dissatisfaction. A review is being conducted on operations and the long-term delivery of these services.

Exhibit 11: Individual domestic missed bin service requests increased in 2018/2019.



248. The chargeable garden waste service (fee for brown bin collection) implemented in October 2018, brings Edinburgh City Council in line with many other UK local authorities. The Council now collects garden waste from 68,000 households and residents still have the opportunity to use household waste recycling centres for garden waste at zero cost.
249. As at March 2019 household recycling rates reduced by 1.5% to 41.1%. Customer satisfaction with recycling also declined in 2017/18 to 65% - a 7% decrease on 2016/17.
250. The volume of materials rejected at sorting plants was greater this year. This was due to the volatile global crisis in the recycling sector. South-East Asian countries closed their doors to imports of recycled materials which led to exports of plastic waste in the UK falling by 3%. Nonetheless, the Council is collaborating with processing partners to reduce the volume of rejected material.

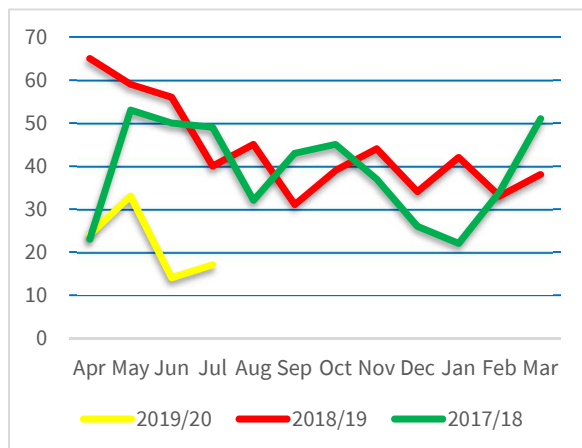
251. The Scottish Government aims to end landfill by 2021 and in order to deliver on this target; the Council opened a new energy-from-waste facility at Millerhill. This has changed how the Council manages 110,000 tons of rubbish that Edinburgh citizens put into grey bins.

Homelessness

252. Overall, improvements have been made within Homelessness services, with 4 out of 7 performance indicators in the Annual Performance Report 2018/19 outlining progress. In 2018, a Homelessness Taskforce was introduced to identify long-term solutions to tackle homelessness and recommend alternative methods to improve quality shared housing facilities. In response to the Taskforce, the Council increased the number of furnished flats used as temporary accommodation and now provides cooking and laundry facilities in shared housing accommodation.
253. Between April 2018 and March 2019 (based on temporary accommodation placement cases closed during this period), there were 465 placements involving a breach of the 'Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order 2017' (Exhibit 12 on "Unsuitable accommodation order breach"). The amendment order reduced the number of days local authorities could use unsuitable accommodation such as B&Bs for families with children and pregnant women, from 14 to 7 days. In 2018/19 the City of Edinburgh accounted for 75% of all 620 breaches in Scotland.
254. At 31 March 2019 the number of families and young people living in B&Bs had decreased by over 50% compared to the prior year. Only 21 families were staying in B&B accommodation in addition to 3 young adults. Furthermore, there was a decrease of £0.4M in spend on B&Bs/ shared houses in 2018/19.
255. Edinburgh City Council has developed its Rapid Rehousing Transition Plan which aims to remove the need for temporary housing by matching the number of homes available to the number of citizens becoming homeless. The Council has committed to building 20,000 new affordable homes. In the period between April 2016 and March 2018, 4,033 new homes were built.



Exhibit 12: Unsuitable accommodation order breach



256. The Council faces a number of challenges around rapid rehousing, including:
- In 2017/18, 800 households presented themselves as homeless from the private rented sector – a trend which is increasing year on year.
 - 15% of overall housing stock in Edinburgh is social rent, compared to the Scottish national average of 25%.
 - On average, private rents are up to £1,000 per month compared to the national average of £800 per month.
257. The Council has invested in housing officers and implemented a 'Help-To-Rent' scheme in order to assist homeless people to increase their housing options and have better access to the private rented sector market.

Service Improvement Plans

Housing Services Improvement Plan

258. The Council demonstrates a commitment to achieving the ten-year goal to deliver 20,000 new homes. In 2018/19 a record 1,600 affordable homes were approved for social rent, mid-market rent and low-cost home ownership. There are currently around, 2,300 affordable homes under construction on 35 sites across the city. Due to the strength of the pipeline programme, the Affordable Housing Supply Programme (AHSP) secured an additional £12 million in grant funding from the Scottish Government in 2018/19 and invested a record total of £53.1 million of grant subsidy. This funding was spent in full by the end of March 2019. This was a 29% increase on the original funding allocation. The programme also approved just under 1,000 of the homes (83% for social rent), completed almost

700 new affordable homes and saw almost 1,200 new homes start on site.

259. Edinburgh Living, a housing partnership with Scottish Futures Trust is now operational and has 33 homes for mid rent in management with a strong pipeline of planned acquisitions from the Council's housebuilding programme.
260. The Council is also investing in energy efficient homes. All Council homes need to meet Energy Efficiency Standards for Social Housing by December 2020. Almost 70% of all Council homes met this standard at the end of 2018/19, a 23% increase on 2017/18 levels. Additionally, the Council's new energy advice service assisted over 800 tenants on methods to reduce fuel bills.
261. The three year Housing Service Improvement Plan aims to increase customer satisfaction, improve performance and reduce operating costs. The Council's main priority is to develop highly responsive and effective services to customers. In June 2019, Housing and Economy Committee received a report on the HSIP that prioritised six improvement workstreams; repairing and maintaining homes, finding and letting homes, collecting rent, looking after estates, improving and building homes. Good progress has been made in completing the actions identified for the first year of the plan.

Road Services Improvement Plan

262. The Council established the Road Services Improvement Plan following poor performance within road services. In December 2018, 47% of identified key actions were marked as completed. Performance indicators which have improved or maintained at previous levels in this area include:
- The road condition index score was maintained at 36.4% in 2016 – 2018 (reported on a two-year rolling basis).
 - The percentage of emergency road defects made safe within 24 hours stood at 95% which is above the Council's internal target.
 - 2017/18 figures for satisfaction with road maintenance were at the lowest percentage since 2014 at 42%. Whilst considerable work has been undertaken to restructure Road Services, it is too early to state whether this has arrested the decline in this key performance measure.



8. Appendices



Appendix 1: Respective responsibilities of the Council and the Auditor

Responsibility for the preparation of the annual accounts

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Head of Finance has been designated as that officer within City of Edinburgh Council.

The Head of Finance is responsible for the preparation of the Council's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the annual accounts, the Head of Finance is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with legislation; and
- complying with the Code.

The Head of Finance is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of the affairs of the Council and its group as at 31 March 2019 and of its income and expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

We are also required to report, if in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit.



Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Best value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the Council's best value arrangements has been integrated into our audit approach, including our work on the wider scope audit dimensions.

Independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

Group non-audit services

Scott-Moncrieff provides taxation services to CEC Holdings Group and Transport for Edinburgh Group. All tax services are provided by independent partners and staff who have no involvement in the audit of those financial statements. The total value of taxation services provided is approximately £58,000.

Confirmation of independence

We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and the Council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.



Appendix 2: Our approach to the wider scope audit

Our approach to the wider scope audit (as set out in our 2018/19 External Audit Plan) builds upon our understanding of the Council which we developed from previous years, along with discussions with management and review of minutes and key strategy documents.

During our audit we also considered the following risk areas as they relate to the Council:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

Overall we concluded that the Council has appropriate arrangements in place in respect of these areas as noted below:

Impact of EU withdrawal

The Council has assessed the impact of EU withdrawal on the organisation as it relates to workforce, finance and regulation and where appropriate is taking steps to mitigate any impact.

The Council mapped out its EU/EEA workforce over 18 months ago and has issued written communications directly to its EU/EEA staff keeping them up to date with the latest news from the Home Office and giving them advice on how to apply for settled status. The Council has offered all non-EU staff who may have a partner/family member impacted by Brexit the opportunity to sign up for the written communication. The Council has contacted all line managers advising them of the settled status situation and has created dedicated Brexit intranet pages; that have the latest news about Brexit and useful links for EU/EEA staff to support them with their settled status application. HR also meet with elected members to discuss the potential risks facing the Council and its service provision due to Brexit. The Council has met with partnership colleagues in the NHS to discuss potential service implications due to Brexit and the Integration Joint Board will consider the potential impact of Brexit as part of their workforce planning activities.

The Council and Strategic Planning Partnership who deliver the European Social Fund (ESF) programme on behalf of the city operate core employability projects and Social Inclusion projects. These projects are currently worth over £1.5 million a year and have an impact of £3.75 million (including match) a year supporting vulnerable people to find employability, employment and training skills within our economy. Potential loss of these projects and funding will have a negative impact on Edinburgh College, Further and Higher Education institutions within the city. The Council continues to work with other local authorities and COSLA to assess the potential impact on funding after the guarantees around funding until 2020 have ended. Mitigating actions in respect of these risks are incorporated within the refreshed Economic Strategy.

The Council's refreshed Revenue Budget Strategy, due to be considered by the Finance and Resources Committee in October 2019, will include explicit reference to the potential implications of EU withdrawal, both in terms of direct ESF/ERDF support and wider potential indirect impacts on inflation and public spending. Insofar as their influence can be predicted at this time, these will be incorporated in wider sensitivity analyses of funding and expenditure.

Work is on-going with COSLA and Scotland Excel to examine potential impacts on supply chains, with key areas for consideration including ICT, food and the impact of



	<p>port/road congestion holding up goods; storage/stockpiling by suppliers may also potentially increase costs.</p> <p>On-going risk assessment and contingency planning is being actively discussed at the Brexit Cross-Party Working Group and the Brexit Resilience Working Group.</p> <p>The Council has identified and assessed the risks to the organisation, including current controls and required treatment actions, details of which are held in the EU Exit Resilience Risk Register, which continues to be developed.</p>
<p>Changing landscape of financial management</p>	<p>Following recommendations of the Scottish Budget Review Group, the Scottish Government has indicated that it will bring forward a three-year funding settlement for local government from 2020/21 onwards. The Council has a well-developed and responsive medium term revenue budget framework. The Council does not however currently have a long term financial strategy. We understand that this will be developed and presented to the Council over the course of 2019/20. The development of a three year funding settlement will assist the Council in the development of its longer term financial strategy.</p>
<p>Dependency on key suppliers</p>	<p>Following the collapse of Carillion, it became apparent that public sector bodies face significant risks where key suppliers are experiencing difficult trading conditions.</p> <p>In light of this, the Council's GRBV committee received a report which set out the Council's position in respect of the potential impact following the collapse of Carillion and the steps being taken to review other construction companies that may have issued profit warnings to assess any further potential risks. The paper noted that the Council has some residual exposure arising from two identified projects in terms of not being able to enforce warranties and guarantees from Carillion PLC should the need arise.</p> <p>The Council has had a consistent approach to the review of economic and financial standing of new contract awards for several years. Following the collapse of Land Engineering in 2017, the Council took steps to improve this process. The risks arising from Carillion PLC entering liquidation brought the issue into focus again and a detailed note was prepared for elected members in March 2018 on the monitoring of supplier contracts.</p>
<p>Openness and transparency</p>	<p>Across the public sector there is an increasing focus on how public money is used and what public bodies are achieving. In that regard, openness and transparency supports understanding and scrutiny and public sector bodies must ensure that they keep pace with public expectations on openness and transparency.</p> <p>In 2017/18 we reported that in relation to Council and committee meetings, there were clear arrangements in place to ensure that members of the public could attend Council and committee meetings as observers, and that agendas were available in advance of each meeting. All committee meetings are broadcast on the Council's website and a large archive is available for review. We consider these conclusions remain appropriate for 2018/19.</p>

x



**Care income, financial
assessments and financial
guardianship**

In response to the identified risks we noted the following:




- In 2018/19 3,000 care income assessments were carried out. We were unable to identify the number that were outstanding/yet to be finalised at 31 March 2019. The Council does not currently set a target time within which care income assessments should be carried out.
- No Council officers undertake financial guardianship roles.



Appendix 3: Best Value Programme

In October 2016, Audit Scotland introduced a new approach to auditing Best Value in Scottish Councils. The new approach continues to audit against the statutory duties but has an increased focus on the pace and depth of improvement at each Council. Each Council will be subject to a full Best Value Assurance report over a 5 year period.

Under the Code of Audit Practice (May 2016), and supplementary guidance issued by Audit Scotland, we are required to consider and make judgements on 8 Best Value themes over the course of our appointment. This work will build our assessment of the Council's approach to demonstrate Best Value, which will help to risk assess and inform the coverage of the full Best Value Assurance Report. The table below outlines our coverage to date and plans for the remaining 2 years of our appointment.

Wider Scope Dimension	Year 1 2016-17	Year 2 2017-18	Year 3 2018-19	Year 4 2019 -20	Year 5 2020 - 21
Anticipated BVAR at CEC					
 Financial Management / Sustainability	Effective use of resource				Sustainability
	Financial Governance	Financial governance			
	Financial and service planning	Resource management			
 Governance and transparency	Governance & accountability				
	Governance, decision making and scrutiny	Governance, decision making and scrutiny	Managing risk effectively	Public performance reporting	Governance, decision making and scrutiny
	Member training and development			Member training and development	
		Partnership and collaborative working	Community responsiveness	Vision and leadership	
			Fairness and equality		
 Value for Money		Performance outcomes and improvement		Performance outcomes and improvement	
		Improvement		Performance and outcomes	

Looking forward

In May 2019 the Accounts Commission confirmed that City of Edinburgh Council was included in the programme of Best Value audits planned for 2020. It is currently anticipated that best value audit work will be undertaken between February and April 2020 with the outcomes reported in a Best Value Assurance Report in July/August 2020.

The Best value audit will draw upon the findings from the annual audits undertaken at the Council. As part of our audit in 2018/19 we have included in this report our conclusions regarding the Council's arrangements in relation to Fairness and Equality and Community Planning.



In preparation for the forthcoming Best Value audit, the Council has undertaken its own self-assessment. This will be formally reported to the leadership team and Council over the next month. We understand that the self-assessment identifies the following areas where the Council performs well:

- being aware of challenges
- governance, decision making and scrutiny
- partnership and collaborative working.

In contrast the self-assessment notes the need for further work in relation to:

- effective workforce planning
- progress with health and social care integration.



Appendix 4: Accounts Commission Strategic Priorities

The Accounts Commission, within its Strategy and Annual Action Plan sets out its plans and priorities to fulfil its oversight and scrutiny role, with the overriding aim to hold Councils to account for the pace, depth and continuity of improvement facilitated by effective governance. We aim to support the Accounts Commission's work by using our annual audit work to assess how the Council is progressing against the Commission's priorities. The Strategic Plan for 2018-23 (https://www.audit-scotland.gov.uk/uploads/docs/report/2018/ac_strategy_plan_18-23.pdf) contains five strategic priorities.

Our assessment against the priorities is outlined below.

2018/19 Strategic Priority	Our assessment
<p>Having clear priorities with a focus on outcomes, supported by effective long term planning</p>	<p>The Council's Business plan: "A Programme for the Capital: The City of Edinburgh Council Business plan 2017/22" was approved in August 2017.</p> <p>The Council has also consulted on a 2050 City Vision which is planned to be finalised in October 2019. Consultation responses were considered by the Policy and Sustainability Committee in August 2019.</p> <p>The Council has a number of longer-term financial plans including the Medium Term Financial Strategy 2019–24, the Housing Revenue Account Budget 2019 – 24 and a Capital Investment Programme 2019/20 to 2023/24. A Change Strategy: Risks and Reserves 2019-2023 report was also reported to Council in February 2019.</p> <p>There are a number of other supporting strategies which set out the Council's priorities and focus on outcomes e.g. the Edinburgh Partnership Community Plan 2018-2028 which was agreed in October 2018. Whilst broad outcomes have been identified within this plan, further discreet outcomes are anticipated to emerge as ways of working evolve.</p>
<p>Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.</p>	<p>The Council does consider options appraisal for major capital programmes and projects e.g. the tram extension. Options are also included in certain other areas such as the Council's consideration of political management arrangements. However formal option appraisal for the delivery of services is patchy and this is an area the Council needs to improve on.</p>
<p>Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.</p>	<p>New members to the Council go through a comprehensive training programme. During a Council term any new members also receive this training. Workshops are held for elected members as and when required to ensure knowledge and skills support is available for complex or technical areas such as planning.</p>
<p>Empowering local communities and involving them in the design and delivery of local services and planning for their local area.</p>	<p>There has been extensive public consultation around the Community Plan 2018-2028 and Edinburgh Partnership Governance Framework during 2018/19. Individuals and community groups were also consulted on their views on local priorities and services. Feedback was incorporated into four Locality Improvement Plans for 2017 to 2022, the ongoing development and delivery of which primarily rests with the Local Community Planning Partnerships (LCPs) formed under the revised Partnership governance structure.</p>
<p>Reporting the organisation's performance in a way that enhances</p>	<p>The Annual Performance Report reports annual performance across a range of KPIs from one year to the next. This was considered by Council in June 2019.</p>



2018/19 Strategic Priority	Our assessment
accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.	<p>The Council also measures and reports performance against other local authorities as part of the Local Government Benchmarking Framework.</p> <p>The 52 Coalition Commitments are part of the Council's performance reporting. The status of each commitment is reported annually to Council and 6-monthly to Executive Committees.</p>



Appendix 5: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

Action plan grading structure

To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has been revised to ensure consistency with the structure/terminology used by internal audit.

The rating structure is summarised as follows:

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<ul style="list-style-type: none"> • A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.



Current year action plan

Action plan point	Issue & recommendation	Management comments
<p>1. Property, plant and equipment</p> <p>Rating</p> <p>High</p> <p>Paragraph Ref</p> <p>25-29</p>	<p>Key assumptions and estimates over the valuation of council dwellings held on the HRA account are not adequately reviewed on an annual basis, outwith the five year valuation cycle, to ensure these remain appropriate. The Council incurred a revaluation increase of £526.6million in 2018/19.</p> <p>Key assumptions and estimates noted included;</p> <ul style="list-style-type: none"> The selection and valuation of beacon properties used to value Council dwellings The adjustment factor applied to valuation of Council dwellings <p>Recommendation</p> <p>We recommend that all key assumptions and estimates made in the valuation of council dwellings are reviewed on an annual basis, with the outcome formally reported to the Council. The Council should consider performing interim check valuations of Council dwellings.</p>	<p>On an annual basis, we will consider an appropriate percentage increase to the council dwelling values each year, based on the growth in the housing sector and a check on our adjustment factor to make sure it is still appropriate.</p> <p>We will also carry out check valuations on a small representative sample of the beacon properties.</p> <p>Responsible officer: Operational Estate Manager, Resources</p> <p>Implementation date: March 2020</p>
<p>2. Public inspection notice</p> <p>Rating</p> <p>Medium</p> <p>Paragraph Ref</p> <p>79</p>	<p>In 2018/19 we received correspondence relating to the notice of the public right to inspect. Upon review there was found to be a delay in displaying the hard copy of the public inspection notice which is required to be published prior to 17 June as outlined by the 2014 Regulations. The notice was published in the local newspaper and on the City of Edinburgh Council website by 17 June 2019, however, was not available at Council offices until 26 June 2019.</p> <p>Recommendation</p> <p>We highlighted issues with regards to the public inspection in 2017/18 and we would recommend the Council makes arrangements to ensure full compliance in 2019/20.</p>	<p>While detailed procedure notes are already in place, these will be reviewed to introduce an element of independent review, thereby ensuring all key steps are undertaken by the required dates.</p> <p>Responsible officer: Principal Accountant, Corporate Accounts</p> <p>Implementation date: June 2020 (for 2019/20 inspection process)</p>



Action plan point	Issue & recommendation	Management comments
3. Committee reporting	The Council's political management arrangements have been modified from 1 August 2019.	The Council is currently implementing a new committee management system. This will seek to improve reporting arrangements and will be accompanied by further training for report authors. A report is scheduled to be considered by the Governance, Risk and Best Value Committee following implementation which will consider the benefits and further areas to improve.
Rating	In considering committee remits the Council considered committee statistics including the volume of reports being submitted to committees. We recommend that further consideration is given as to whether the content of reports can be improved in terms of their clarity and use of technology.	
Medium		
Paragraph Ref		Responsible officer: Democracy, Governance and Resilience Senior Manager
153		Implementation date: January 2020

Action plan point	Issue & recommendation	Management comments
4. Elected member and officer protocols	During the 2018/19 audit, it has become clear that the arrangements for sharing sensitive information between some Councillors and the leadership team require to be reviewed. There are tensions which arise from dealing with personal sensitive data and the rights of Councillors to have access to all information required to carry out their duties. It is important that all Councillors and senior staff have a clear understanding of their rights and responsibilities in relation to information held by the Council.	The Council has clear protocols for access to documentation and these are outlined in the member/officer protocol. This document is set to be reviewed in 2019 and an exercise will be carried out with elected members and senior management to ascertain where the protocol needs to be improved including access to documentation.
Rating		
Medium		
Paragraph Ref		Responsible officer: Democracy, Governance and Resilience Senior Manager
154	Recommendation Councillors and the senior leadership team should review the current protocols to ensure these are still appropriate and that both members and officers can comply fully with their responsibilities.	Implementation date: January 2020



Action plan point	Issue & recommendation	Management comments
5. Risk management	Overall, we are satisfied that risk management arrangements appear to be embedded across the Council. We did however note that risk no longer features as a standing heading on Council reports requiring decisions.	The “risk” heading has been removed from the template but risk has not been removed as a key element of the content of the report. The stakeholder/community impact section includes engagement, equalities, risk, governance, health and safety, compliance and regulatory implications and report writers are required to cover these individual elements when preparing a report. The report writing guidance retains a section titled risk and authors are still required to cover risk in the same manner as before.
Rating	Recommendation	
Medium	We recommend that is re-introduced to ensure it is properly considered in decision-making.	Responsible officer: Democracy, Governance and Resilience Senior Manager
Paragraph Ref		Implementation date: n/a
190		

Action plan point	Issue & recommendation	Management comments
6. Implementation of audit recommendations	We are concerned that there are still considerable overdue findings from internal audit reports and late management responses to draft internal audit reports. Whilst these are reported monthly to the Corporate Leadership Team and quarterly to GRBV this trend has continued throughout 2018/19. In August 2019 internal audit reported that 47 internal audit findings (those overdue where management action had not been actioned or evidenced) were outstanding. Of these 26 were more than one year old. 118 management actions were also identified as overdue. There were high rated findings in both overdue management actions and internal audit findings.	While significant progress has been made in verifying historic and/or re-opened findings, it is acknowledged that more needs to be done to implement and evidence completion of some more recent audit actions. To this end, Directorate action plans have been developed and are subject to regular monitoring and CLT consideration including, in the case of more complex findings, opportunities to provide interim or alternative assurance with respect to the issues concerned.
Rating		Responsible officer: Chief Executive and all Executive Directors
High	Whilst we are satisfied that audit is seen as an important element of the internal control framework by senior management and Councillors there needs to be a greater prioritisation of addressing issues raised by internal audit across the Council.	Implementation date: On-going
Paragraph Ref		
194		



Action plan point	Issue & recommendation	Management comments
7. CGI contract management	<p>As part of our external audit work for the 2018/19 audit, we requested an update from CGI with supporting evidence to allow us to assess the extent to which progress has been made in addressing outstanding recommendations.</p> <p>Overall, the evidence received from CGI has not been sufficient to allow us to form an opinion on whether recommendations have been addressed. Based on the evidence that has been provided, there is limited evidence of progress against the majority of recommendations.</p> <p>Whilst we are satisfied that audit is seen as an important element of the internal control framework by senior management and Councillors there needs to be a greater prioritisation of addressing issues raised by external audit across the Council.</p>	<p>The Council is continuing to liaise with its ICT partner to provide evidence to demonstrate full implementation of the recommendations contained within the audit report, taking due account as appropriate of available alternative forms of assurance. In this regard, additional information was provided on 11 September to consider.</p> <p>Responsible Officer: Chief Officer, Customer and Digital Services</p> <p>Implementation date: December 2019</p>
Rating		
High		
Paragraph Ref		
201		



Action plan point	Issue & recommendation	Management comments
<p>8. Service performance</p> <p>Rating</p> <p>High</p> <p>Paragraph Ref</p> <p>231</p>	<p>In terms of the Council's performance in 2018/19 against previous years, whilst there has been some improvement in some of the Council's key indicators we are disappointed to note that there is a continuation of areas of poor performance within Adult Social Care Services, Environmental Services and Homelessness.</p> <p>Significant improvements are required, including the pace of change in implementing such improvements.</p>	<p>Adult Social Care Services The EIJB is continuing to work with partners to support the delivery of sustainable improvement. The recent establishment of a Performance and Delivery Committee should provide clearer oversight, more focussed scrutiny and regular progress updates.</p> <p>Responsible officer: Chief Officer, Health and Social Care Partnership Implementation date: On-going</p> <p>Environmental Services A number of improvement actions have been identified and are planned for implementation as follows:</p> <p>Commence operation of the two new Waste Transfer Stations in the East (Seafield) and West (Bankhead) of the city to improve waste collection reliability (Head of Place Management, October 2019);</p> <p>Finalise the design of the new communal waste and recycling collection service (Head of Place Management, March 2020)</p> <p>Complete the rollout of the Routesmart system to ensure that all waste and recycling routes are delivered and monitored for effectiveness (Waste and Cleansing Manager, March 2020).</p> <p>Homelessness Having already secured more than 500 shared house spaces, we are actively working towards identifying alternative forms of accommodation such as temporary furnished tenancies to meet the targets set in the RRTP.</p> <p>Efforts are also continuing to facilitate a steady supply of housing through the housebuilding programme, rent deposit scheme, increased access to mid-market rent properties and increases in preventative work.</p> <p>Responsible officer: Homelessness and Housing Support Senior Manager Implementation date: On-going</p>



Follow up of prior year recommendations

Of the 11 recommendations raised within our prior year annual audit reports which had yet to be implemented, we note that three have now been implemented, four are progressing and four have yet to be implemented. Details are given below.

1. User access controls

Initial rating	Issue & recommendation	Management comments
Low	<p>Issue</p> <p>We noted during our audit that any member of the Council finance team with ledger access can post entries to organisations that the Council provides financial ledger services to even though they may have no interaction with those organisations.</p> <p>Risk</p> <p>There is a risk that incorrect or fraudulent postings could be made to those organisations' financial ledgers.</p> <p>Recommendation</p> <p>We recommend that the Council reviews user access controls to the financial ledger.</p>	<p>There is no existing system-based means of preventing staff from posting journal entries affecting other organisations. Initial indications are that the cost of introducing such controls would likely be prohibitive relative to the resulting benefits.</p> <p>As part of the detailed monitoring of these organisations' financial affairs, however, transaction lists for the Lothian Valuation Joint Board and SEStran are reviewed on a monthly basis and this identifies any of an unexpected nature. This check will be formally evidenced going forward.</p> <p>Responsible officer: Business Partnering Senior Manager, Finance</p> <p>Implementation date: October 2018</p>
Current status	Audit update	Management response
Complete	<p>We noted during our current year audit that arrangements have now been put in place to tailor and restrict user access to the ledger.</p>	N/A



2. Property, plant and equipment

Initial rating	Issue & recommendation	Management comments
<p>High</p>	<p>Issue</p> <p>Valuation</p> <p>We noted the following through our review of the valuation process:</p> <ul style="list-style-type: none"> The instructions from the Council to the internal valuer are not disseminated to individual valuers who carry out the valuations; A material adjustment was made to the annual accounts as differences were identified between the valuations provided by the valuer and those recorded in the Council's asset register; and The results of the valuation exercise are not formally communicated to the Council. <p>Impairment</p> <p>We noted that no assessment of impairment of the estates portfolio has been carried out in 2017/18; other than for those assets forming part of the 2017/18 valuation programme.</p> <p>Risk</p> <p>There is a risk that the valuations carried out are not consistently prepared, in line with the instructions issued by the Council.</p> <p>There is also a risk that the results of the valuations or impairment reviews are not correctly disclosed and accounted for in the annual accounts.</p> <p>Recommendation</p> <p>We recommend:</p> <ul style="list-style-type: none"> The instructions are circulated to all those responsible for carrying out the valuations; Reconciliations are performed between the records held by the valuers and the Council's asset register; An overarching valuation report is prepared; the content of which is in accordance with the RICS Red Book; and The Council to formalise its procedures for assessing whether there has been an impairment of its estates portfolio. 	<p>For the 2018/19 process, both a handbook for valuers and a manager's checklist of all the steps involved in the asset valuations have been produced.</p> <p>The year-end instructions have been incorporated within the handbook and are being issued to all staff involved in the valuation process.</p> <p>A reconciliation between Logotech and AIS will be carried out to ensure the respective systems are in balance, with any differences investigated.</p> <p>An overarching valuation report, consistent with the requirements of the RICS Red Book, will be produced for 2018/19.</p> <p>A formal procedure will be put in place with regard to assessing whether an impairment has occurred and included within the handbook.</p> <p>Responsible officer: Operational Estate Manager, Resources</p> <p>Implementation date: April 2019</p>



Current status	Audit update	Management response
<p>In progress</p>	<p>An asset valuation handbook was developed and disseminated to all individuals undertaking valuations in 2018/19. This contained the formal instructions from the Council. Action complete</p> <p>A reconciliation was performed between the records held by the valuer and the Council's asset register. This identified 64 assets omitted from the Council's asset register which were subsequently valued and added to the asset register. Action complete</p> <p>An overarching valuation report was prepared, in accordance with the requirements of the RICS Red Book. Action complete.</p> <p>Instructions formally highlight the need to assess whether there is any indication of impairment. The valuer used the results of condition surveys performed in 2018/19 as a key source of evidence. Whilst we deem this to be an appropriate source of evidence, it only provides assurance over a proportion of the Council's operational estate and does not take cognisance of other sources of information, such as the level of repairs and maintenance required in the year. We would encourage the Council to further develop its procedures for assessing whether there has been an impairment.</p>	<p>The Operational Estate Manager is currently in discussions with Facilities Management regarding what data is available on repairs that could be used to improve the identification of impairments.</p> <p>Once this has been reviewed, we will look at ways to develop the final procedure and ensure that impairments are assessed in accordance with that procedure.</p> <p>Responsible officer: Operational Estate Manager, Resources</p> <p>Implementation date: TBC</p>



3. Common good income and expenditure transactions

Initial rating	Issue & recommendation	Management comments
Medium	<p>Issue</p> <p>The Council's unaudited common good fund accounts did not disclose all transactions pertaining to the common good fund (value approximately £5.8million). These transactions were included within the Council's accounting records. The accounts were subsequently updated.</p> <p>Risk</p> <p>There is a risk that the accounts of the common good funds are not transparent and show the true position of the operation of those funds.</p> <p>Recommendation</p> <p>We would encourage the Council to review its relationship and use of the common good funds/assets and put in place documented arrangement for the use and maintenance of those assets.</p>	<p>To ensure the effective management of relevant assets and associated costs as part of the Council's wider property portfolio, income and expenditure of the Common Good will continue to be coded within the Council's accounts during the year. At the year end, an adjustment will be made between the respective funds to ensure that the income and expenditure are appropriately reflected in both accounts.</p> <p>Property and Facilities Management will review the relationship between the Council and the Common Good Fund and consider proportionate improvements to arrangements for the use and maintenance of the latter's assets.</p> <p>Responsible officer: Principal Accountant (Corporate Accounts), Finance (working with relevant colleagues as appropriate)</p> <p>Implementation date: February 2019</p>
Current status	Audit update	Management response
Complete	<p>Income and expenditure transactions pertaining to the Common Good Fund have been disclosed as required in the 2018/19 annual accounts. Audit testing confirmed no material misstatement in the balances reported.</p>	N/A



4. Common good – asset register

Initial rating	Issue & recommendation	Management comments
High	<p>Issue</p> <p>The Council is currently compiling a common good register to comply with the requirements of the Community Empowerment (Scotland) Act 2015. We noted during our audit that there are assets included on this register which are not currently accounted for as common good in the annual accounts. No adjustment was made to the 2017/18 annual accounts however it is anticipated that there will be an increase in value of common good assets in 2018/19.</p> <p>Risk</p> <p>There is a risk that the common good accounts are misstated.</p> <p>Recommendation</p> <p>The Council, in preparing the 2018/19 common good fund annual accounts should review the accounting policies for property, plant and equipment and heritage assets to ensure that:</p> <ul style="list-style-type: none"> • The assets are classified correctly; • The appropriate valuation basis has been applied; and • Depreciation is applied dependent on the accounting policy and classification of the asset. 	<p>The consultation on the revised common good register is anticipated to begin on 27 September 2018. During this consultation and in advance of the 2018/19 year end, the respective assets of the Common Good Fund and the Council will continue to be assessed and any required reclassification undertaken.</p> <p>As part of this reclassification of assets, the Council will consider the appropriate valuation basis, paying due consideration to statutory mitigation, and ensure that the depreciation applied is consistent with the accounting policy and classification.</p> <p>Responsible officer: Principal Accountant (Corporate Accounts), Finance</p> <p>Implementation date: May 2019</p>
Current status	Audit update	Management response
In progress	<p>The first draft of the asset register was released for consultation in line with the required timescale set by the statutory guidance. The asset register has been reviewed and those assets agreed via legal consultation to be common good have been transferred during 2018/19. A number of assets are still being reviewed by the Council. This review is set to take place over the coming months and an updated asset register will be provided to the Finance and Resources committee for approval.</p>	<p>The first version of the Common Good Register was published on the Council's Common Good webpage on 28 June 2019, complying with Scottish Government guidance.</p> <p>The Register will now be presented to the Finance and Resources Committee for approval on 26 September 2019 as part of the Common Good Annual Performance Report.</p> <p>Assets still under consideration comprise a schedule annexed to the Common Good Register. The Common Good status of these assets is currently being considered by legal counsel and the Council Solicitor and this is stated in the asset register.</p>



Initial rating	Issue & recommendation	Management comments
		<p>Annexing a list of “property still under investigation” complies with Scottish Government Guidance.</p> <p>Work on categorising civic regalia and artefacts that are assets of the Common Good fund is advancing well and the list is to be finalised at a future meeting of the Common Good Project.</p> <p>Those categorised as assets of the Common Good will be added to the register which is live on the Council’s webpage.</p> <p>Responsible officer: Principal Accountant (Corporate Accounts), Finance</p> <p>Implementation date: March 2020</p>

5. Options appraisal – tram extension project

Initial rating	Issue & recommendation	Management comments
High	<p>Issue</p> <p>Reliance has been placed on the original options appraisal for transport modes which took place in support of the Parliamentary bill.</p> <p>The Council has not validated this original appraisal.</p> <p>Risk</p> <p>There is a risk that findings of the original option appraisal are diluted given the passage of time.</p> <p>Recommendation</p> <p>A high-level options assessment should be carried out to validate the conclusions reached in the 2006 STAG 2 appraisal which formed the basis for the Edinburgh Tram (Line One) Act 2006. This work should include the assessment of viable modal options against assessment criteria and objectives derived from the original STAG appraisal in light of current policy. This work should conclude prior to any decision.</p>	<p>A high-level options assessment will be carried out and presented as part of the Final Business Case.</p> <p>Responsible officer: Project Senior Responsible Officer</p> <p>Implementation date: December 2018</p>
Current status	Audit update	Management response
Complete	A high-level options assessment was carried out and presented as part of the Final Business Case.	N/A



6. Financial sustainability – Health and Social Care

Initial rating	Issue & recommendation	Management comments
High	<p>Issue</p> <p>During 2017/18 it became clear that the services that the Council deliver for Edinburgh Integration Joint Board would incur an overspend of over £7million. Planned savings of £6million were not delivered in 2017/18. As a result, and as in 2016-17, additional contributions were made to the IJB.</p> <p>The Council has allocated an additional non-recurring contribution of £4million in 2018-19 to help support capacity challenges.</p> <p>Risk</p> <p>There is a risk that the budget for adult social care is insufficient to deliver the level of improvement required.</p> <p>Recommendation</p> <p>The Council should work with the Edinburgh IJB and other partners to ensure that funding is sufficient to support transformation change.</p>	<p>The Health and Social Care Partnership has identified a broad programme of activity/ transformational changes to optimise delivery within the funding available from the two partner organisations, CEC and NHS Lothian.</p> <p>Responsible officer: Chief Officer, Edinburgh Health and Social Care Partnership</p> <p>Implementation date: March 2019</p>
Current status	Audit update	Management response
Outstanding	<p>As noted in the financial sustainability section of this report the EIJB continues to face financial pressures. The EIJB's financial plan in 2019/20, despite a challenging efficiencies programme and the release of unallocated funds, remains unbalanced by £7.1million as at 31 August 2019. The financial and service performance of the EIJB remains a high risk issue and the Council needs to work together with the EIJB and NHS Lothian to reach an agreed financial settlement.</p>	<p>The EIJB Medium Term Financial Plan will be presented to the Board in December 2019 following the approval of the Strategic Plan 2019-2022.</p> <p>Responsible officer: EIJB Chief Finance Officer</p> <p>Implementation date: December 2019</p>



7. Performance reporting

Initial rating	Issue & recommendation	Management comments
Medium	<p>Issue</p> <p>As a result of ongoing development work on the new Community Plan, the Edinburgh Partnership has not yet reported on the outcomes achieved against the Community Plan 2015-18.</p> <p>Risk</p> <p>The Council has not fully complied with the Accounts Commission's Statutory Performance Indicator Direction. Without regular reporting on the achievement of outcomes, it may be difficult to assess effectiveness of steps taken by the Partnership.</p> <p>Recommendation</p> <p>The Council should ensure that arrangements are in place to regularly report to the Edinburgh Partnership on the delivery of outcomes.</p>	<p>The Council team supporting the Edinburgh Partnership (EP) is aware of the delay in the production of the annual performance report and is currently working on drafting this report. It should be noted that the Edinburgh Partnership will be focusing its attention on a review of governance arrangements and the new community plan currently in development, so discussion of the performance report will likely not happen until the end of 2018.</p> <p>As part of the development of the new community plan, high-level performance indicators are being identified to support monitoring of progress going forward. Creating a performance framework around these indicators will be a key stage in the early days of the new plan.</p> <p>Finally, the EP has also started to shift the focus of its discussions onto thematic outcomes. This allows it to have more in-depth discussions on progress to date, covering joint working, existing barriers and impact for communities. At its last meeting in June, the discussion focused on partnership working to address causes of motorbike crime.</p> <p>Responsible officer: Policy and Insight Senior Manager</p> <p>Implementation date: December 2018</p>
Current status	Audit update	Management response
In progress	<p>The Edinburgh Partnership considered the final progress report for the Community Plan 2015-18 at its meeting on 6 December 2018. The Partnership approved the new Local Outcome Improvement Plan 2018-2028 at its meeting on 30 October 2018.</p> <p>A further report on the performance framework for the new plan was presented to the meeting in June 2019.</p>	<p>Work has begun to embed this performance framework through developing reporting formats and identification of appropriate KPIs for the priorities within the new plan. There will be a further performance update for the LOIP provided to the Edinburgh Board in December.</p> <p>The Annual progress reports on the Children's services plan and the Criminal Justice outcome Improvement Plan are being presented at the Edinburgh Partnership Board in September.</p> <p>Responsible officer: Policy and Insight Senior Manager</p> <p>Implementation date: December 2019</p>



8. Health and Social Care performance

Initial rating	Issue & recommendation	Management comments
High	<p>Issue</p> <p>Despite investment in interventions, some of the key performance measures for health and social care remain poor. Our review of progress against the improvement plan concluded that reporting and therefore governance of the plan lacked clarity and focus. As a result, the pace of change and level of improvement has not been good enough.</p> <p>Risk</p> <p>There is a risk that key indicators continue to decline. Delayed discharges mean that partnership resources are directed towards unnecessary acute care, rather than the preventative strategic priorities.</p> <p>Recommendation</p> <p>The Council must ensure that effective scrutiny arrangements are in place to monitor and assess improvement.</p>	<p>The transformational programme, which is still in the final stages of development, is intended to optimise the systems, processes and delivery within existing statutory expectations, as well as shift the strategic focus to prevention and early intervention in order to deliver best possible outcomes and constrain the growth of demand.</p> <p>Responsible officer: Chief Officer, Edinburgh Health and Social Care Partnership</p> <p>Implementation date: March 2019</p>
Current status	Audit update	Management response
Outstanding	<p>Whilst there has been some improvement in performance, it remains too early to conclude whether this can be sustained. The approval of a new Strategic Plan should provide a framework for delivering real improvement however there is a danger that this is compromised by the significant financial challenges faced by the IJB in reaching a balance position.</p>	<p>The IJB is continuing to work with partners to support the delivery of sustainable improvement. The recent establishment of a Performance and Delivery Committee should provide clearer oversight, more focussed scrutiny and regular progress updates.</p> <p>Responsible officer: Chief Officer, Edinburgh Health and Social Care Partnership</p> <p>Implementation date: On-going</p>



2016/17 recommendations which were outstanding in 2018/19

9. Register of interests

Initial rating	Issue & recommendation	Management comments
Medium	<p>The Council discloses within its annual accounts material transactions with related parties. These can be defined as bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.</p> <p>The Councillors' register of interests is one way that the Council can identify its related parties. On review of the Councillors' register of interests we identified four additional interests which had not been declared. There is a risk, should the registers not be updated, that the Council does not identify and report all related party transactions in its annual accounts.</p> <p>It is the responsibility of a Councillor to make sure that he/she is familiar with, and their actions comply with, the provisions of the Code of Conduct. The Ethical Standards in Public Life, etc. (Scotland) Act 2000 does impose on Councils a duty to help their members to comply with the relevant code. Councillors should be reminded of the importance of ensuring the register of interests is updated regularly and completely</p> <p>2017/18 Audit update</p> <p>Despite actions been taken during 2017/18 to remind and support Councillors in their responsibilities to maintain a register of interests, our review of the Councillors' register of interests in 2017/18, identified eight Councillors for which not all interests had been disclosed and a further six for which the registers had not been updated to reflect the fact that the interests had ceased.</p> <p>While it is the responsibility of a Councillor to make sure that he/she is familiar with, and their actions comply with, the provisions of the Code of Conduct, the Ethical Standards in Public Life, etc. (Scotland) Act 2000 do impose on Councils a duty to help their members to comply with the relevant code. We would encourage the Council to consider the following:</p> <ul style="list-style-type: none"> Request that Councillors' review and update their register of interests on a formal basis at least twice a year; one of which should be done as at the 31 March 	<p>2016/17 management comments</p> <p>The Council has robust arrangements to remind Councillors of their duties under the Act.</p> <ul style="list-style-type: none"> We regularly review Elected Member Register of Interests; Remind Elected Members of their responsibilities in registering any changes/updates within a month of the change occurring; Check individual registers for anomalies that we can identify and highlight these to relevant elected members to prompt updates; Regularly review our process; Provide appropriate guidance and prompts to Elected Members to support compliance. <p>For the new Council in May 2017:</p> <ul style="list-style-type: none"> We explained the requirement for Elected Members to make their first Register of Interest within one month of election in their introduction letter/pack issued at the count, with a copy of the Code of Conduct and the relevant form; We emphasised the importance of this requirement in the Code of Conduct training sessions that formed part of the Induction and Training Programme for Elected Members (May/June 2017). We reminded Elected Members ahead of the deadline (31 May 2017) We engaged with political Group Business Managers to secure their support in reminding their members ahead of the deadline; We issued additional guidance on declaring property income under remuneration following a couple of queries on this topic and after seeking clarification from the Standards Commission; We reminded all Elected Members that they would need to update their Register of Interests to reflect appointments made at Council in June 2017; We reminded Elected Members of their responsibilities for updating their Register of Interests following further appointments at Council in August and to remind about registering gifts and hospitality.



Initial rating	Issue & recommendation	Management comments
	<p>2018. Confirmation of no changes should also be obtained.</p> <p>Council staff should review the disclosures against, for example Companies House records, to ensure disclosures are complete and discuss with Councillors any omissions identified with a view to updating the registers.</p>	<p>We will continue to remind regularly Councillors of their duties under the Act.</p> <p>2017/18 management comments</p> <p>The Council continues to have robust arrangements to support elected members in fulfilling their duties under the Councillors' Code of Conduct. This includes a twice-yearly reminder and additional reminders after appointments at Council meetings.</p> <p>Officers have concerns over reviewing disclosures to Companies House with elected members as the responsibility for complying with the Code is for each individual member and the Council should not put in place arrangements that could dilute that ownership and responsibility. However, as a means of continuing to improve the process, committee management software is being explored that would simplify the process for elected members in updating their register which currently is a paper-based exercise.</p> <p>Responsible officer: Democracy, Governance and Resilience Senior Manager</p> <p>Implementation date: On-going</p>
Current status	Audit update	Management response
In progress	<p>Our review of the Councillors' register of interests in 2018/19, identified a number of Councillors for which either not all interests had been disclosed or for which the registers had not been updated to reflect the fact that the interests had ceased</p>	<p>The Council is currently implementing a new committee management software system that will simplify the process for elected members updating their register. Training is provided to all elected members on the requirements of the Code of Conduct and it remains the responsibility of individual elected members to update their register accurately and timeously.</p> <p>Responsible officer: Democracy, Governance and Resilience Senior Manager</p> <p>Implementation date: on-going</p>



10. Publication of the Council's Corporate Governance framework self-assessment

Initial rating	Issue & recommendation	Management comments
Medium	<p>In April 2016, CIPFA published a revised Delivering Good Governance in Local Government: Framework (2016 Edition). The Council has a Local Code of Corporate Governance in place, but the annual self-assessment against the Code had not been undertaken at the time of our report.</p> <p>We also noted that the Annual Governance Statement was not subject to separate scrutiny by a committee as part of the preparations for the annual accounts process.</p> <p>2017/18 Audit update It is good practice for the Audit Committee (GRBV at the Council) to review the Annual Governance Statement and Assurance Statements as part of preparations for the annual accounts. We noted during our review in 2017/18 (refer to paragraph 169) that the Annual Governance Statement had not been subject to separate scrutiny.</p>	<p>2016/17 management comments The Council revised its Corporate Governance Framework self-assessment template to reflect the revised CIPFA/SOLACE framework. The 2016/17 self-assessment exercise commenced on 4 September 2017 and is scheduled for scrutiny by the Governance, Risk and Best Value Committee on 28 November 2017.</p> <p>As in previous years, the Annual Governance Statement was considered by Council on 29 June 2017. Given the local government election in May 2017 and the introduction of revised political management arrangements it would have been difficult to provide for separate scrutiny ahead of Council consideration.</p> <p>Responsible Officer: Governance and Democratic Services Manager</p> <p>Completion Date: November 2017</p> <p>201718 management comments The process for completion of the annual assurance statements and the Corporate Governance Framework is being reviewed and the new timescales will allow for early scrutiny of the assurance statements and annual governance statement for 2018/19.</p> <p>Responsible officer: Democracy, Governance and Resilience Senior Manager</p>
Current status	Audit update	Management response
Outstanding	<p>We continue to note that there has been no change to this process, which means that the GRBV has not had the opportunity to consider whether the assurance statements reflect their understanding of risk or consider the adequacy of planned governance improvements.</p>	<p>Management acknowledges that delays to the completion of documentation meant that the annual governance statement did not go to the Governance, Risk and Best Value Committee prior to the publication of the accounts. A review of timescales, the effectiveness of the assurance documentation and the linkages to the Corporate Governance Framework will take place in late 2019. It has been agreed that this review will also involve members of the Governance, Risk and Best Value Committee.</p> <p>Responsible officer: Democracy, Governance and Resilience Senior Manager</p> <p>Implementation date: December 2019</p>



11. Delayed discharges

Initial rating	Issue & recommendation	Management comments
High	<p>The Council's performance in relation to delayed discharges has continued to worsen in the period to June 2017 despite a focus being given to the issue.</p> <p>Edinburgh has regularly had the highest number of delayed discharges of any Integration Authority in Scotland.</p> <p>We recommend that improving performance in this area remains a priority.</p> <p>2017/18 Audit update</p> <p>We note that while a range of interventions have been taken to improve performance, the level of delayed discharges continues to significantly exceed target levels.</p>	<p>Performance is closely monitored at:</p> <ul style="list-style-type: none"> A weekly Star Chamber meeting of key managers from the four localities and hospital sites – progress, challenges being faced (e.g. reductions in provider capacity) and improvement actions are identified and discussed. The IJB, which receives a “Whole System Delays” report at each of its meetings. The report includes progress with key improvement workstreams, including reviewing the contract with care at home providers. <p>Responsible Officer: Interim Chief Officer, Edinburgh Health and Social Care Partnership NHS Director</p> <p>Completion Date: December 2017</p> <p>2017/18 management comments</p> <p>There is a large-scale remedy programme being undertaken across the entire Discharge Pathway, including:</p> <ul style="list-style-type: none"> Whole-systems Delayed Discharge Oversight Group established and chaired by CO New dedicated Delayed Discharge Lead appointed Whole-system analysis and impact undertaken and Action Plan formulated with stretch timescales Realignment of delivery platform – including interface with acute services via the Hub – is in the process of being implemented <p>Responsible Officer: Chief Officer, Edinburgh Health and Social Care Partnership</p> <p>Completion Date: August 2019</p>
Current status	Audit update	Management response
Outstanding	<p>Towards the end of 2018/19 there was some improvement in the level of delayed discharges. It is important this is sustained over the forthcoming year.</p>	<p>The IJB is continuing to work with partners to support the delivery of sustainable improvement. The recent establishment of a Performance and Delivery Committee should provide clearer oversight, more focussed scrutiny and regular progress updates.</p> <p>Responsible officer: Chief Officer, Edinburgh Health and Social Care Partnership</p> <p>Implementation date: On-going</p>

2018/2019

AUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2019

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MANAGEMENT COMMENTARY

Introduction

The Audited Annual Accounts present the financial position and performance of the Council, together with the financial position of the wider Council Group, for the year to 31 March 2019.

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 using the Council's management structure as a reporting basis, which is the same basis as in the previous year.

The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary current frontline functions being the provision of education to school-age children within the city, social care services, economic development, a range of community-based services such as roads maintenance, street lighting and refuse collection and quality of life functions such as libraries, culture, recreation and parks. Services are delivered to 522,472 citizens across the 102 square mile Council area.

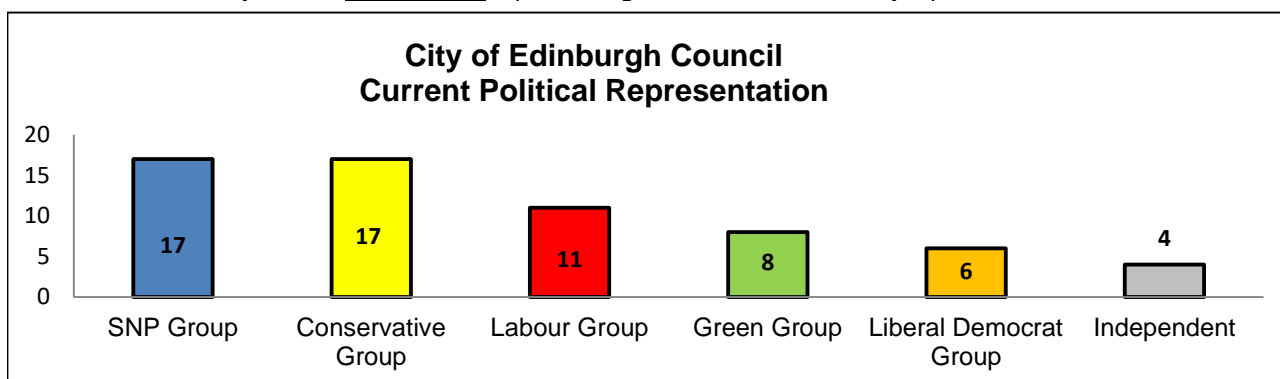
The structure of the Council continues to evolve but the tables below indicate the latest position, with the services with an Executive Director or Chief Officer in bold. In the prior year covered in these accounts, Safer and Stronger Communities was a separate service (constituent parts of which are marked with an asterisk) but since the beginning of the 2018/19 financial year it has been part of Communities and Families.

Communities and Families	Place	Health and Social Care
Schools and Lifelong Learning	Environment (inc. waste and parks)	Edinburgh Integration Joint Board
Children's social work	Transport (inc. parking)	Older people's services
Community education	Roads, bridges and flood prevention	Learning and Physical disabilities
Libraries and Sports	Housing and Regulatory Services	Mental Health
Early Years	Planning and building standards	Substance Misuse
Community Justice*	Resources	Services reporting to the Chief Executive
Homelessness services*	Customer Services and Digital Services	
Family and Household Support*	Finance	Strategy and Communications
	Legal and Risk	
	Human Resources	
	Property and Facilities Management	

Further comprehensive detail of the services provided by the Council is included on its [website](#) and within the annual [Key Facts and Figures](#) publication.

There was a Local Government Election on 4 May 2017 which resulted in a change in political representation for the Council, with a new minority SNP and Labour administration formed.

The Council currently has 63 **Councillors** representing 17 wards within the city, split as follows:



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

Details of the senior councillors' remuneration and committee roles, for those in office during the financial year, are disclosed in the Remuneration Report from page 122 of these financial statements.

MANAGEMENT COMMENTARY

Edinburgh and the Council's Role

Edinburgh is one of the best cities in the world in which to live, work and study. It is a city full of vibrancy and opportunity and, as a council, we are working hard to ensure that all residents can share in its success. We will keep investing in the things that support and sustain growth while confronting the challenges that come with it.

Edinburgh has seen significant recent population growth, with a 12.2% increase between 2006 to 2016, compared to a national rise of 5.3%. Analysis of population trends suggests the total number of residents is projected to increase by at least 80,000 people, with c. 25% increases for those aged 12 to 17 and those over 75, by 2027. This growth will place further demands on a range of frontline services and as such, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils, at-risk children, older people and those with physical and/or learning disabilities.

A growing population is one of the most visible signs of the city's economic success. However, not all of our citizens share in that success and alongside our affluent areas, the city contains some of the most deprived communities in Scotland. Within the most deprived wards of our city as many as 30% of all residents live in households below the poverty threshold. Narrowing these gaps and allowing all residents to share in the city's success therefore forms a key strand of the City Vision.

City of Edinburgh Council's Corporate Strategy

The **Programme for the Capital: Council Business Plan for 2017/22** describes the Council's commitments to the city, the strategic aims and outcomes, the challenges, how success will be measured and the future direction of the organisation. The plan sets out overlapping strategic themes common to the work of all service areas. The strategic aims set out below are underpinned by the 52 commitments to the city.

- **Deliver an economy for all;**
- **Build for a future Edinburgh;**
- **Deliver a sustainable future;**
- **Deliver for our children and families; and**
- **Deliver a Council that works for all**

To deliver the vision and strategic aims, the Administration has set out 20 associated outcomes, as shown in the diagram below. These outcomes link to the **52 commitments** to the city which will be prioritised over the duration of the plan and into the future.



A **Council Performance Framework 2017-22** has been developed to support the implementation of the Council Business Plan 2017-22.

The framework is reviewed annually, including refreshing the measures, actions and milestones to ensure that the data collected is useful in terms of being able to measure performance and delivery.

MANAGEMENT COMMENTARY

Risks and Uncertainty

The **Corporate Leadership Team's (CLT) prioritised risks** reported to the Governance, Risk and Best Value Committee on 7 May 2019 are outlined below. The report reflects the current highest priority risks of the Council along with the key controls in place to mitigate them.

A brief description of the top risks contained within the report is included below:

- 1 Health and Social Care** - Increased demand for services and associated demographic changes results in significant financial pressures which, when compounded by historic funding arrangements and traditional service models, creates a significant risk that the Council fails to implement and/or deliver appropriate health and social care arrangements, as required by the Edinburgh Integration Joint Board.
- 2 Asset Management** - Due to the age of properties across the Council's estate, there is a risk that they are not sufficiently safe for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public.
- 3 Programme and Project Delivery** - Due to availability of appropriately-skilled project and programme management resource, there is a risk that the Council is unable to ensure the effective management and successful delivery, on time and budget, of major programmes and projects.
- 4 Information and Data** - A major loss of data from the Council's control - either accidental or deliberate - could result in fines, claims, loss of public trust and reputational damage. This risk takes into account the requirements arising from the new General Data Protection Regulation that took effect from May 2018.
- 5 Medium-term Financial Planning (to 2022)** - given reduced funding availability, increasing demand for social care services, challenges in achieving planned savings, public perception of (and reaction to) proposed changes, competing priorities, the requirement to ring-fence budgets and potential legislative changes following Brexit, the Council could find it more difficult to undertake medium-term financial planning.
- 6 Response to a major incident** - A sudden high impact event causes harm to people and damages infrastructure, systems or buildings. Buildings, staff and/or systems are non-operational for a time, resulting in a reduced ability to deliver services.
- 7 Housebuilding Programme** - Due to capacity within the house-building industry, the availability of suitable land, uncertainties around planning assumptions used in financial models (demographics, demand, economic factors etc.) there are risks to the delivery of the Council's housebuilding programme.
- 8 Electoral Events** - Due to the national political situation and the current status of Brexit, there is an increased likelihood in the short-term of a requirement to hold a General Election or referendum in addition to currently planned elections. Potential effects include pressure on service delivery due to short-notice redeployment of trained and/or experienced staff to election activities.
- 9 Health and Safety** - There is a risk of non-compliance with the Council's legislative requirements and associated suite of health and safety policies and/or failure to comply with procedures or applicable legislation which could lead to an incident resulting in harm to staff, service users or members of the public, liability claims, regulatory breaches, fines and associated reputational damage.
- 10 Public Safety** - Due to increasing footfall in key locations, primarily during the Festivals, Christmas and Hogmanay, combined with the volume of traffic on the city's roads, there is an increased possibility of a collision between a pedestrian and vehicle. This could result in serious injury (mental and/or physical) or death, liability claims against the Council, and associated negative publicity for the city.
- 11 Brexit** - Due to the national political environment and ongoing preparations for Brexit, there are uncertainties around potential impacts upon the Council. Impacts could include the requirement for additional elections in the short-term, increased supply chain risks and employment pressures in the medium-to-long term, with subsequent impacts on particular areas of service delivery.
- 12 Changes to Decisions** - Difficult choices about services may be made through the Council decision making process. There is a risk that public reaction to such decisions may change over time, requiring decisions to be revisited and potentially altered. This could result in decisions being made out with long-term strategies, with associated impacts upon budgets, and ability to meet legislative requirements.
- 13 Sustainability and Corporate Social Responsibility** - Due to potential changes in legislation, increased media attention and public focus upon global issues such as climate change, environmental and corporate social responsibility, the Council could be required to alter its planning arrangements and assumptions to incorporate additional requirements.

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties

Per the March 2019 Accounts Commission Report, '**Local Government in Scotland: Challenges and Performance 2019**', all Councils in Scotland face further challenges and uncertainties. These have been noted as;

- The **United Kingdom's decision to leave the European Union** will have an impact on councils' work. The Council has set up a working group to plan for a number of scenarios to mitigate this risk, including potential impacts on availability of staffing for Council services. **A detailed report** was considered by the Corporate Policy and Strategy Committee on 7 August 2018, with a further update provided to the Committee on 14 May 2019.
- The **2012 and 2016 Scotland Acts** introduced new financial and social security powers. As a result, Scotland's budget is influenced by Scottish ministers' tax decisions and how well the Scottish economy performs compared to the rest of the UK. In its five-year strategy, the Scottish Government estimates that the Scottish budget could vary by up to six per cent by 2022/23.
- In 2018, the Scottish Government and COSLA launched the **Local Governance Review** of how powers and responsibilities are shared across national and local government and with communities. The aim of the review is to give local communities more say in how public services in their area are run, with legislation to be developed in 2019. The **latest update** was considered by the Corporate Policy and Strategy Committee on 4 December 2018.
- Councils and their partners are developing fresh approaches to financially empowering local communities and actively involving them in making decisions. For example, the Council has developed a case for the introduction of a **Transient Visitor Levy (TVL)**.

Performance Overview

While the Council is required by statute to report publicly on its performance across a range of areas set out by the Accounts Commission, a suite of additional measures continues to be reported quarterly to the Corporate Leadership Team and Executive Committees will consider an overview of performance relevant to their area, scrutinising indicators, improvement actions, issues and opportunities on an annual basis. The Policy and Sustainability Committee will also consider performance on a six-monthly basis providing holistic strategic oversight and scrutiny. This thematic reporting is intended to complement financial data in giving a more rounded and informed picture of overall performance. In this vein, a new balanced scorecard approach is being implemented to bring together all aspects of performance in a single format.

Edinburgh-specific performance data for 2018/19 has also been provided through a range of other channels, including the **Edinburgh People Survey**, audits and inspections. Performance against a suite of local-level, outcome-focused "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

Council Performance and Best Value

The **Local Government Benchmarking Framework 2017/18 - Edinburgh Overview** was reported to Corporate Policy and Strategy Committee on 14 May 2019.

The Council's Annual Performance Report for 2018/19 was additionally considered by Council on 27 June 2019. This report set out both progress against the three themes underpinning the Change Strategy (further details of which are included on page 15) and the full suite of statutory performance indicators for 2018/19.

The **Council's Annual Audit Report for 2018/19** notes that the Council will likely be subject to an external Best Value Audit in early 2020. The Best Value assessment considers whether the Council has achieved continuous improvement not in all service areas, but in the outcomes within the Council's strategic priority areas.

While necessarily based on 2017/18 Scotland-wide data, the Council's Annual Audit Report for 2018/19 highlights a continuing decline in comparative performance against Scotland's other local authorities as assessed by the Local Government Benchmarking Framework, with poor performance in some adult social care, environmental and homelessness service indicators. Good progress in the implementation of the Housing and Roads Services Improvement Plans is, however, noted.

MANAGEMENT COMMENTARY

Financial Performance

Comparative Performance

Under Section (1) (1) (a) of the Local Government Act 1992, the Accounts Commission has a statutory power to define the performance information that councils must publish locally in the following financial year with a view to facilitating comparison over time within, and across, authorities.

Provisional 2018/19 data were included in the Council's Annual Performance Report for 2018/19 presented to Council on 27 June 2019.

In addition, an overview of the Council's 2017/18 performance against the sixty efficiency- and outcome-related indicators comprising the framework and other relevant indicators as they related to the Council's then five strategic themes has been produced, as well as more detailed briefings on the framework's seven elements. These briefings analyse not only existing performance but, more importantly, consider areas for improvement and planned or proposed actions to address these.

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

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 20. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement (page 17).

An Expenditure and Funding Analysis has been provided to reconcile adjustments between the Council's financial performance under the funding position and the surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis can be found in Note 2 and the Expenditure and Income Analysed by Nature in Note 3.

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

	Budget	Actual	(Under)
	2018/19	2018/19	/ Over
	£000	£000	Spend
			£000
General Fund services	833,321	845,652	12,331
Non-service specific areas			
Loans charges / interest on revenue balances	113,280	107,521	(5,759)
Other non-service specific costs	29,523	23,246	(6,277)
Council Tax Reduction Scheme*	26,672	24,293	(2,379)
Net Cost of Benefits	(291)	(812)	(521)
Dividend and other interest received	(10,618)	(12,019)	(1,401)
Non-service specific areas total	158,566	142,229	(16,337)
Movements in Reserves			
Net contribution to / (from) earmarked funds	(3,789)	(697)	3,092
Contribution to / (from) Renewal and Repairs Fund	173	173	0
Contribution to / (from) Capital Fund	(980)	(980)	0
Movements in Reserves total	(4,596)	(1,504)	3,092
Sources of funding			
General Revenue Grant	(363,757)	(363,757)	0
Distribution from Non-Domestic Rate pool	(340,474)	(340,474)	0
Council Tax	(283,060)	(283,728)	(668)
Sources of funding total	(987,291)	(987,959)	(668)
Transfer (to) / from Council Priorities Fund	0	(1,582)	(1,582)

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

*uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £2.379m were transferred to an earmarked reserve.

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget performance - General Fund - continued

On 22 February 2018, the Council set a balanced budget for 2018/19 with delivery of approved savings and prompt identification and management of underlying or emerging risks and pressures key to maintaining financial stability in the year. The approved budget was predicated on the delivery of £36.5m of directorate-specific and corporate savings.

The Council's outturn position shows a net underspend against budget of £1.582m. This net position is attributable to two main factors:

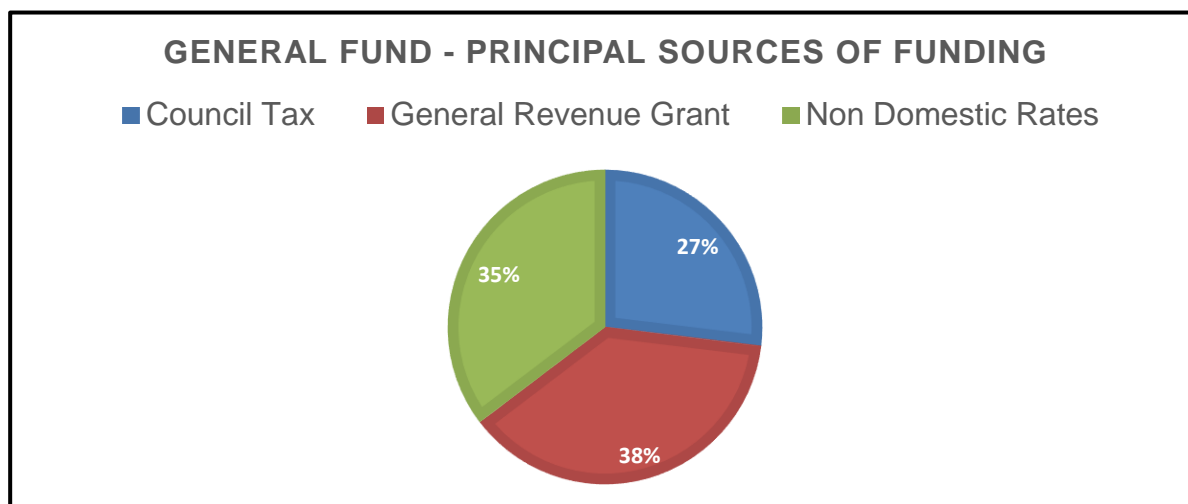
- Throughout the financial year it was reported to the Finance and Resources Committee that there were underlying pressures within, in particular, the Health and Social Care Partnership/EIJB and rising pupil rolls, home-to-school transport, temporary accommodation and community access to schools affecting the Communities and Families Directorate. In light of these pressures, a number of measures, including further tightening of workforce and financial controls, a review of discretionary expenditure and identification of other non-recurring income and expenditure savings, was initiated such that a balanced outturn for the year as a whole was delivered.
- The £12.331m general fund services overspend was offset by a £13.245m underspend in non-service specific areas, reserves and funding. Net savings in loans charges contributed £5.759m, additional interest and income received contributed £1.401m, additional income from Council Tax contributed £0.668m with the remainder primarily representing savings against inflationary provisions.

The net underspend of £1.582m has been set aside within the Council Priorities Fund.

Principal Sources of Funding - General Fund

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

	£000
Council Tax, net of Council Tax Reduction Scheme (CTRS)	259,435
General Revenue Grant	363,757
Distribution from Non-Domestic Rates pool	<u>340,474</u>
Total	<u><u>963,666</u></u>



MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

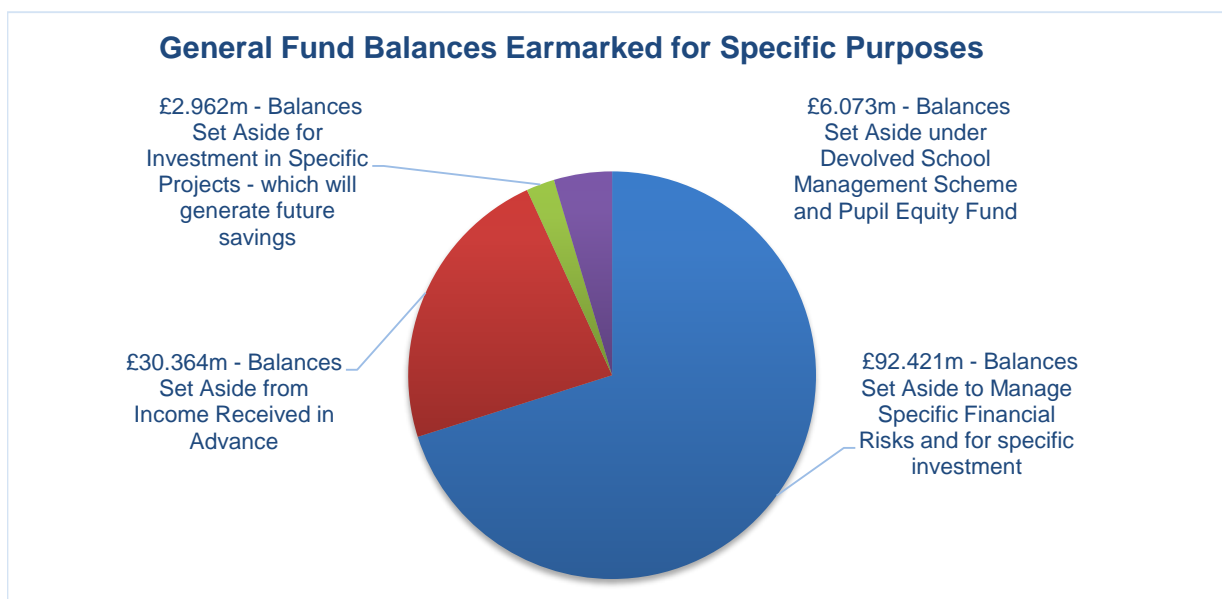
The Council's General Fund reserves comprise two elements:

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

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

The **latest review** was in February 2019, as part of the 2019/20 budget setting process. The unallocated General Fund balance remains at £13.025m, which equates to 1.36% of the annual budgeted net expenditure. There were no planned or actual contributions to the unallocated General Fund for 2018/19.

In addition, the Council has a further £131.820m, (2017/18 £138.260m) of balances earmarked for specific purposes. Details can be seen in note 12 to the Financial Statements. The chart below highlights the split of these balances.



These balances are held for a number of reasons:

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

The decrease in reserves from the previous year mainly reflects a drawdown of the Council Tax Discount Fund to support planned development of affordable housing.

In summary, the level of reserves at 31 March 2019, together with the forward strategy, is considered appropriate in view of the financial liabilities and risks likely to face the Council in the short to medium term.

Other Reserves

The Council holds other usable reserves; these are the Capital Grants Unapplied Account with a balance of £15.784m, the Capital Fund with a balance of £55.908m and the Renewal and Repairs Fund with a balance of £26.346m, including £2.126m of monies for schools prepaid under PPP arrangements.

MANAGEMENT COMMENTARY

Financial Performance - continued

Financial Ratios

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

Council Tax	2018/19	2017/18	Notes on interpretation of ratios
In-year collection rate	97.03%	96.78%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of sums billed relating to previous financial years. The collection rate is stated on a line-by-line basis. The indicator shows that in-year collection levels improved, with the 2018/19 collection rate being the highest achieved since the Council's formation in 1996.
Council Tax income as a percentage of overall funding	26.92%	26.23%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS). The increase is mainly due to a combination of greater property numbers and the application of a 3% rise across all bands relative to a lower level of increase in other elements of funding.
Debt and Borrowing - Prudence			Notes on interpretation of ratios
Capital Financing Requirement	£1,549.5m	£1,575.9m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets and shows a decrease of around 2% during the year. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 38 to the Financial Statements.
External debt levels	£1,446.9m	£1,476.4m	External debt levels include long-term commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure and show a year-on-year decrease of around 2%. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability			Notes on interpretation of ratios
Financing costs to net revenue stream - General Fund	11.16%	11.64%	These ratios show the proportion of total revenue funding that is used to meet financing costs.
Financing costs to net revenue stream - HRA	37.29%	37.33%	
Impact of capital investment on Council Tax	-1.07%	-0.60%	These ratios show incremental impact of financing costs (the increase or (decrease) in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	1.34%	2.78%	

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy

The **Annual Treasury Strategy 2019/20** was approved on 14 March 2019. The key points are:

- the Council's total capital expenditure is forecast to be £2.039 billion between 2018/19 and 2023/24;
- the Council's underlying need to borrow at 31 March 2024 is forecast to be £1.913 billion;
- the opportunity to mitigate future interest rate risk with alternatives to the Public Works Loan Board (PWLB) will continue to be sought and the risk locked out where appropriate; and
- £299m of the Council's external debt is due to mature by 2024.

The Treasury Management Annual Report for 2018/19 was considered by the Finance and Resources Committee on 15 August 2019. For the fifth year in a row, the Council's capital repayments were greater than its new capital expenditure funded by borrowing, meaning that the underlying need to borrow for a capital purpose reduced during the year. The Council continued its successful medium-term strategy of funding capital expenditure from a reduction in temporary investments and the cash fund once again outperformed its benchmark.

Capital Strategy

The **Capital Strategy 2019-2024** was approved at Full Council on 14 March 2019.

The report provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services and is linked to a number of other key plans and policies such as the Annual Treasury Strategy, the Capital Investment Programme and HRA Budget Strategy.

Capital Expenditure

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

The outturn position for capital expenditure is summarised below:

	Revised Budget 2018/19 £000	Actual 2018/19 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	246,364	185,812	(60,552)
Housing Revenue Account	<u>80,934</u>	<u>80,963</u>	<u>29</u>
Total capital expenditure	<u><u>327,298</u></u>	<u><u>266,775</u></u>	<u><u>(60,523)</u></u>
Capital receipts and other contributions			
- General Fund services	(59,086)	(48,512)	10,574
- Housing Revenue Account	(47,171)	(55,393)	(8,222)
Government and other grants			
- General Fund services	(127,142)	(128,326)	(1,184)
- Housing Revenue Account	<u>(11,349)</u>	<u>(9,070)</u>	<u>2,279</u>
Total capital income	<u><u>(244,748)</u></u>	<u><u>(241,301)</u></u>	<u><u>3,447</u></u>
Capital Receipts and Grants Carried Forward			
- Set aside in temporary investments	15,137	15,212	75
- Set aside in Capital Fund	859	825	(34)
- Set aside in Capital Grants Unapplied Account	<u>0</u>	<u>12,339</u>	<u>12,339</u>
Total capital income carried forward	<u><u>15,996</u></u>	<u><u>28,376</u></u>	<u><u>12,380</u></u>
Balance to be funded through borrowing			
- General Fund services	76,132	37,350	(38,782)
- Housing Revenue Account	<u>22,414</u>	<u>16,500</u>	<u>(5,914)</u>
Total advances from loans fund	<u><u>98,546</u></u>	<u><u>53,850</u></u>	<u><u>(44,696)</u></u>

Expenditure on General Fund services slipped in total by £60.552m. The majority of slippage related to delays on the Early Years initiative projects, lending to the National Housing Trust (NHT) and Edinburgh Living LLPs and major bridge projects, caused by factors largely out with the Council's control, however acceleration in the programme of Asset Management Works partly offset the slippage in these projects.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure

The Council received £49.405m of general capital grant during 2018/19. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £266.775m. Major capital projects undertaken during the year included:

- Educational properties - £28.431m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £80.963m;
- Social housing through the housing development fund - £53.164m;
- Roads, carriageways and other infrastructure - £27.730m;
- Cultural and other recreational venues - £2.920m;
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £20.418m; and
- Providing funding for homes for mid market rent from private developers through the Edinburgh Living LLP - £2.734m.

Housing Revenue Account

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

In February 2018, the Council approved the five year Housing Revenue Account Budget Strategy. The budget set out the long-term investment priorities underpinning the Council's strategy to reduce the cost of living for tenants and to provide good quality, well managed, affordable and low cost housing people on low to middle incomes. The investment priorities are; expand and accelerate the development of affordable and low-cost housing; continue to modernise existing Council homes and neighbourhoods; and transformation of front line services to tenants to tackle inequality and reduce their costs of living.

The HRA Capital Programme is geared towards delivering the HRA Budget Strategy, which aims to expand and accelerate the development of affordable and low-cost homes; to improve tenants' homes, upgrade external fabric of mixed tenure building and estates; and to transform frontline services to reduce tenants' costs of living. 2018/19 was the largest capital programme to date; an 11% increase from the previous year's programme.

Delivery in 2018/19 has been strong. The Housebuilding Programme continues to grow, with around 1,300 homes completed or under construction this year. A total of 182 homes were completed at Pennywell (Phase 2), Calder Gardens, West Pilton and Clermiston in 2018/19, including the 22 mid market rented homes that were purchased by Edinburgh Living. At the end of the financial year, over 700 new homes were under construction, with a further 3,000 homes in design and development stages.

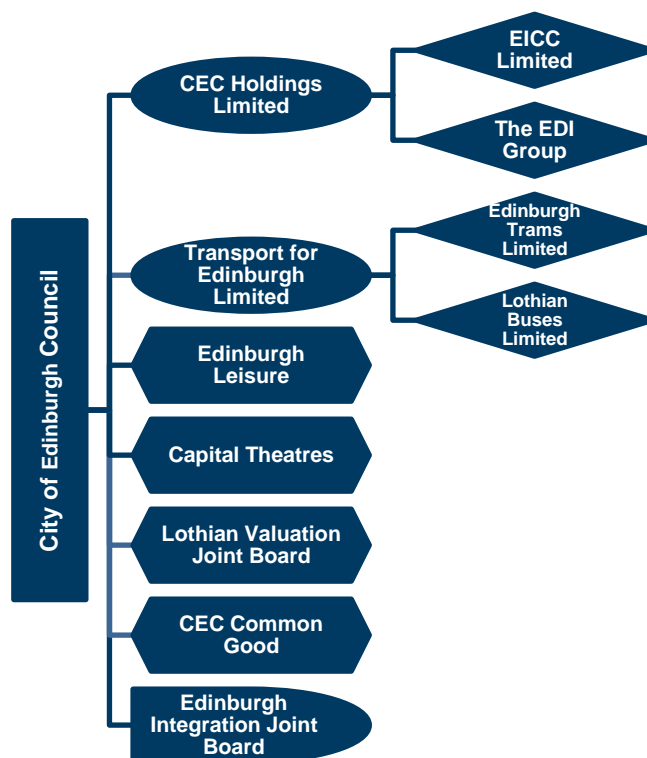
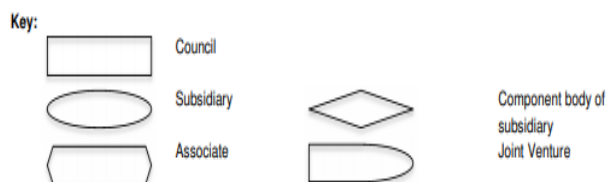
The 2019/20 programme will continue to invest in the internal modernisation of homes with an aim to bring existing homes up to the same quality as new homes and estates over the next 15 years. At the same time, investment in external fabrics, estates and secure door entry systems will be scaled up to meet statutory commitments. This includes £35m investment to deliver Energy Efficiency Standard for Social Housing (EESH) and energy related improvements over the next two years; installation of secure door entry systems in 1,290 mixed tenure blocks over the next three years, where this is the cause of Scottish Housing Quality Standards (SHQS) non-compliance; and establishing a dedicated mixed tenure delivery team to engage with residents, liaise with owners and to progress mixed tenure projects.

MANAGEMENT COMMENTARY

Financial Performance - continued

Group Accounts

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared, which consolidate the financial interests the Council has in subsidiaries, associates and joint ventures, where the interest is considered material. Note 9 details the interests the Council holds and further financial details about the entities. The adjacent chart shows the components in the structure of the Group. Information on the Common Good can be found on page 110 and the International Conference Centre Trusts have now been discharged.



CEC Holdings Ltd

EDI Group Ltd (subsidiary of CEC Holdings Ltd)

The EDI Group was established in 1988 by The City of Edinburgh Council to carry out the development of Edinburgh Park, now regarded as one of the principal business parks in Europe. In early 2017, the Council conducted a review of its approach to the use of surplus land and its interactions with the property market and concluded that the default position will be that the land or buildings are used to deliver affordable housing, meaning that EDI has no future pipeline of projects. As a result, in the longer term the Council decided it should not have an arm's length development company. The Council therefore instructed the directors to begin a process of closure, with the majority of land transferring to the Council and all staff leaving by October 2018, with the company's activities now overseen by Council officers under the governance of a scheme of delegation and service level agreement. The company will continue to trade into 2019 and beyond until such time as all projects currently being undertaken by EDI have either concluded or have been transferred to the Council.

Edinburgh International Conference Centre (EICC) Ltd (subsidiary of CEC Holdings Ltd)

EICC Ltd operates a prime conference venue in the centre of Edinburgh. The Centre was built in 1995 and since that time has welcomed 1.3 million delegates from more than 120 countries, generating £600m of economic impact for the city region.

In 2018, the Centre saw its operating and financial performance improve for the fourth successive year, with the profit before tax from continuing operations increasing from £0.579m in 2017 to £0.760m, notwithstanding limited clients' budgets, increased competition from a growing number of conference centres and aggressive price competition from venues across the globe. The Company's revenues for the year amounted to £8.763m, which was an increase of £0.844m on the previous year and generated a gross profit of £1.360m, an increase of 19.61%.

Transport for Edinburgh Ltd

The core purpose of Transport for Edinburgh Ltd (TfE) is to deliver a high-quality and integrated transport service for the city. It also delivers profit through a strong commercial focus and drive for efficiency across all of its activities. TfE's long-term vision is to be an integral part of the future success of the city and the Lothians, by providing world-class, environmentally-friendly and socially-inclusive public transport.

The Group retained a substantial share of the local public transport market in Edinburgh and the Lothians. Revenue has increased by 6.4% from the previous year to £176.5m with net reserves of £148.8m at year end. The Group faced significant operating and cost pressures in 2018 and anticipates these pressures to persist in 2019, however, the Group will remain proactive in seeking to relieve their impact.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Lothian Valuation Joint Board (LVJB)

The Board reported an audited overall underspend of £0.099m against a revised budget of £5.847m during 2018/19. The primary reasons for the reported position against budget were savings from the implementation of a new staffing structure through the Transformational and Cultural Change Programme and a focused reduction in travel expenses. The cost of Individual Electoral Registration (IER) was fully funded by a grant, against which an underspend of £0.372m was carried forward to 2019/20 to mitigate the risk of the removal of Cabinet Office funding and ongoing legacy costs arising from IER.

Edinburgh Leisure

Edinburgh Leisure operates over fifty sport and leisure facilities across the city on behalf of the Council, attracting over four million visits each year, with the aim of inspiring Edinburgh to become a more active and healthy city. The range of facilities includes sport and leisure centres, swim centres, golf courses, tennis courts, bowling greens and sports pitches.

In 2018/19, an underlying surplus on unrestricted funds of £0.404m was achieved against a backdrop of increasing competition, increasing cost pressures and a reduced payment for service from the Council.

Edinburgh Leisure continues to work with the Council and other stakeholders on a range of projects, including Movement for Memories that will support people living with dementia to get active, the Active Mums project which encourages mums to incorporate physical activity into their lives and the #YouCan initiative which aims to empower care-experienced young people to lead more active, healthy lives.

Capital Theatres

2018/19 was a period of very positive trading for the Trust, welcoming over 503,000 paying visitors to the Trust's venues, the first time the half a million mark has been exceeded.

The Trust changed its name to Capital Theatres on 28 February 2018 to reflect the organisation's growth and to establish a brand for the Trust's three venues – the Festival Theatre, King's Theatre and The Studio.

The three venues have hosted a variety of productions during the year, including two "blockbuster" shows, War Horse and Les Misérables, Scottish Ballet and Scottish Opera performances and several touring premieres. The King's pantomime, Beauty and the Beast, once again broke all records during the capital city's Christmas season.

The Trust's Learning and Participation work has continued in 2018/19, with the involvement in the Life Change Trust and contribution as co-funder of the Edinburgh Performing Arts Development (EPAD).

Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board was formally delegated the functions and resources of the Council's Health and Social Care Service and NHS Lothian's Community Health Partnership, with effect from 1 April 2016. At that time an assessment was undertaken on the relationship of the Council with the Edinburgh Integration Joint Board and on the basis of level of control, being fifty percent Board representation, and wider materiality levels, this Joint Venture has been consolidated into the Group accounts for the year to 31 March 2019, see note 9.3.

The Board was in the final year of implementing its initial three year strategic plan, which sets out how the health and social care services delegated by The City of Edinburgh Council and NHS Lothian will be developed and changed over the period to meet the changing needs of the population and achieve better outcomes for people. The budget of around £700m will fund community health and social care services, including GP practices and some elements of acute hospital services. Work is underway to establish a renewed Strategic Plan for 2019-2022.

Group Summary

Net assets for 2018/19 include a combined group pension liability of £600.979m (2017/18 £428.245m), as shown in note 42.9. This reflects the inclusion of pension liabilities relating to the Council, other employees, including subsidiary companies and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2019. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

MANAGEMENT COMMENTARY

Wider Policy Environment and Future Developments

The Council has delivered over £263m of recurring savings since 2012/13, equivalent to around 25% of its net budget. This has allowed the combined financial challenges of increasing demographic-led service demand, inflationary pressures and legislative reform to be addressed whilst steadily improving performance across many areas.

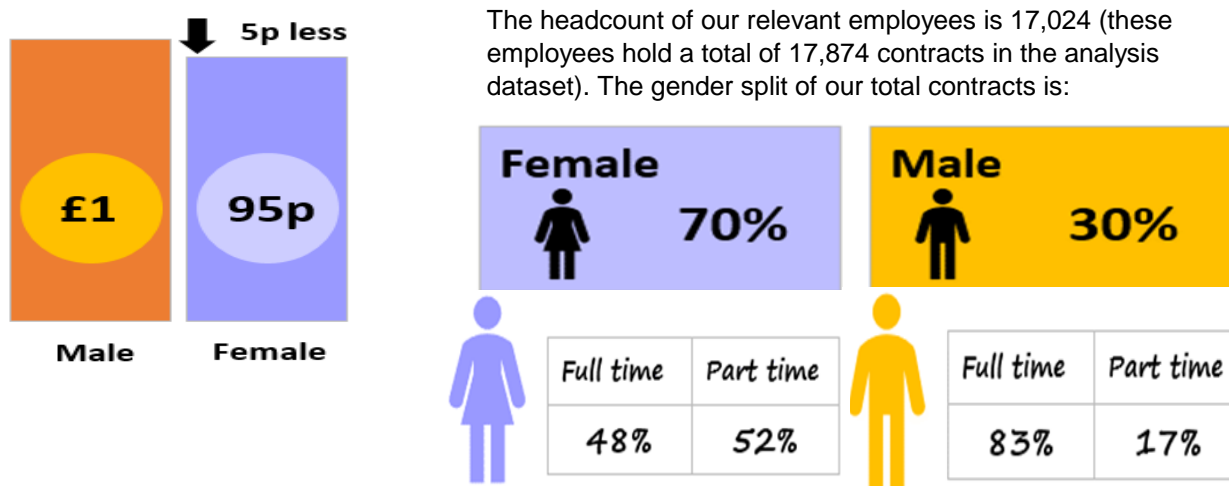
Equality and Rights

The Council's second **Equality, Diversity, and Rights Framework** covers the period 2017-21.

The Council is committed to the principle that all employees should receive equal pay for doing equal work, or work of equal value, regardless of age, sex, race, disability status, sexual orientation, religion or belief, working pattern, employment status, caring responsibilities or trade union membership. It is also an equal opportunities employer and positively values the different backgrounds, perspectives and skills that a diverse workforce brings to the Council.

In accordance with our duties arising as a result of the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, we have updated our gender pay gap based on data from 31 March 2018.

Whilst our overall mean gender pay gap is 4.8%, this report on the **Gender Pay Gap** recognises that we would like to reduce the gender pay gap and identifies areas for further analysis.



Local Development Plan

The **Edinburgh Local Development Plan (LDP)** was adopted on 24 November 2016. To support the growth of Edinburgh and to ensure the city grows in a sustainable way, new infrastructure provision and enhancements associated with new development (particularly additional school, transport and green space provision) must be delivered. The Council has identified the infrastructure actions required to help deliver the growth and these are set out in the LDP Action Programme.

The financial assessment of the **Edinburgh Local Development Plan Action Programme 2019** was considered by the Finance and Resources Committee on 1 February 2019.

Edinburgh and South-East Scotland Region City Deal

The City Region Deal brings together local authorities and public sector partner organisations across the South-East of Scotland and serves as a mechanism for accelerating growth by pulling in significant government investment.

The City Region Deal is also about providing greater autonomy and decision-making powers for the region to help partners deliver public services more effectively and to tackle inequality and deprivation. **A £1.1bn deal** from the UK and Scottish Governments was confirmed on 20 July 2017, with both governments jointly investing £600m and regional partners adding up to £500m over the next 15 years.

The **latest update** was considered by the Corporate Policy and Strategy Committee on 14 May 2019.

Welfare Reform

The rollout of full service Universal Credit (UC) across Edinburgh began on 28 November 2018. The Department for Work and Pensions (DWP) confirmed that all claimants on the former live service for UC have transitioned to full service UC within Edinburgh.

At the end of December 2018 there were 577 council tenants known to be receiving UC.

The **latest update** was considered by the Corporate Policy and Strategy Committee on 14 May 2019.

MANAGEMENT COMMENTARY

Edinburgh Tram - York Place to Newhaven

The Final Business Case for the **Edinburgh Tram - York Place to Newhaven** was approved at The City of Edinburgh Council meeting on 14 March 2019.

The Edinburgh Tram York Place to Newhaven route is 4.6km long and completes the originally envisaged Phase 1a of the Edinburgh tram network. This will link Edinburgh Airport, the city centre and the Waterfront area: three of the Council's four priority investment zones under its Economy Strategy.

The tram line to Newhaven is affordable, on the basis that a £1.9 million cashflow challenge in the early years can be funded from reserves. Reserves used would be replenished from profits in future years, with all reserves being repaid by 2027. There are opportunities to reduce the requirement for reserves from efficiencies in tram maintenance and further maximisation of tram advertising income. This conclusion is based on robust and prudent analysis of costs and revenues and assumes an extraordinary dividend from Lothian Buses of £20 million over a 10 year horizon. In the longer term, tram revenues can fund the extension and provide additional income to the Council.

Council Change Strategy: Planning for Change and Delivering Services 2019-2023

On 25 June 2015, Council approved a report on the **Transformation Programme** which set out the future operating model for the Council.

Since the start of transformation to 3 June 2019, staff accounting for approximately 1,078 FTE have left or are confirmed to be leaving the organisation under Voluntary Early Release Arrangements (VERA) or Voluntary Redundancy (VR) arrangements, under the Transformation Programme. The one-off cost associated with these cases is £46.7m and the overall payback is 13.5 months, which is in line with the original planning assumptions.

The Finance and Resource Committee approved the publication of the Change Strategy, **Planning for Change and Delivering Services 2019-2023** on 27 September 2018.

The latest update on the Strategy was considered at the City of Edinburgh Council meeting on **21 February 2019**.

It is anticipated that a further update will be considered in October 2019.

The Council's Change Strategy has identified three key principles of (i) driving improvements to deliver high-quality services, (ii) targeting investment on prevention and early intervention and (iii) delivering sustainable and inclusive growth. In recognising that such a transformational shift can only be achieved over the medium- to longer-term, however, a staged approach will be adopted, with a suite of shorter-term measures identified to provide necessary financial breathing space in 2019/20 to provide the foundation for this more fundamental longer-term change.

Budget Framework

On **21 February 2019**, the Council set a balanced budget for 2019/20. Delivery of approved savings and prompt identification and management of underlying or emerging risks and pressures will again be key to maintaining financial stability in the coming year.

Conclusion

In 2021, it is forecast that the number of people aged 65 and over will overtake the number of people aged under 18. By 2023 there will be 4,000 more children in our schools than there are today, and our total population will have increased by 23,000 people. We need to be prepared to support more children in our schools, while at the same time look after an ageing population who will need support from the Council and NHS alike. We need to make sure that the city continues to be open, progressive and forward-thinking so that everyone can share in the benefits. To do this we need to be a modern organisation focused upon even more efficient and effective delivery of our public services. We cannot continue to do things the same way we always have, we need to change and improve.

ANDREW KERR
Chief Executive
27 September 2019

STEPHEN S. MOIR
Executive Director of Resources
27 September 2019

CAMMY DAY
Depute Council Leader
27 September 2019

ELEANOR BIRD
Leader of the SNP Group
27 September 2019

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 26 September 2019.

CAMMY DAY
Depute Council Leader

ELEANOR BIRD
Leader of the SNP Group

27 September 2019

27 September 2019

The Section 95 Officer's responsibilities

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

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

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

The Section 95 Officer has also:

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

Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2019.

HUGH DUNN, CPFA
Head of Finance
Section 95 Officer

27 September 2019

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

Council 2018/19	General Fund Balance	Housing Revenue Account Balance	Renewal and Repairs Fund	Capital Grants Unapplied Account	Capital Fund	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2018/19	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	151,285	0	58,123	4,796	63,558	277,762	2,240,857	2,518,619
Movement during 2018/19								
Total Comprehensive Income and Expenditure	(155,471)	30,771	0	0	0	(124,700)	235,849	111,149
Adjustments between accounting basis and funding basis under regulations (Note 11)	143,298	(56,815)	0	10,988	(7,650)	89,821	(89,821)	0
Net increase / (decrease) before transfers to statutory reserves	(12,173)	(26,044)	0	10,988	(7,650)	(34,879)	146,028	111,149
Transfer (to) / from other statutory reserves (Note 12.3)	5,733	26,044	(31,777)	0	0	0	0	0
Increase / (decrease) in year	(6,440)	0	(31,777)	10,988	(7,650)	(34,879)	146,028	111,149
Balance at 31 March 2019	144,845	0	26,346	15,784	55,908	242,883	2,386,886	2,629,769

Group - 2018/19	Total Usable Reserves	Total Unusable Reserves	Council Total Reserves	Group Reserves	Total Reserves
2018/19	£000	£000	£000	£000	£000
Balance at 31 March 2018	277,762	2,240,857	2,518,619	202,196	2,720,815
Movement during 2018/19					
Total Comprehensive Income and Expenditure	(124,700)	235,849	111,149	(4,673)	106,476
Adjustments between accounting basis and funding basis under regulations (Note 11)	89,821	(89,821)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	(34,879)	146,028	111,149	(4,673)	106,476
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	0	0
Increase / (decrease) in year	(34,879)	146,028	111,149	(4,673)	106,476
Balance at 31 March 2019	242,883	2,386,886	2,629,769	197,522	2,827,291

MOVEMENT IN RESERVES STATEMENT

Council Re-stated 2017/18 Comparative Data	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Grants Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000	(re-stated) Total Unusable Reserves £000	Total Reserves £000
	Balance at 31 March 2017	142,611	0	64,149	766	61,178	268,704	1,511,573
Movement during 2017/18								
Total Comprehensive Income and Expenditure	(75,058)	14,469	0	0	0	(60,589)	798,930	738,341
Adjustments between accounting basis and funding basis under regulations (Note 11)	89,588	(23,511)	0	4,030	2,379	72,486	(72,486)	0
Net increase / (decrease) before transfers to statutory reserves	14,530	(9,042)	0	4,030	2,380	11,898	726,444	738,342
Transfer (to) / from other statutory reserves (Note 12.3)	(5,856)	9,042	(6,026)	0	0	(2,840)	2,840	0
Increase / (decrease) in year	8,674	0	(6,026)	4,030	2,380	9,058	729,284	738,342
Balance at 31 March 2018	151,285	0	58,123	4,796	63,558	277,762	2,240,857	2,518,619

Group - 2017/18 Re-stated	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000	Group Reserves £000	Total Reserves £000
Balance at 31 March 2017	268,704	1,511,573	1,780,277	141,194	1,921,471
Movement during 2017/18					
Total Comprehensive Income and Expenditure	(60,589)	798,930	738,341	61,002	799,343
Adjustments between accounting basis and funding basis under regulations (Note 11)	72,486	(72,486)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	11,898	726,444	738,342	61,002	799,344
Transfer (to) / from other statutory reserves (Note 12.3)	(2,840)	2,840	0	0	0
Increase / (decrease) in year	9,058	729,284	738,342	61,002	799,344
Balance at 31 March 2018	277,762	2,240,857	2,518,619	202,196	2,720,815

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2019

2017/18			Gross	Income	Net
£000	Notes	£000	£000	£000	£000
	SERVICES				
356,769	Communities and Families	499,998	(85,595)	414,403	
156,558	Place	338,116	(198,062)	140,054	
(26,172)	Housing Revenue Account	82,894	(105,024)	(22,130)	
202,393	Health and Social Care	519,355	(303,678)	215,677	
222,476	Resources	328,799	(45,489)	283,310	
11,133	Chief Executive	11,810	(1,341)	10,469	
32,362	Safer and Stronger Communities	0	0	0	
3,629	Lothian Valuation Joint Board	3,575	0	3,575	
(625)	Net cost of benefits	192,673	(193,484)	(811)	
29,113	Other non-service specific costs	53,328	10,234	63,562	
(7,845)	Subsidiary Companies	198,036	(190,330)	7,706	
979,791	COST OF SERVICES	<u>2,228,584</u>	<u>(1,112,769)</u>	1,115,815	
5,263	Gains on disposal of non-current assets			(5,888)	
93,901	Financing and Investment Income and Exp.	13.		80,214	
(1,026,666)	Taxation and Non-Specific Grant Income	14.		(1,058,679)	
52,289	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			131,462	
3,339	Associates and Joint Ventures Accounted for on an Equity Basis			(377)	
2,106	Taxation of Group entities	14.		(275)	
<u>57,734</u>	GROUP (SURPLUS) / DEFICIT			<u>130,810</u>	
(525,125)	Surplus on Revaluation of Non-Current Assets		(316,011)		
(14)	(Surplus) on Revaluation of Available for Sale Financial Assets		0		
77,350	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		(183,615)		
(351,162)	Changes in Financial and Demographic Assumptions / Other Experience		263,604		
(58,126)	Other Unrealised (Gains) / Losses		(1,264)		
(857,077)	Other Comprehensive Income and Expend.			(237,286)	
<u>(799,343)</u>	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			<u>(106,476)</u>	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2019

2017/18			Gross	Income	Net
£000	SERVICES	Notes	Expend.	£000	Expend.
			£000	£000	£000
356,769	Communities and Families		499,998	(85,595)	414,403
156,558	Place		338,116	(198,062)	140,054
(26,172)	Housing Revenue Account		82,894	(105,024)	(22,130)
202,393	Health and Social Care		519,355	(303,678)	215,677
222,476	Resources		328,799	(45,489)	283,310
11,133	Chief Executive		11,810	(1,341)	10,469
32,362	Safer and Stronger Communities		0	0	0
3,629	Lothian Valuation Joint Board		3,575	0	3,575
(625)	Net cost of benefits		192,673	(193,484)	(811)
29,113	Other non-service specific costs		53,328	10,234	63,562
987,636	COST OF SERVICES		2,030,548	(922,439)	1,108,109
5,292	Gains on disposal of non-current assets				(6,001)
94,327	Financing and Investment Income and Exp.	13.			81,271
(1,026,666)	Taxation and Non-Specific Grant Income	14.			(1,058,679)
60,589	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				124,700
(525,125)	Surplus on Revaluation of Non-Current Assets			(316,011)	
77,350	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(183,615)	
(351,162)	Changes in Financial and Demographic Assumptions / Other Experience			263,604	
7	Other Unrealised Losses			173	
(798,930)	Other Comprehensive Income and Expend.				(235,849)
(738,341)	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				(111,149)

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(738,341)	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(111,149)
(6,941)	Subsidiary and associate transactions included in the Council's CIES	(5,815)
(49,768)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	11,406
(4,293)	Associates and Joint Ventures	(918)
(799,343)	Group total Comprehensive (Income) / Expenditure for the year	(106,476)

BALANCE SHEET

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

31 March 2018			31 March 2019	
Re-stated Group £000	Re-stated Council £000		Group £000	Council £000
1,444	1,444	Intangible Assets	17. 335	335
4,316,788	4,193,054	Property, Plant and Equipment	15. 4,600,761	4,485,705
18,321	17,891	Investment Properties	16. 19,136	18,916
30,885	30,885	Heritage Assets	18. 31,304	31,304
2,580	2,580	Assets Held for Sale	23. 1,586	1,586
619	0	Financial Assets	43. 0	0
59,466	0	Other Long-Term Assets (Pension)	65,471	0
8,288	20,280	Long-Term Investments	22. 11,698	23,690
29,823	0	Investments in Associates and Joint Ventures	32,538	0
99,830	106,275	Long-Term Debtors	20. 131,380	134,932
4,568,044	4,372,409	Long-Term Assets	4,894,209	4,696,468
21,757	20,722	Short-Term Investments	22. 17,100	17,100
20,126	20,126	Assets Held for Sale	23. 17,606	17,606
26,836	26,836	Financial Assets	43. 25,959	25,959
13,958	2,513	Inventories	19. 13,285	2,984
130,199	113,922	Short-Term Debtors	20. 124,485	106,294
137,022	113,405	Cash and Cash Equivalents	21. 135,844	106,679
349,898	297,524	Current Assets	334,279	276,622
(70,945)	(70,946)	Short-Term Borrowing	43. (75,002)	(73,722)
(176,797)	(149,750)	Short-Term Creditors	24. (216,567)	(175,270)
(29,272)	(25,431)	Provisions	25. (36,710)	(33,810)
(277,014)	(246,127)	Current Liabilities	(328,279)	(282,802)
(1,187,742)	(1,201,404)	Long-Term Borrowing	43. (1,136,414)	(1,150,591)
(204,720)	(196,067)	Other Long-Term Liabilities	43. (219,165)	(213,259)
(16,452)	0	Deferred Tax	(15,957)	0
(25,223)	(25,223)	Deferred Liability	43. (37,201)	(37,201)
(2,916)	0	Liabilities in Associates and Joint Ventures	(4,713)	0
(483,060)	(482,493)	Other Long-Term Liabilities (Pensions)	27.5 (659,468)	(659,468)
(1,920,113)	(1,905,187)	Long-Term Liabilities	(2,072,918)	(2,060,519)
2,720,815	2,518,619	Net Assets	2,827,291	2,629,769
2,360,288	2,240,857	Unusable Reserves	27. 2,505,652	2,386,886
360,527	277,762	Usable Reserves	12. 321,639	242,883
2,720,815	2,518,619	Total Reserves	2,827,291	2,629,769

The unaudited accounts were issued on 15 June 2019. The audited accounts were issued on 27 September 2019.

HUGH DUNN, CPFA
Head of Finance
27 September 2019

CASH FLOW STATEMENT

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

Year to 31 March 2018			Year to 31 March 2019	
Group	Council		Group	Council
£000	£000	Notes	£000	£000
		Operating Activities		
52,289	60,589	Surplus on the Provision of Services	131,462	124,700
2,106	0	Adjustment to Surplus / (Deficit) for Taxation of Group entities	(275)	0
(281,640)	(268,582)	Adjustments to Surplus on the Provision of Services for non-cash movements	(424,427)	(390,892)
(17,303)	(17,729)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	14,799	13,742
<u>(244,548)</u>	<u>(225,722)</u>	Net cash flows from operating activities	<u>(278,441)</u>	<u>(252,450)</u>
		Investing Activities		
202,805	179,919	Net cash flows from investing activities	204,420	187,703
		Financing Activities		
<u>64,552</u>	<u>65,540</u>	Net cash flows from financing activities	<u>75,199</u>	<u>71,473</u>
<u>22,809</u>	<u>19,737</u>	Net decrease in cash and cash equivalents	<u>1,178</u>	<u>6,726</u>
<u>(159,831)</u>	<u>(133,142)</u>	Cash and cash equivalents at 1 April	<u>(137,022)</u>	<u>(113,405)</u>
<u>(137,022)</u>	<u>(113,405)</u>	Cash and cash equivalents at 31 March	<u>(135,844)</u>	<u>(106,679)</u>
<u>22,809</u>	<u>19,737</u>	Net decrease in cash and cash equivalents	<u>1,178</u>	<u>6,726</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts summarise the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

1.1 Material Items

Items of income and expenditure are material if individually or collectively they could influence the decisions or assessments of users of the financial statements, by omission or misstatement. Materiality is an expression of the relative significance of a matter in the context of the annual accounts as a whole.

The assessment of materiality is based on 1% of gross expenditure, at net cost of services level, as this is considered to be the principal consideration for users when assessing the Group and Council's performance. The materiality assessment is set out in the table below.

Specific levels of materiality are considered appropriate for both the Trading Operation and the Housing Revenue Account. The trading operation has been assessed on 5% of its cumulative three year deficit and the Housing Revenue Account on 1% of gross expenditure.

Group	Council	HRA	Trading
£m	£m	£m	£m
20.312	18.616	0.74	0.023

The principle of materiality does not, however, override the need for relevant statutory disclosures (such as those included within the remuneration report), even if the amounts concerned would otherwise fall below the materiality threshold. Similarly, the assessment of materiality also considers the nature of transactions, irrespective of amount, insofar as these might influence a user of the financial statements.

1.2 Recognition of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Income from service recipients is recognised when the goods or services are transferred to the service recipient.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date the supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.
- Provision has been made in the relevant accounts for bad and doubtful debts.
- Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits will flow to the Council and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any bad debt provision) as they are non-contractual, non-exchange transactions.

1.3 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is non-recoverable from HM Revenue and Customs.

1.4 Overheads

The costs of support services are reported in accordance with the current management structure. Certain support service costs are recovered through direct charges during the year.

1.5 Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.5 Events after the balance sheet date - continued

- those that provide evidence of conditions that existed at the end of the reporting period - the Annual Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Annual Accounts are not adjusted to reflect such events, but where the effect would have been material, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

1.6 Prior period adjustments, changes in accounting policies and estimates

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting policy are only made when required by proper accounting practice or to provide more reliable or relevant information on the Council's financial position. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied. Changes in accounting estimation techniques are applied in the current and future years and do not give rise to a prior period adjustment.

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

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

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

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

- fair value of the services received during the year - debited to services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 8.968% (PPP1 scheme), 5.895% (PPP2 scheme) and 8.197% (James Gillespie's High School) on the outstanding balance sheet liability - debited to 'financing and investment income and expenditure' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income and expenditure' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

Service Concession Agreements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Standard recognises that the Council is in control of services provided under the PPP scheme. As ownership of the long-term assets will pass to the Council at the end of the contract for no additional charge, the Council carries the assets on the Balance Sheet.

1.8 Fair Value measurement - surplus assets and investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.8 Fair Value measurement - surplus assets and investment properties - continued

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

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

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

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

1.9 Property, Plant and Equipment

• Categories of Assets

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

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

• Recognition

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

• Measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Property, Plant and Equipment - continued

- **Depreciation**

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

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

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

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

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

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

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

- **Revaluations**

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

- **De-recognition**

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

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

- **Components**

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Property, Plant and Equipment - continued

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

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

1.10 Revenue Expenditure Funded from Capital Under Statute

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

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

1.11 Group Account Consolidation

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

Group accounts have been prepared on the following basis:

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

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the authority (i.e. government and other grants, rents, fees and charges, Council Tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 20.

2018/19	Net Expend. Chargeable to the General Fund and HRA		Net
	Balances £000	Adjustments £000	Expenditure in the CIES £000
Communities and Families Place	397,307	17,096	414,403
Housing Revenue Account	54,295	85,759	140,054
Health and Social Care Resources	0	(22,130)	(22,130)
Chief Executive	208,237	7,440	215,677
Lothian Valuation Joint Board	172,582	110,728	283,310
	9,656	813	10,469
	3,575	0	3,575
Cost of Services	845,652	199,706	1,045,358
Other income and expenditure			
Net cost of benefits	(811)	0	(811)
Other non-service specific costs	23,246	40,161	63,407
Net deficit on trading activities	0	36	36
Net income and changes in relation to investment properties and changes in their fair value	0	(2,768)	(2,768)
Interest and investment income	(12,020)	(386)	(12,406)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	107,521	(25,086)	82,435
Net pension interest cost	0	14,129	14,129
Gains on disposal of assets	0	(6,001)	(6,001)
Contribution to Renewal and Repairs Fund	173	(173)	0
Contribution from Capital Fund	(980)	980	0
Contribution from General Fund	(697)	697	0
Income from Council Tax	(259,435)	0	(259,435)
Government Grants	(363,757)	0	(363,757)
Distribution from NDR1 pool	(340,474)	0	(340,474)
Capital grants and contributions	0	(95,013)	(95,013)
(Surplus) / Deficit on the provision of services	(1,582)	126,282	124,700
Opening General Fund and HRA Balance	151,285		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	(8,022)		
Surplus on the provision of services	1,582		
Closing General Fund and HRA Balance at 31 March	144,845		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 17.

The Council has continued to undergo a programme of transformation during 2018/19. The most significant service reporting change related to Safer and Stronger Communities being transferred to Communities and Families, during the financial year

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2017/18 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	
Communities and Families Place	342,940	13,829	356,769
Housing Revenue Account	0	(26,172)	(26,172)
Health and Social Care Resources	193,273	9,120	202,393
Chief Executive	170,304	52,172	222,476
Safer and Stronger Communities	11,019	114	11,133
Lothian Valuation Joint Board	30,470	1,892	32,362
	3,629	0	3,629
Cost of Services	822,084	137,064	959,148
Other income and expenditure			
Early release costs	2,727	88	2,815
Net cost of benefits	(625)	0	(625)
Other non-service specific costs	19,604	6,694	26,298
Net deficit on trading activities	0	42	42
Net income and changes in relation to investment properties and changes in their fair value	0	(3,014)	(3,014)
Interest and investment income	(10,274)	(139)	(10,413)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	110,545	(21,595)	88,950
Net pension interest cost	0	18,762	18,762
(Gains) / Losses on disposal of assets	0	5,292	5,292
Contribution to Renewal and Repairs Fund	93	(93)	0
Contribution from Capital Fund	(1,899)	1,899	0
Contribution from General Fund	5,397	(5,397)	0
Income from Council tax	(249,248)	0	(249,248)
Revenue support grant	(345,757)	0	(345,757)
Distribution from NDR1 pool	(355,063)	0	(355,063)
Capital grants and contributions	0	(76,598)	(76,598)
Surplus on the provision of services	(2,416)	63,005	60,589
Opening General Fund and HRA Balance	142,611		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	6,258		
Surplus on the provision of services	2,416		
Closing General Fund and HRA Balance at 31 March	151,285		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 18.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure

Statement amounts

2018/19	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	409	13,891	1,112	15,412
Housing Revenue Account	73,122	8,787	146	82,055
Health and Social Care Resources	(49,685)	2,035	(523)	(48,173)
Chief Executive	192	8,179	(59)	8,312
	110,913	7,415	60	118,388
	9	779	(4)	784
Cost of Services	134,960	41,086	732	176,778
Other income and expenditure				
Other non-service specific costs	(1,333)	41,770	(3)	40,434
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,026)	(1,026)
Interest and investment income	(115)	0	1	(114)
Interest payable and similar charges	(42,460)	0	(1,334)	(43,794)
Net pension interest cost		14,129	0	14,129
Gains on disposal of assets	(6,001)	0	0	(6,001)
Capital grants and contributions	(95,013)	0	0	(95,013)
Total Adjustments	(9,962)	96,985	(1,630)	85,393

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relate to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2018/19	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	15,412	(783)	2,467	17,096
Housing Revenue Account	82,055	422	3,282	85,759
Health and Social Care Resources	(48,173)	0	26,043	(22,130)
Chief Executive	8,312	(880)	8	7,440
	118,388	(16,081)	8,421	110,728
	784	0	29	813
Cost of Services	176,778	(17,322)	40,250	199,706
Other income and expenditure				
Other non-service specific costs	40,434	3,583	(3,856)	40,161
Net deficit on trading activities	0	36	0	36
Net income and changes in relation to investment properties and changes in their fair value	(1,026)	(1,742)	0	(2,768)
Interest and investment income	(114)	0	(272)	(386)
Interest payable and similar charges	(43,794)	18,708	0	(25,086)
Net pension interest cost	14,129	0	0	14,129
Gains on disposal of assets	(6,001)	0	0	(6,001)
Use of reserves	0	(3,263)	4,767	1,504
Capital grants and contributions	(95,013)	0	0	(95,013)
Total Adjustments	85,393	0	40,889	126,282

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (including PPP schemes), trading operations, internal recharges and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2017/18 Comparative Data	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	4,600	10,058	578	15,236
Housing Revenue Account	72,078	7,874	(84)	79,868
Health and Social Care Resources	(35,443)	768	(539)	(35,214)
Chief Executive	233	7,490	41	7,764
Safer and Stronger Communities	65,091	7,408	221	72,720
	9	236	(91)	154
	0	1,910	(27)	1,883
Cost of Services	106,568	35,744	99	142,411
Other income and expenditure				
Other non-service specific costs	16,350	(3,987)	3	12,366
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,420)	(1,420)
Interest and investment income	(57)	0	0	(57)
Interest payable and similar charges	(38,718)	0	(1,392)	(40,110)
Net pension interest cost	0	18,762	0	18,762
Gains on disposal of assets	5,292	0	0	5,292
Capital grants and contributions	(76,598)	0	0	(76,598)
Total Adjustments	12,837	50,519	(2,710)	60,646

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2017/18 Comparative Data	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	15,236	962	(2,369)	13,829
Housing Revenue Account	79,868	328	5,913	86,109
Health and Social Care Resources	(35,214)	0	9,042	(26,172)
Chief Executive	7,764	(527)	1,883	9,120
Safer and Stronger Communities	72,720	(16,632)	(3,916)	52,172
	154	39	(79)	114
	1,883	75	(66)	1,892
Cost of Services	142,411	(15,755)	10,408	137,064
Other income and expenditure				
Early release costs	0	88	0	88
Other non-service specific costs	12,366	(1,296)	(4,376)	6,694
Net deficit on trading activities	0	42	0	42
Net income and changes in relation to investment properties and changes in their fair value	(1,420)	(1,594)	0	(3,014)
Interest and investment income	(57)	0	(82)	(139)
Interest payable and similar charges	(40,110)	18,515	0	(21,595)
Net pension interest cost	18,762	0	0	18,762
Gains on disposal of assets	5,292	0	0	5,292
Use of reserves	0	0	(3,591)	(3,591)
Capital grants and contributions	(76,598)	0	0	(76,598)
Total Adjustments	60,646	0	2,359	63,005

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (*including PPP schemes*), trading operations, internal recharges and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2018/19	Communities and Families		Housing Revenue Account	Health and Social Care
	£000	Place £000	£000	£000
Expenditure				
Employee expenses	309,712	81,762	10,758	88,237
Other service expenses	182,626	189,852	44,496	215,450
Support service recharges	0	0	6,742	0
Interest payments	78	0	18,897	0
Debt repayments (<i>HRA only</i>)	0	0	52,916	0
Total Expenditure	492,416	271,614	133,809	303,687
Income				
Revenues from external customers	(46,125)	(139,043)	(102,814)	(20,924)
Income from recharges for services	(44)	(458)	(150)	0
Government grants and other contribs.	(48,940)	(77,818)	(30,730)	(74,526)
Interest and investment income	0	0	(115)	0
Total Income	(95,109)	(217,319)	(133,809)	(95,450)
Cost of Services	397,307	54,295	0	208,237
	Resources	Chief Executive	Lothian Valuation Joint Board	Council Total
Expenditure	£000	£000	£000	£000
Employee expenses	75,112	7,376	0	572,957
Other service expenses	130,942	3,781	3,575	770,722
Support service recharges	40	0	0	6,782
Interest payments	18,521	0	0	37,496
Debt repayments (<i>HRA only</i>)	0	0	0	52,916
Total Expenditure	224,615	11,157	3,575	1,440,873
Income				
Revenues from external customers	(29,790)	(431)	0	(339,127)
Income from recharges for services	(9,546)	(462)	0	(10,660)
Government grants and other contribs.	(12,697)	(608)	0	(245,319)
Interest and investment income	0	0	0	(115)
Total Income	(52,033)	(1,501)	0	(595,221)
Cost of Services	172,582	9,656	3,575	845,652
		Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure		£000	£000	£000
Employee expenses		102,332	0	675,289
Other service expenses		75,754	0	846,476
Support service recharges		0	0	6,782
Depreciation, amortisation and impairment		19,950	0	19,950
Interest payments		0	0	37,496
Debt repayments (<i>HRA only</i>)		0	0	52,916
Net expend from Associates and Joint Ventures		0	984	984
Total Expenditure		198,036	984	1,639,893
Income				
Revenues from external customers		(190,361)	0	(529,488)
Income from recharges for services		0	0	(10,660)
Government grants and other contribs.		31	0	(245,288)
Interest and investment income		0	0	(115)
Net income from Associates and Joint Ventures		0	(1,361)	(1,361)
Total Income		(190,330)	(1,361)	(786,912)
Cost of Services		7,706	(377)	852,981

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

	Communities and Families	Place	Housing Revenue Account	Health and Social Care
2017/18 Comparative Data				
Expenditure	£000	£000	£000	£000
Employee expenses	266,856	77,709	8,142	85,796
Other service expenses	110,026	176,912	38,989	195,325
Support service recharges	0	0	7,389	0
Interest payments	91	0	19,628	0
Debt repayments (<i>HRA only</i>)	0	0	37,764	0
Total Expenditure	376,973	254,621	111,912	281,121
Income				
Revenues from external customers	(7,128)	(125,641)	(99,542)	(19,494)
Income from recharges for services	(27)	(419)	(208)	0
Government grants and other contribs.	(26,878)	(58,112)	(12,105)	(68,354)
Interest and investment income	0	0	(57)	0
Total Income	(34,033)	(184,172)	(111,912)	(87,848)
Cost of Services	342,940	70,449	0	193,273
		Chief Executive	Safer and Stronger Communities	Lothian Valuation Joint Board
2017/18 Comparative Data	Resources	£000	£000	£000
Expenditure	£000	£000	£000	£000
Employee expenses	71,834	7,697	19,354	0
Other service expenses	129,339	5,613	62,565	3,741
Support service recharges	63	0	0	0
Interest payments	18,450	0	0	0
Total Expenditure	219,686	13,310	81,919	3,741
Income				
Revenues from external customers	(28,001)	(410)	(38,026)	(112)
Income from recharges for services	(9,236)	(490)	0	0
Government grants and other contribs.	(12,145)	(1,391)	(13,423)	0
Total Income	(49,382)	(2,291)	(51,449)	(112)
Cost of Services	170,304	11,019	30,470	3,629
			Associates and Joint Ventures	Group Total
2017/18 Comparative Data	Council Total	Subsidiaries	£000	£000
Expenditure	£000	£000	£000	£000
Employee expenses	537,388	98,306	0	635,694
Other service expenses	722,510	61,143	0	783,653
Support service recharges	7,452	0	0	7,452
Depreciation, amortisation and impairment	0	10,143	0	10,143
Interest payments	38,169	0	0	38,169
Debt repayments (<i>HRA only</i>)	37,764	0	0	37,764
Net expend from Associates and Joint Ventures	0	0	5,790	5,790
Total Expenditure	1,343,283	169,592	5,790	1,518,665
Income				
Revenues from external customers	(318,354)	(146,468)	0	(464,822)
Income from recharges for services	(10,380)	0	0	(10,380)
Government grants and other contribs.	(192,408)	(30,969)	0	(223,377)
Interest and investment income	(57)	0	0	(57)
Net income from Associates and Joint Ventures	0	0	(2,451)	(2,451)
Total Income	(521,199)	(177,437)	(2,451)	(701,087)
Cost of Services	822,084	(7,845)	3,339	817,578

NOTES TO THE FINANCIAL STATEMENTS

3. Expenditure and Income Analysed by Nature Group

3.1 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows;

	2018/19	2017/18
	£000	£000
Expenditure		
Employee expenses	766,484	681,538
Other service expenses	1,215,609	1,143,754
Support service recharges	6,782	7,452
Depreciation, amortisation and impairment	239,622	200,477
Interest payments	181,511	192,026
Net Interest in the profit/loss of associates and joint ventures	<u>(377)</u>	<u>3,339</u>
Total Expenditure	<u>2,409,631</u>	<u>2,228,586</u>
Income		
Fees, charges and other service income	(887,603)	(903,257)
(Gain) / Loss on the disposal of assets	(5,888)	5,263
Interest and investment income	(101,331)	(98,087)
Income from Council Tax and Non-Domestic Rates	(599,909)	(604,311)
Government grants and other contributions	(589,077)	(493,862)
Recognised capital income	<u>(95,013)</u>	<u>(76,598)</u>
Total Income	<u>(2,278,821)</u>	<u>(2,170,852)</u>
Group (Surplus) / Deficit	<u>130,810</u>	<u>57,734</u>

Council

3.2 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows

	2018/19	2017/18
	£000	£000
Expenditure		
Employee expenses	664,152	583,232
Other service expenses	1,139,978	1,080,586
Support service recharges	6,782	7,452
Depreciation, amortisation and impairment	219,672	190,334
Interest payments	<u>169,882</u>	<u>178,891</u>
Total Expenditure	<u>2,200,466</u>	<u>2,040,495</u>
Income		
Fees, charges and other service income	(697,243)	(696,318)
(Gain) / Loss on the disposal of assets	(6,001)	5,292
Interest and investment income	(88,492)	(84,606)
Income from Council Tax and Non-Domestic Rates	(599,909)	(604,311)
Government grants and other contributions	(589,108)	(523,365)
Recognised capital income	<u>(95,013)</u>	<u>(76,598)</u>
Total Income	<u>(2,075,766)</u>	<u>(1,979,906)</u>
(Surplus) / Deficit on the Provision of Services	<u>124,700</u>	<u>60,589</u>

NOTES TO THE FINANCIAL STATEMENTS

4. Accounting Standards that have been issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 financial statements.

- Amendments to IAS 40 Investment Property: Transfers to Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 9 Financial Instruments
- IFRS 16 Leases

5. Judgements Made in Applying Accounting Policies

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

5.1 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) and the Design, Build, Finance and Maintain (DBFM) for James Gillespie's High School, for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1), Axiom Education Limited (PPP2) and Hub South East Scotland (JGHS). The Council has entered into an agreement for the provision of the new Queensferry High School which is currently under construction under a DBFM arrangement.

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £511.628m at 31 March 2019) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

5.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. Full details of these interests are shown in note 9 to the Financial Statements. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets. Council dwellings are valued using the Beacon Method which aggregates the vacant possession values of each unit of housing stock. The beacon discount factor is determined by applying a capitalisation yield to the gross rental income and comparing this to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied in the 2018-19 revaluations is 38% (48% previously).	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls.
		It is estimated that the annual depreciation charge would increase and the carrying value would fall by £21.470m for each year that useful lives were reduced.
		If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £23.891m.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single Status Pension in 2016 has resulted in a recalculation of pension liabilities related to the estimated impact of Guaranteed minimum pension (GMP) indexation changes.</p> <p>Legislation requires the Local Government Pension Scheme (LGPS) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The costs management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities).</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>Note 42.6 provides further information on the Council's pension liability.</p> <p>The estimate for the Council is that total liabilities could be 0.33% higher as at 31 March 2019 approximately £10.32m. The increased liability has been reflected in the pension liability as a past service cost. This estimate will be revised at the upcoming valuation.</p> <p>The Council's actuary has included an estimate within the pension liability as a past service costs (see Note 42.2) which will be subject to future revision as the outcome of the judgement becomes clearer in line with the upcoming valuation.</p>

NOTES TO THE FINANCIAL STATEMENTS

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

Arrears	At 31 March, the Council had a balance of sundry debtors of £26.542m. A review of significant balances suggested that an impairment of doubtful debts of £3.215m (12.1%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.327m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £6.907m. A review of significant balances suggested that an impairment of doubtful debts of £5.773m (83.6%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from welfare reforms such as Universal Credit and the reduction in the benefits cap announced in the UK Government's budget, which will potentially impact on the level of rent arrears.

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

7. Material Items of Income and Expense

The Council set aside a net increase in provisions of £8.4m, the most significant changes being a £12m increase relating to contractual obligations and claims identified during the year offset by use of provisions and reductions in expected claims in others.

8. Events After the Balance Sheet Date

Although the Council approved the Tram extension project on 14 March 2019, the contracts for the commencement of works were not signed as at 31 March 2019. The budgeted capital commitment for the initial groundwork contracts is £127m.

9. Subsidiaries and Associates

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

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

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

Subsidiaries:	Shareholding	
• CEC Holdings Limited	100.00%	
• Transport for Edinburgh Limited	100.00%	
Associates:		
• Edinburgh Leisure	33.33%	Board representation
• Capital Theatres	33.33%	Board representation
• Lothian Valuation Joint Board	61.14%	Funding percentage
• Common Good	100.00%	
Joint Venture	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

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

	Shareholding
• Capital City Partnership Limited	100.00%
• CEC Recovery Limited (formerly tie Limited)	100.00%
• Marketing Edinburgh Limited	100.00%
• Energy for Edinburgh Limited	100.00%
• Edinburgh Living MMR LLP	> 75% controlling interest (dormant to 31.12.18)
• Edinburgh Living MR LLP	> 75% controlling interest (dormant to 31.12.18)
• Telford NHT LLP	> 75% controlling interest

In January 2019 the Council bought out the developer's share in Telford NHT LLP and now holds majority control of this associate, in conjunction with the Scottish Futures Trust.

LFPE Limited and LPFI Limited are now consolidated in the annual accounts of Lothian Pension Fund.

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

9.1 Subsidiary Companies

• CEC Holdings Limited

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

The most recent audited results of the company are as follows:	31.12.18	31.12.17
	£000	£000
Net assets	18,137	17,263
Net (profit) / loss before taxation	(158)	3,648
Retained profit / (loss) carried forward	(51,059)	(51,338)

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

• Transport for Edinburgh Limited

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

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

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

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

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

	31.12.18	31.12.17
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	148,768	154,951
Net (profit) / loss before taxation	6,920	(11,948)
Retained earnings	58,789	63,923
Dividend paid	6,180	6,610

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

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 Associates

- **Edinburgh Leisure**

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

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

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

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

The most recent audited results of the company are as follows:	31.03.19	31.03.18
	£000	£000
Net assets / (liabilities)	610	209
Net operating (profit) / loss	(1,114)	683
Earnings / (Losses) carried forward	610	209

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

- **Capital Theatres (formerly Festival City Theatres Trust)**

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

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

The most recent audited results of the company are as follows:	31.03.19	31.03.18
	£000	£000
Net assets	4,877	3,920
Net operational (profit) / loss	(828)	(360)
Fund balances carried forward	4,877	3,920

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

- **Lothian Valuation Joint Board**

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

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils. Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for Council Tax within the areas of each constituent authority.

	31.03.19	31.03.18
	£000	£000
Deficit for the year	1,520	1,121
Net Liabilities	(7,709)	(4,769)
Usable reserves	897	798
Unusable reserves	(8,606)	(5,567)
Total reserves	<u>(7,709)</u>	<u>(4,769)</u>

NOTES TO THE FINANCIAL STATEMENTS

9.3 Joint Ventures

• Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board (EIJB) was established by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014.

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

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

The most recent audited results of the Board are as follows:	31.03.19	31.03.18
	£000	£000
Gross expenditure	726,394	704,815
Surplus for the year	(1,342)	(4,662)
Usable reserves	9,694	8,352

9.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

9.5 Shareholder Support to Council Companies

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

9.6 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £197.522m (2017/18 £202.196m) representing the Council's share of the realisable surpluses or deficits in these companies.

10. Contingent Liabilities

Contingent Assets and Liabilities are not recognised in the accounting statements. Where there is probable inflow or outflow of economic benefits or service potential, these are disclosed in the notes to the financial statements.

There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

The Scottish Child Abuse Inquiry was set up in October 2015 to examine the abuse of children in care from the 1930s to the present day and has identified a number of care institutions it wishes to investigate, including four council establishments - Howdenhall Centre, St Katherine's and two children's homes that closed in the 1980s. The Council has set up a project team to support the inquiry, review historic records and ensure that the evidence required by the Inquiry can be provided. There is a possibility that these investigations may give rise to significant claims against local authorities in Scotland, including the Council.

NOTES TO THE FINANCIAL STATEMENTS

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2018/19			
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	196,986	21,446	0
Movements in the market value of investment properties	(965)	(60)	0
Amortisation and impairment of intangible assets	1,240	0	0
Capital grants and contributions applied	(67,951)	(24,789)	0
Capital funded from revenue	(6,088)	(32,800)	0
Donated assets	(2,273)	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	59,774	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(68,529)	(20,115)	0
Capital expenditure charged against General Fund and HRA balances	(59,774)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	(3,619)	(2,382)	25,953
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(25,953)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,334)	(567)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	158,464	3,910	0
Employer's pension contributions and direct payments to pensioners payable in the year	(63,886)	(1,502)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	1,253	44	0
Total Adjustments	143,298	(56,815)	0

NOTES TO THE FINANCIAL STATEMENTS

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

2018/19	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(218,432)
Movements in the market value of investment properties	0	0	1,025
Amortisation of intangible assets	0	0	(1,240)
Capital grants and contributions applied	12,339	0	80,401
Capital funded from revenue	0	0	38,888
Donated assets	0	0	2,273
Capital fund used to finance new capital expenditure	0	(7,385)	7,385
Revenue expenditure funded from capital under statute	0	0	(59,774)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(265)	88,909
Capital expenditure charged against General Fund and HRA balances	0	0	59,774
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,351)	0	1,351
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	(19,952)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	25,953
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,901
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(162,374)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	65,388
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(1,297)
Total Adjustments	10,988	(7,650)	(89,821)

NOTES TO THE FINANCIAL STATEMENTS

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

2017/18 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	167,712	21,356	0
Movements in the market value of investment properties	1,420	0	0
Amortisation of intangible assets	1,267	0	0
Capital grants and contributions applied	(65,319)	(11,280)	0
Capital funded from revenue	(2,726)	(19,474)	0
Revenue expenditure funded from capital under statute	44,411	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(63,110)	(18,290)	0
Capital expenditure charged against General Fund and HRA balances	(44,411)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	1,825	3,467	21,879
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,879)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,393)	(536)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	108,133	2,377	0
Employer's pension contributions and direct payments to pensioners payable in the year	(58,864)	(1,128)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	643	(3)	0
Total Adjustments	89,588	(23,511)	0

NOTES TO THE FINANCIAL STATEMENTS

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

2017/18 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(189,068)
Movements in the market value of investment properties	0	0	(1,420)
Amortisation of intangible assets	0	0	(1,267)
Capital grants and contributions applied	4,051	0	72,548
Capital funded from revenue	0	0	22,200
Revenue expenditure funded from capital under statute	0	0	(44,411)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	2,379	79,021
Capital expenditure charged against General Fund and HRA balances	0	0	44,411
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(21)	0	21
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(27,171)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,879
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,929
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(110,510)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	59,992
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(640)
Total Adjustments	4,030	2,379	(72,486)

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves

12.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year.

	Balance at 01.04.18 £000	Net Transfers Out 2018/19 £000	Net Transfers In 2018/19 £000	Balance at 31.03.19 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,338)	279	0	(51,059)
Capital grants unapplied account	1,803	(282)	0	1,521
Transport for Edinburgh Limited				
Revenue reserves	123,852	(5,134)	0	118,718
Total Usable Reserves - Subsidiaries	74,317	(5,137)	0	69,180
Associates and Joint Ventures				
Common Good Fund - Reserves	2,387	(35)	0	2,352
Edinburgh Leisure - Reserves	69	0	134	203
International Conference Centre Trusts				
Income Trust	1	(1)	0	0
Expenditure Trust	20	(20)	0	0
Capital Theatres - Reserves	1,307	0	319	1,626
Lothian Valuation Joint Board - Reserves	488	0	60	548
Edinburgh Integration Joint Board - Reserves	4,176	0	671	4,847
Total Usable Reserves - Associates and Joint Ventures	8,448	(56)	1,184	9,576
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	82,765	(5,193)	1,184	78,756

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.17 £000	Net Transfers Out 2017/18 £000	Net Transfers In 2017/18 £000	Balance at 31.03.18 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,410)	0	72	(51,338)
Capital grants unapplied account	2,262	(459)	0	1,803
Transport for Edinburgh				
Revenue reserves	69,708	0	54,144	123,852
Total Usable Reserves - Subsidiaries	20,560	(459)	54,216	74,317
Associates and Joint Ventures				
Common Good Fund - Reserves				
	2,402	(15)	0	2,387
Edinburgh Leisure - Reserves				
	(2,879)	0	2,948	69
International Conference Centre Trusts				
Income Trust				
	810	(809)	0	1
Expenditure Trust				
	4,072	(4,052)	0	20
Capital Theatres - Reserves				
	1,087	0	220	1,307
Lothian Valuation Joint Board - Reserves				
	619	(131)	0	488
Edinburgh Integration Joint Board - Reserves				
	1,845	0	2,331	4,176
Total Usable Reserves - Associates and Joint Ventures	7,956	(5,007)	5,499	8,448
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	28,516	(5,466)	59,715	82,765

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.18 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31.03.19 £000
Council's Usable Reserves				
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	40,649	(13,147)	14,794	42,296
Council Priorities Fund	7,691	(2,852)	1,786	6,625
Contingency funding, workforce mgmt.	18,143	0	51	18,194
Dilapidations Fund	5,077	(356)	1,000	5,721
Insurance Funds	15,875	(83)	3,793	19,585
	<u>87,435</u>	<u>(16,438)</u>	<u>21,424</u>	<u>92,421</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration Income	3,080	(855)	359	2,584
Recycling balances	697	(697)	0	0
Revenue grants and contributions received in advance of planned expenditure	4,830	(1,620)	2,184	5,394
Council Tax Discount Fund	27,432	(12,346)	3,545	18,631
Other earmarked balances	218	(16)	1	203
City Strategic Investment Fund	5,461	(2,054)	145	3,552
	<u>41,718</u>	<u>(17,588)</u>	<u>6,234</u>	<u>30,364</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	178	0	66	244
Spend to Save Fund and similar projects	3,171	(716)	263	2,718
	<u>3,349</u>	<u>(716)</u>	<u>329</u>	<u>2,962</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	5,758	(5,758)	6,073	6,073
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund				
	0	0	0	0
Unallocated General Fund				
	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
Total General Fund	<u>151,285</u>	<u>(40,500)</u>	<u>34,060</u>	<u>144,845</u>
Housing Revenue Account Balance				
	0	0	0	0
Renewal and Repairs Fund				
	58,123	(35,273)	3,496	26,346
Capital Fund				
	63,558	(8,892)	1,242	55,908
Capital Receipts Reserve				
	0	(25,953)	25,953	0
Capital Grants Unapplied Account				
	4,796	(1,351)	12,339	15,784
Total Usable Reserves - Council	<u>277,762</u>	<u>(111,969)</u>	<u>77,090</u>	<u>242,883</u>
Total Usable Reserves - Group	<u>360,527</u>	<u>(117,162)</u>	<u>78,274</u>	<u>321,639</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.17 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31.03.18 £000
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	25,659	(8,813)	23,803	40,649
Council Priorities Fund	4,886	(1,312)	4,117	7,691
Contingency funding, workforce mgmt.	18,094	0	49	18,143
Dilapidations Fund	12,344	(9,267)	2,000	5,077
Insurance Funds	14,666	(17)	1,226	15,875
	<u>75,649</u>	<u>(19,409)</u>	<u>31,195</u>	<u>87,435</u>
Balances Set Aside from Income Received in Advance				
Licensing Income	3,093	(272)	259	3,080
Recycling balances	1,161	(464)	0	697
Revenue grants and contributions received in advance of planned expend.	8,885	(6,309)	2,254	4,830
Council Tax Discount Fund	24,234	0	3,198	27,432
Other earmarked balances	236	(18)	0	218
City Strategic Investment Fund	6,180	(768)	49	5,461
	<u>43,789</u>	<u>(7,831)</u>	<u>5,760</u>	<u>41,718</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	98	0	80	178
Spend to Save Fund and similar projects	7,362	(4,418)	227	3,171
	<u>7,460</u>	<u>(4,418)</u>	<u>307</u>	<u>3,349</u>
Balances Set Aside under Devolved School Management Scheme				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	2,688	(2,688)	5,758	5,758
	<u>2,688</u>	<u>(2,688)</u>	<u>5,758</u>	<u>5,758</u>
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund				
	0	(432)	432	0
Unallocated General Fund				
	13,025	0	0	13,025
Total General Fund				
	<u>142,611</u>	<u>(34,778)</u>	<u>43,452</u>	<u>151,285</u>
Housing Revenue Account Balance				
	0	(432)	432	0
Renewal and Repairs Fund				
	64,149	(9,474)	3,448	58,123
Capital Fund				
	61,178	(2,513)	4,893	63,558
Capital Receipts Reserve				
	0	(21,879)	21,879	0
Capital Grants Unapplied Account				
	766	(21)	4,051	4,796
Total Usable Reserves - Council				
	<u>268,704</u>	<u>(69,097)</u>	<u>78,155</u>	<u>277,762</u>
Total Usable Reserves - Group				
	<u>297,220</u>	<u>(74,563)</u>	<u>137,870</u>	<u>360,527</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £6.073m (2017/18 £5.758m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the newly resourced Pupil Equity Fund.

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

2018/19

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(40,500)	0	(35,273)	(25,953)
Transfers in	34,060	0	3,496	25,953
Total movements in fund	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	(12,173)	(26,044)	0	0
Transfers to other earmarked reserves	5,733	26,044	(31,777)	0
Total movements in fund	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>0</u>
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(1,351)	(8,892)	(5,193)	(117,162)
Transfers in	12,339	1,242	1,184	78,274
Total movements in fund	<u>10,988</u>	<u>(7,650)</u>	<u>(4,009)</u>	<u>(38,888)</u>
Recognised in Comprehensive Income and Expenditure Statement	10,988	(7,650)	(4,673)	(39,552)
Transfers to other earmarked reserves	0	0	664	664
Total movements in fund	<u>10,988</u>	<u>(7,650)</u>	<u>(4,009)</u>	<u>(38,888)</u>

2017/18 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(34,778)	(432)	(9,474)	(21,879)
Transfers in	43,452	432	3,448	21,879
Total movements in fund	<u>8,674</u>	<u>0</u>	<u>(6,026)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	14,530	(9,042)	0	0
Transfers to other earmarked reserves	(5,856)	9,042	(6,026)	0
Total movements in fund	<u>8,674</u>	<u>0</u>	<u>(6,026)</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

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

2017/18 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(21)	(2,513)	(5,466)	(74,563)
Transfers in	4,051	4,893	59,715	137,870
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,249</u>	<u>63,307</u>
Recognised in Comprehensive Income and Expenditure Statement	4,030	2,380	57,280	69,178
Transfers to other earmarked reserves	0	0	(3,031)	(5,871)
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,249</u>	<u>63,307</u>

13. Financing and Investment Income and Expenditure

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	82,444	82,435	89,236	88,950
Interest cost on defined benefit obligation	99,067	87,447	102,790	89,941
Interest receivable and similar income	(12,201)	(12,406)	(10,504)	(10,413)
Interest income on plan assets	(86,361)	(73,318)	(84,563)	(71,179)
Net income in relation to investment properties and changes in their fair value	(2,771)	(2,923)	(3,094)	(3,014)
Net (surplus) / deficit from trading activities	<u>36</u>	<u>36</u>	<u>36</u>	<u>42</u>
	<u>80,214</u>	<u>81,271</u>	<u>93,901</u>	<u>94,327</u>

14. Taxation and Non-Specific Grant Income

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(259,435)	(259,435)	(249,248)	(249,248)
Non-domestic rates	(340,474)	(340,474)	(355,063)	(355,063)
Non-ring fenced government grants	(363,757)	(363,757)	(345,757)	(345,757)
Capital grants and contributions	(95,013)	(95,013)	(76,598)	(76,598)
Taxation expenses	(275)	0	2,106	0
	<u>(1,058,954)</u>	<u>(1,058,679)</u>	<u>(1,024,560)</u>	<u>(1,026,666)</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment

15.1 Depreciation

Depreciation is provided in the year of an asset's purchase. Assets in the course of construction are not depreciated until they are brought into use. Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

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

15.2 Capital Commitments

At 31 March 2019, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £295.064m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2018 were £256.725m.

	£000	Expected Completion Date
Queensferry High School	19,900	Mar-20
Craigmillar Town Centre	14,500	Apr-20
Zero Waste Fund	29,520	May-20
St James Quarter - Growth Accelerator Model	61,400	Sep-20
North Bridge refurbishment	17,300	Dec-20
Energy efficient street lighting project	18,850	May-21
Meadowbank Sports Centre	36,894	Dec-21
Housing projects	30,748	2019-2020
Other works	3,702	2019-2021
Roads and transport infrastructure	10,859	2019-2021
School estates extensions, upgrades and builds	18,741	2019-2021
Pennywell Town Centre and phase 3	32,650	2021-2023
	<u>295,064</u>	

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2018/19

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2018	1,370,303	2,075,364	323,984	1,431,378
Additions	30,349	40,233	26,348	34,073
Revaluation increases / (decreases) recognised in the Revaluation Reserve	66,921	89,305	(124)	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(217)	(55,688)	(2,382)	0
Derecognition - disposals	(1,842)	(799)	(10,091)	0
Derecognition - other	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	(6,016)	0	0
Other movements in cost or valuation	18,993	13,080	0	0
At 31 March 2019	<u>1,484,507</u>	<u>2,155,479</u>	<u>335,351</u>	<u>1,465,451</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	(71,600)	(108,452)	(142,816)	(633,143)
Depreciation charge	(20,329)	(61,266)	(29,342)	(68,517)
Depreciation charge written out to Revaluation Reserve	91,605	68,556	0	0
Depreciation written out to the Surplus on the Provision of Services	27	3,471	334	0
Derecognition - disposals	156	35	9,246	0
Derecognition - other	0	0	2,384	0
Depreciation on assets transferred to Held for Sale	0	55	0	0
At 31 March 2019	<u>(141)</u>	<u>(97,601)</u>	<u>(160,194)</u>	<u>(701,660)</u>
Net book value				
At 31 March 2019	<u>1,484,366</u>	<u>2,057,878</u>	<u>175,157</u>	<u>763,791</u>
At 31 March 2018	<u>1,298,703</u>	<u>1,966,912</u>	<u>181,168</u>	<u>798,235</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2018/19

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2018	14,050	1,421	56,299	5,272,799
Additions	5,087	0	87,742	223,832
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(238)	0	0	155,864
Revaluation decreases recognised in the Surplus on the Provision of Services	(8,318)	0	0	(66,605)
Derecognition - disposals	(1,594)	0	(2,809)	(17,135)
Derecognition - other	0	0	0	(2,384)
Assets reclassified (to) / from held for sale	0	0	0	(6,016)
Other movements in cost or valuation	0	0	(32,071)	2
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>5,560,357</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	0	0	0	(956,011)
Depreciation charge	0	0	0	(179,454)
Depreciation charge written out to Revaluation Reserve	0	0	0	160,161
Depreciation written out to the Surplus on the Provision of Services	0	0	0	3,832
Derecognition - disposals	0	0	0	9,437
Derecognition - other	0	0	0	2,384
Depreciation on assets transferred to Held for Sale	0	0	0	55
At 31 March 2019	<u>0</u>	<u>0</u>	<u>0</u>	<u>(959,596)</u>
Net book value				
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>4,600,761</u>
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,316,788</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group Accounts 2017/18 Comparative Data

Re-Stated Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2017	1,077,207	1,852,238	304,161	1,403,042
Additions	33,712	37,357	30,220	28,336
Revaluation increases / (decreases) recognised in the Revaluation Reserve	263,274	198,430	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(52,970)	0	0
Derecognition - disposals	(11,215)	(2,324)	(6,387)	0
Derecognition - other	0	(819)	(4,010)	0
Assets reclassified (to) / from held for sale	0	6,463	0	0
Other movements in cost or valuation	7,394	36,989	0	0
At 31 March 2018	<u>1,370,303</u>	<u>2,075,364</u>	<u>323,984</u>	<u>1,431,378</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	(52,984)	(136,630)	(133,008)	(567,358)
Depreciation charge	(19,625)	(46,356)	(19,432)	(65,785)
Depreciation charge written out to Revaluation Reserve	241	63,191	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,098	0	0
Derecognition - disposals	764	115	5,614	0
Derecognition - other	0	130	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	4,010	0
At 31 March 2018	<u>(71,600)</u>	<u>(108,452)</u>	<u>(142,816)</u>	<u>(633,143)</u>
Net book value				
At 31 March 2018	<u>1,298,703</u>	<u>1,966,912</u>	<u>181,168</u>	<u>798,235</u>
At 31 March 2017	<u>1,024,223</u>	<u>1,715,608</u>	<u>171,153</u>	<u>835,684</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group 2017/18 Comparative Data

Re-stated Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
At 1 April 2017	14,562	2,421	53,096	4,706,727
Additions	5,168	362	46,224	181,379
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(8)	0	0	461,696
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	(58,711)
Derecognition - disposals	0	0	0	(19,926)
Derecognition - other	0	0	0	(4,829)
Assets reclassified (to) / from held for sale	0	0	0	6,463
Other movements in cost or valuation	0	(1,362)	(43,021)	0
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>5,272,799</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	0	0	0	(889,980)
Depreciation charge	0	0	0	(151,198)
Depreciation charge written out to Revaluation Reserve	0	0	0	63,432
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,102
Derecognition - disposals	0	0	0	6,493
Derecognition - other	0	0	0	130
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	4,010
At 31 March 2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>(956,011)</u>
Net book value				
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,316,788</u>
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>3,816,747</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council Movements in 2018/19

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2018	1,370,303	2,013,461	156,538	1,424,708
Additions	30,349	40,233	14,252	34,073
Revaluation increases / (decreases) recognised in the Revaluation Reserve	66,921	89,305	(124)	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(217)	(55,688)	(2,382)	0
Derecognition - disposals	(1,842)	(799)	(2,338)	0
Derecognition - other	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	(6,016)	0	0
Other movements in cost or valuation	18,993	13,080	0	0
At 31 March 2019	<u>1,484,507</u>	<u>2,093,576</u>	<u>163,562</u>	<u>1,458,781</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	(71,600)	(77,150)	(68,036)	(626,940)
Depreciation charge	(20,329)	(61,073)	(9,865)	(68,237)
Depreciation charge written out to Revaluation Reserve	91,605	68,556	0	0
Depreciation written out to the Surplus on the Provision of Services	27	3,471	334	0
Derecognition - disposals	156	35	2,317	0
Derecognition - other	0	0	2,384	0
Other movements in cost or valuation	0	55	0	0
At 31 March 2019	<u>(141)</u>	<u>(66,106)</u>	<u>(72,866)</u>	<u>(695,177)</u>
Net book value				
At 31 March 2019	<u>1,484,366</u>	<u>2,027,470</u>	<u>90,696</u>	<u>763,604</u>
At 31 March 2018	<u>1,298,703</u>	<u>1,936,311</u>	<u>88,502</u>	<u>797,768</u>

Included within Other Land and Buildings is £2.274m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council

Movements in 2018/19

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
At 1 April 2018	14,050	1,421	56,299	5,036,780	593,418
Additions	5,087	0	87,742	211,736	21,355
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(238)	0	0	155,864	(46,769)
Revaluation decreases recognised in the Surplus on the Provision of Services	(8,318)	0	0	(66,605)	(31,991)
Derecognition - disposals	(1,594)	0	(2,809)	(9,382)	0
Derecognition - other	0	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	0	0	(6,016)	0
Other movements in cost or valuation	0	0	(32,071)	2	(15,843)
At 31 March 2019	8,987	1,421	109,161	5,319,995	520,170
Accumulated Depreciation and Impairment					
At 1 April 2018	0	0	0	(843,726)	(43,603)
Depreciation charge	0	0	0	(159,504)	(14,258)
Depreciation charge written out to Revaluation Reserve	0	0	0	160,161	47,424
Depreciation written out to the Surplus on the Provision of Services	0	0	0	3,832	1,895
Derecognition - disposals	0	0	0	2,508	0
Derecognition - other	0	0	0	2,384	0
Other movements in cost or valuation	0	0	0	55	0
At 31 March 2019	0	0	0	(834,290)	(8,542)
Net book value					
At 31 March 2019	8,987	1,421	109,161	4,485,705	511,628
At 31 March 2018	14,050	1,421	56,299	4,193,054	549,815

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council 2017/18 Comparative Data

Re-stated Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2017	1,077,207	1,790,335	159,328	1,396,372
Additions	33,712	37,357	3,510	28,336
Revaluation increases / (decreases) recognised in the Revaluation Reserve	263,274	198,430	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(52,970)	0	0
Derecognition - disposals	(11,215)	(2,324)	(2,290)	0
Derecognition - other	0	(819)	(4,010)	0
Assets reclassified (to) / from held for sale	0	6,463	0	0
Other movements in cost or valuation	7,394	36,989	0	0
At 31 March 2018	<u>1,370,303</u>	<u>2,013,461</u>	<u>156,538</u>	<u>1,424,708</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	(52,984)	(105,526)	(64,347)	(561,444)
Depreciation charge	(19,625)	(46,158)	(9,776)	(65,496)
Depreciation charge written out to Revaluation Reserve	241	63,191	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,098	0	0
Derecognition - disposals	764	115	2,077	0
Derecognition - other	0	130	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	4,010	0
At 31 March 2018	<u>(71,600)</u>	<u>(77,150)</u>	<u>(68,036)</u>	<u>(626,940)</u>
Net book value				
At 31 March 2018	<u>1,298,703</u>	<u>1,936,311</u>	<u>88,502</u>	<u>797,768</u>
At 31 March 2017	<u>1,024,223</u>	<u>1,684,809</u>	<u>94,981</u>	<u>834,928</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council

2017/18 Comparative Data

Re-stated Cost or Valuation	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
At 1 April 2017	14,562	2,421	53,096	4,493,321	594,858
Additions	5,168	362	46,224	154,669	40
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(8)	0	0	461,696	(1,480)
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	(58,711)	0
Derecognition - disposals	0	0	0	(15,829)	0
Derecognition - other	0	0	0	(4,829)	0
Assets reclassified (to) / from held for sale	0	0	0	6,463	0
Other movements in cost or valuation	0	(1,362)	(43,021)	0	0
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>5,036,780</u>	<u>593,418</u>
Accumulated Depreciation and Impairment					
At 1 April 2017	0	0	0	(784,301)	(32,687)
Depreciation charge	0	0	0	(141,055)	(14,106)
Depreciation charge written out to Revaluation Reserve	0	0	0	63,432	3,190
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,102	0
Derecognition - disposals	0	0	0	2,956	0
Derecognition - other	0	0	0	130	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	4,010	0
At 31 March 2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>(843,726)</u>	<u>(43,603)</u>
Net book value					
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,193,054</u>	<u>549,815</u>
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>3,709,020</u>	<u>562,171</u>

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

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.7 Council Dwellings, Other Land and Buildings and Investment Properties

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

The significant assumptions applied in estimating fair value are:

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

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

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	3	49,050	98,394	1,458,781
Valued at fair value as at:				
31 March 2019	1,481,869	808,791	0	0
31 March 2018	502	753,154	0	0
31 March 2017	0	204,982	0	0
31 March 2016	1,009	155,132	0	0
31 March 2015	1,124	122,467	65,168	0
Total cost or valuation	1,484,507	2,093,576	163,562	1,458,781

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	8,987	1	109,161	1,724,377
Valued at fair value as at:				
31 March 2019	0	0	0	2,290,660
31 March 2018	0	0	0	753,656
31 March 2017	0	0	0	204,982
31 March 2016	0	1,420	0	157,561
31 March 2015	0	0	0	188,759
Total cost or valuation	8,987	1,421	109,161	5,319,995

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.8 Surplus Assets and Investment Properties - Fair Value Disclosure

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2019
	£000	£000	£000	£000
Surplus assets	0	1,421	0	1,421
Investment properties - advertising hoardings	0	18,916	0	18,916
Total cost or valuation	0	20,337	0	20,337

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

16. Investment Properties

Policy

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

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

Investment properties are revalued annually.

Investment properties held at fair value are not depreciated.

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

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

Note

16.1 Income and Expenses on Investment Properties

Income of £1.743m (£1.594m 2017/18) and expense £Nil (£Nil 2017-18) have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

NOTES TO THE FINANCIAL STATEMENTS

16. Investment Properties - continued

16.2 Movement in Fair Value - continued

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

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	18,321	17,891	16,821	16,471
Additions:				
- Subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	815	1,025	1,500	1,420
	<u>19,136</u>	<u>18,916</u>	<u>18,321</u>	<u>17,891</u>
Value at 31 March	19,136	18,916	18,321	17,891

17. Intangible Assets

Policy

Intangible fixed assets represent software licences purchased by the Council.

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

Intangible fixed assets are initially measured at cost. Software licences are depreciated over the period of the licence, commencing in the year of acquisition.

Note

The carrying value of intangible assets of the Group and the Council is £0.335m in 2018/19 (£1.444m in 2017/18).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.240m in 2018/19 (2017/18 £1.249m) was charged to Resources.

18. Heritage Assets

Policy

Heritage assets comprise the following:

Monuments and statues

Civic regalia and artefacts

Archival collections

Libraries' special collections

Museum and gallery collections

Intangible heritage assets represent three private vehicle registration plates.

It has not been practical or possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore, the Council's Balance Sheet may hold elements of heritage assets that belong to other entities. Work is on-going to establish and maintain a common good register, in accordance with the Community Empowerment (Scotland) Act 2015.

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

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

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

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

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

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

18.1 Reconciliation of the Carrying Value of Heritage Assets Note

Movements in 2018/19

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2018	423	2,047	6,797
Additions	155	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	317	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(9)	0	0
Transferred to Common Good	(44)	0	0
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>
	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2018	1,975	19,643	30,885
Additions	0	0	155
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	317
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	(9)
Transferred to Common Good	0	0	(44)
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>
Net book value			
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2017/18 Comparative Data

Cost or Valuation	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
At 1 April 2017	665	2,047	6,797
Additions	166	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	(4)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(404)	0	0
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2017	<u>665</u>	<u>2,047</u>	<u>6,797</u>

Cost or Valuation	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
At 1 April 2017	1,975	19,643	31,127
Additions	0	0	166
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	(4)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(404)
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>
Net book value			
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>
At 31 March 2017	<u>1,975</u>	<u>19,643</u>	<u>31,127</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.2 Details of Heritage Assets

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

19. Inventories

Policy

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

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

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

Note	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	13,958	2,513	16,166	3,048
Purchases	60,057	15,184	54,088	13,923
Held by a third party	192	192	39	39
Recognised as an expense in the year	(60,403)	(14,872)	(56,333)	(14,495)
Stock written off	(519)	(33)	(2)	(2)
Balance at 31 March	<u>13,285</u>	<u>2,984</u>	<u>13,958</u>	<u>2,513</u>

The majority of the Council inventory transactions and balances relate to fuel and building materials, with catering supplies, community equipment and clothing making up the remainder. The Group inventory mainly relates to fuel and work in progress.

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors

20.1 Long-term Debtors

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Council Tax	89,366	89,366	83,295	83,295
Trade Debtors	41,421	41,421	35,035	35,035
Prepayments	0	0	0	0
Other Debtors	121,562	125,114	91,667	98,112
Total long-term debtors before provision for impairment	252,349	255,901	209,997	216,442
Less: Provision for impairment	(120,969)	(120,969)	(110,167)	(110,167)
Total net long-term debtors	131,380	134,932	99,830	106,275

Long-term debtors include £11.184m (2017/18 £12.440m) and £Nil (2017/18 £0.319m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

20.2 Current Debtors

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Council Tax	112,089	112,089	102,140	102,140
Trade Debtors	54,818	49,225	59,665	55,729
Prepayments	5,086	2,528	20,866	18,646
Other Debtors	64,248	54,208	54,685	44,564
Total current debtors before provision for impairment	236,241	218,050	237,356	221,079
Less: Provision for impairment	(111,756)	(111,756)	(107,157)	(107,157)
Total net current debtors	124,485	106,294	130,199	113,922

20.3 Provision for Impairment

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Long-term provision for impairment				
Council Tax	(83,290)	(83,290)	(81,431)	(81,431)
Trade Debtors	(22,043)	(22,043)	(21,687)	(21,687)
Other Debtors	(15,636)	(15,636)	(7,049)	(7,049)
Total long-term provision for impairment	(120,969)	(120,969)	(110,167)	(110,167)
Current provision for impairment				
Council Tax	(102,082)	(102,082)	(98,998)	(98,998)
Trade Debtors	(9,534)	(9,534)	(7,948)	(7,948)
Other Debtors	(140)	(140)	(211)	(211)
Total current provision for impairment	(111,756)	(111,756)	(107,157)	(107,157)

21. Cash and Cash Equivalents

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

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Cash held	353	353	360	360
Bank current accounts	29,323	158	8,287	(15,330)
Short-term deposits:				
With banks or building societies	32,936	32,936	19,415	19,415
With other local authorities	73,232	73,232	108,960	108,960
	135,844	106,679	137,022	113,405

NOTES TO THE FINANCIAL STATEMENTS

22. Investments

22.1 Long-Term Investments

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Transport for Edinburgh	0	5,824	0	5,824
Tudor Trust	350	350	350	350
TIE	1	1	1	1
CEC Holdings	7,876	14,044	7,876	14,044
Telford NHT	3,471	3,471	61	61
	<u>11,698</u>	<u>23,690</u>	<u>8,288</u>	<u>20,280</u>

22.2 Short-Term Investments

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Local Authority Loans	17,100	17,100	20,722	20,722
Transport for Edinburgh Financial Assets	0	0	1,034	0
	<u>17,100</u>	<u>17,100</u>	<u>21,756</u>	<u>20,722</u>

23. Assets Held for Sale

Policy

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

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

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

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

Note

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
23.1 Non-Current Assets - Held for Sale				
Balance at 1 April	2,580	2,580	13,498	13,498
Additions	25	25	9	9
Assets reclassified as held for sale:				
Property, Plant and Equipment	0	0	(53)	(53)
Assets sold	(19)	(19)	(3,477)	(3,477)
Transfers from non-current to current	<u>(1,000)</u>	<u>(1,000)</u>	<u>(7,397)</u>	<u>(7,397)</u>
Balance at 31 March	<u>1,586</u>	<u>1,586</u>	<u>2,580</u>	<u>2,580</u>

23.2 Current Assets - Held for Sale

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	20,126	20,126	29,359	29,359
Additions	193	193	(88)	(88)
Revaluation gains/(losses) recognised in the revaluation reserve	4,000	4,000	0	0
Assets reclassified as held for sale:				
Property, Plant and Equipment	5,960	5,960	(6,410)	(6,410)
Assets sold	(13,673)	(13,673)	(10,132)	(10,132)
Transfers from non-current to current	<u>1,000</u>	<u>1,000</u>	<u>7,397</u>	<u>7,397</u>
Balance at 31 March	<u>17,606</u>	<u>17,606</u>	<u>20,126</u>	<u>20,126</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Creditors

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(84,173)	(79,330)	(88,090)	(88,090)
Council Tax refundable to taxpayer	(1,980)	(1,980)	(1,004)	(1,004)
Other Tax payable	(13,914)	(10,598)	(13,918)	(9,982)
Other Creditors	(105,160)	(73,971)	(63,814)	(42,652)
PFI Creditor	(8,206)	(8,206)	(8,022)	(8,022)
Finance Leases (non PFI)	(3,134)	(1,185)	(1,949)	0
	<u>(216,567)</u>	<u>(175,270)</u>	<u>(176,797)</u>	<u>(149,750)</u>

25. Provisions

Policy

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

Note

Provision has been made within the Group Financial Statements for outstanding payments of £36.727m (2017/18 £29.272m).

Of this amount, £33.810m (2017/18 £25.431m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, contract arrangements, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, based on the Council's assessment of the costs.

	Group £000	Council £000
Balance at 1 April 2018	(29,272)	(25,431)
Additional provisions made during the year	(18,711)	(16,794)
Amounts used during the year	6,239	3,381
Unused amounts reversed during the year	5,034	5,034
Balance at 31 March 2019	<u>(36,710)</u>	<u>(33,810)</u>

26. Reserves

Policy

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

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

Unusable reserves cannot be applied to fund expenditure.

Usable Reserves

The Council operates the following usable reserves:

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

Note

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 17 to 18) and Note 12.

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves

Policy

The Council operates the following unusable reserves:

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

27.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	1,666,037	1,378,280
Capital Adjustment Account	1,437,923	1,403,298
Financial Instruments Adjustment Account	(41,548)	(43,467)
Pensions Reserve	(659,468)	(482,493)
Employee Statutory Adjustment Account	(16,058)	(14,761)
Total Council Unusable Reserves	2,386,886	2,240,857
Subsidiaries, Associates and Joint Ventures	118,766	119,431
Total Group Unusable Reserves	<u>2,505,652</u>	<u>2,360,288</u>

27.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are: revalued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

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

	2018/19 £000	Re-stated 2017/18 £000
Balance at 1 April	1,378,280	873,986
Upward revaluation of assets	405,501	603,757
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(89,490)	(78,632)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	316,011	525,125
Difference between fair value depreciation and historical cost depreciation	(130)	(5,665)
Accumulated gains on assets sold	(28,124)	(15,166)
Amount written off to the capital adjustment account	(28,254)	(20,831)
Balance at 31 March	<u>1,666,037</u>	<u>1,378,280</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.3 Capital Adjustment Account

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

Note 11 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2018/19	2017/18
	£000	£000
Balance at 1 April	1,403,298	1,402,884
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(157,814)	(141,055)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(60,619)	(48,012)
Amortisation and impairment of intangible assets	(1,240)	(1,267)
Capital funded from revenue	38,888	22,200
Revenue exp. funded from capital under statute	(59,774)	(44,411)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(19,952)	(27,172)
	<u>(260,511)</u>	<u>(239,717)</u>
Adjusting amounts written out of the revaluation reserve	28,254	20,831
Net written out amount of the costs of non-current assets consumed in the year	(232,257)	(218,886)
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	25,953	21,879
Donated assets	2,273	
Use of capital fund for new capital expenditure	7,385	
Capital grants and contributions credited to the CIES that have been applied to capital financing	80,401	72,548
Application of grants from the capital grants unapplied account / capital fund	1,351	21
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	88,909	79,021
Capital expenditure charged against the General Fund and HRA balances	59,774	44,411
	<u>266,046</u>	<u>217,880</u>
Movements in the market value of investment properties credited to the CIES	1,025	1,420
Transfer to the General Fund	0	0
Other unrealised losses debited to the CIES	(189)	0
Balance at 31 March	<u><u>1,437,923</u></u>	<u><u>1,403,298</u></u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.4 Financial Instruments Adjustment Account

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

	2018/19	2017/18
	£000	£000
Balance at 1 April	(43,467)	(45,390)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,849	1,849
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	70	74
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,919	1,923
Balance at 31 March	<u>(41,548)</u>	<u>(43,467)</u>

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

27.5 Pensions Reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.5 Pensions Reserve - continued

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

	2018/19	2017/18
	£000	£000
Balance at 1 April	(482,493)	(705,786)
Actuarial gains or (losses) on pension assets and liabilities	(79,989)	273,812
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(162,374)	(110,511)
Employer's pension contributions and direct payments to pensioners payable in the year	65,388	59,992
Balance at 31 March	<u>(659,468)</u>	<u>(482,493)</u>

27.6 Employee Statutory Adjustment Account

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

		2018/19	2017/18
		£000	£000
Balance at 1 April		(14,761)	(14,121)
Settlement or cancellation of accrual made at the end of the preceding year	14,761	14,121	
Amount accrued at the end of the current year	<u>(16,058)</u>	<u>(14,761)</u>	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,297)	(640)
Balance at 31 March		<u>(16,058)</u>	<u>(14,761)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2019 £000	31 March 2018 £000
Subsidiaries		
CEC Holdings Limited	76,292	75,696
Transport for Edinburgh	24,226	25,275
Associates and Joint Ventures		
Common Good	23,510	21,864
Lothian Valuation Joint Board	(5,262)	(3,404)
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	<u>118,766</u>	<u>119,431</u>

28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	571,307	571,307	560,154	560,154
General Revenue Grant	(363,757)	(363,757)	(345,757)	(345,757)
Non-Domestic Rates receipts from national pool	(340,474)	(340,474)	(355,063)	(355,063)
Other net operating cash payments / (receipts)	(116,137)	(116,137)	(85,056)	(85,056)
Net cash flows from subsidiary companies	(26,028)	0	(18,826)	0
Net cash flows from operating activities	<u>(275,089)</u>	<u>(249,061)</u>	<u>(244,548)</u>	<u>(225,722)</u>

29. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Interest received	(5,519)	(5,406)	(4,324)	(4,233)
Interest paid	82,766	82,435	89,285	88,950
Investment income received	(7,000)	(7,000)	(6,180)	(6,180)

NOTES TO THE FINANCIAL STATEMENTS

30. Cash Flow Statement - Investing Activities

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	230,998	218,902	187,617	170,649
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(19,563)	(18,770)	(24,841)	(24,277)
Net purchase of Short-Term and Long-Term Investments	(1,800)	(1,053)	20,773	20,884
Other payments for investing activities	55,316	49,136	49,211	42,601
Other receipts from investing activities	(60,531)	(60,512)	(29,955)	(29,938)
Net cash flows from investing activities	204,420	187,703	202,805	179,919

31. Cash Flow Statement - Financing Activities

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(654)	(2,875)	(1,891)	0
Other Receipts for Financing Activities	22,243	22,243	3,297	3,297
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	3,650	2,145	8,791	7,888
Repayment of short-term and long-term borrowing	49,960	49,960	54,355	54,355
Net cash flows from financing activities	75,199	71,473	64,552	65,540

32. Trading Operations

Edinburgh Catering Services - Other Catering continues to meet the definition of a significant trading operations under the terms of the Local Government in Scotland Act 2003, as amended.

32.1 Edinburgh Catering Services - Other Catering

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

	2018/19 £000	2017/18 £000	2016/17 £000	Cumulative £000
Turnover	966	931	902	n/a
Deficit	(36)	(42)	(191)	(269)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period.

There has been a significant reduction in losses over the last three years. A revised tariff will be implemented in the new financial year to ensure the service covers its inflationary cost rises, mainly around food, beverages and staff costs. A new till system will be introduced to track income trends more effectively and proposals to rationalise the service delivery locations will be pursued.

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

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees

33.1 Loans and guarantees

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

	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartans Community Football Academy	Spartans Community Football Academy
Opening Balance	939	899	55	54
New Loans	0	0	0	0
Increase in the Discounted Amount	42	40	5	4
Fair Value Adjustment	0	0	0	0
Loan Repayment	<u>(981)</u>	<u>0</u>	<u>(3)</u>	<u>(3)</u>
Balance Carried Forward	<u>0</u>	<u>939</u>	<u>57</u>	<u>55</u>
Nominal Value Carried Forward	<u>0</u>	<u>1,000</u>	<u>99</u>	<u>102</u>

Adjustments have been made under the requirements of IAS 39 Financial Instruments: Recognition and Measurement, as required by the Code.

The Transport for Edinburgh loan related to two £500,000 loans to Transport for Edinburgh Ltd. to provide a loan facility to Tramco for its general working capital purposes and funding its business and activities. These loans were fully repaid during the year to 31 March 2019.

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

33.2 Guarantees

In February 2018 the Council agreed to provide a formal pension guarantee to Lothian Pension Funds on behalf of Edinburgh Leisure.

From 1 April 2018 Lothian Pension Fund introduced a new investment strategy, whereby for those employers closed to new entrants but who do not meet the criteria for the Funds low-risk strategy, would be moved to a medium risk strategy.

Edinburgh Leisure would fall into this category and the impact would be a considerable increase in contribution rates and would likely result in a significant impact on services provided by this entity.

The Council approved providing a pension guarantee which enabled Edinburgh Leisure to be moved back to a low-risk strategy, avoiding the additional financial costs.

In June 2018 the Council also approved to provide a pension guarantee to Lothian Pension Fund on behalf of Lothian Buses, to enable them to merge their existing pension fund into Lothian Pension Fund, to streamline the pension portfolio and bring associated financial efficiencies.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees - continued

33.3 Shared Equity Scheme / Scheme of Assistance

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

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

Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors.

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

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

In June 2018 the Council purchased the interest in a shared equity loan scheme from PARC for £0.512m. The scheme provided assistance to buyers to purchase homes from PARC and twenty two loans remain in the scheme. These sums are included in long-term debtors.

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

33.4 National Housing Trust

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

Phase 1 and 2 of NHT are now complete and have delivered 518 new homes.

The Telford NHT LLP with Miller Homes was bought over by the Council in January 2019.

Phase 3 will deliver up to 368 mid-market rent homes across three separate sites by December 2020. All NHT Phase 3 projects are now in contract and construction has commenced. The total required budget for NHT3 is £50.1m for three projects. Fruitmarket NHT3 has completed, with investment totalling £9.153m and delivery of 80 homes. Spend on the two remaining projects under NHT Phase 3 commenced in 2018/19 and will continue into 2019/20 and 2020/21, with the last NHT homes due to complete at Shrubhill in late 2020.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees - continued

33.4 National Housing Trust - continued

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

Developer	Development Site	Phase	Total No. of Units	2018/19 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	126	0	13,323	13,323
Places for People	Lighthouse Court	1	62	0	6,492	6,492
Teague Homes Limited	Salamander Place / Leith Links	1	145	0	15,551	15,551
City of Edinburgh Council	Telford North	1	89	0	10,299	10,299
FP Newhaven Ltd	Sandpiper Road	2	96	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	0	9,153	9,153
Cruden Homes	Western Harbour	3	90	11,279	0	11,279
Places for People	Shrubhill	3	58	9,139	0	9,139
			746	20,418	66,726	87,144

These sums are included within long-term debtors, as detailed in note 20.1.

34. Agency Income and Expenditure

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

During the financial year the total Agency income was £11.799m (2017/18 £10.981m) and Agency Expenditure £8.619m (2017/18 £8.370m).

The Council also undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.653m (2017/18 £0.913m) was paid out to the respective lead authorities of the projects concerned, included in the totals above.

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Edinburgh West End, Greater Grassmarket (wound up February 2018) and Queensferry Ambition (wound up August 2017). During the year income of £1.185m (2017/18 £1.232m) was collected and £1.138m (2017-18 £1.18m) paid out to BID schemes, included in the totals above.

In August 2018 the Edinburgh and South-East Scotland City Region Deal (ESES CR Deal) was signed and committed a total of £600m of funding from both the Scottish and UK Governments, over 15 years. The Council has undertaken, on an agency basis, to act as the accountable body for the management of the Deal. The 2018/19 grant awarded to the ESES CR Deal totalled £41.6m, the funding of which was received in April 2019, with all funds remitted onwards to the respective ESES CR Deal projects.

35. Audit Costs

The fees payable to Scott Moncrieff in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.594m (2017/18 £0.578m).

In addition, the Council paid audit fees to Scott Moncrieff for the audit of CEC Recovery Limited's (formerly tie Limited) accounts. The Council paid £0.003m during 2018/19 (2017/18 £0.002m) for the audit of the 2017/18 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

36. Grant Income

Policy

• Revenue

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

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

• Capital

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

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

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

Note

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

	2018/19		2017/18	
	£000	£000	£000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(363,757)		(345,757)	
Non-domestic rates	(340,474)		(355,063)	
Capital grants and contributions	<u>(95,013)</u>		<u>(76,598)</u>	
		(799,244)		(777,418)
Credited to services				
Central Government Bodies	(202,802)		(210,879)	
Other Local Authorities	(3,288)		(2,895)	
NHS bodies	(70,336)		(62,588)	
Other entities and individuals	<u>(10,469)</u>		<u>(3,867)</u>	
		<u>(286,895)</u>		<u>(280,229)</u>
Total		<u><u>(1,086,139)</u></u>		<u><u>(1,057,647)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

37. Related Parties

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, are shown below.

	2018/19 Expenditure	2018/19 Income	2018/19 Debtor / (Creditor)	2017/18 Net Expenditure / (Income)	2017/18 Debtor / (Creditor)
	£000	£000	£000	£000	£000
Capital City Partnership	4,293	(218)	216	4,666	0
CEC Holdings (incl. EDI Group, EICC)	72	(125)	3,784	243	(332)
Edinburgh Festival Theatres	611	(130)	0	515	0
Edinburgh Leisure Limited	11,978	(1,265)	147	8,575	0
Edinburgh Trams Ltd	645	(7)	1,442	(2,007)	0
Lothian Buses	1,715	(77)	10	1,401	0
Edinburgh Living MMR	2,734	(1,738)	2,748	0	0
Edinburgh Integration Joint Board	209,306	(231,273)	(12,373)	(19,079)	(8,378)
Lothian Valuation Joint Board	3,583	(56)	(1,715)	3,567	0
Telford NHT	3,454	0	0	0	0
NHS Bodies	4,248	(27,456)	219	(23,290)	4,587
Other Local Authorities	3,548	(2,513)	126	1,064	502
HMRC	0	0	(1,769)	0	581
Pension Fund	15	(257)	(3,722)	(246)	(247)
Scottish Government	11,669	(89)	28,623	7,708	21,780
Scottish Police Authority	2,221	(14)	0	2,787	0
Scottish Qualifications Authority	1,538	0	0	1,510	0
<u>Other</u>					
Audit Scotland	665	0	(382)	0	(387)
Autism Initiative UK	4,408	0	0	4,389	0
Bethany Christian Trust	799	(0)	0	1,487	0
Criminal Justice Bodies	555	0	0	616	0
Dean and Cauvin Charitable Trust	935	0	0	1,192	0
Edinburgh International Festival Society	2,210	(263)	43	2,246	0
Edinburgh Military Tattoo	0	(406)	0	(401)	0
Edinburgh Vol. Org. Council	1,314	(0)	0	1,328	0
Festivals Edinburgh Ltd	153	0	0	176	0
Handicab	452	0	0	449	0
Hubco	8,941	0	0	3,648	0
Lifecare Edinburgh	354	0	0	340	0
Marketing Edinburgh	1,363	(27)	11	1,146	0
Police Scotland	206	(1,835)	11,154	(2,484)	12,412
Scottish Fire and Rescue Service	39	(335)	(15)	(777)	964
Scottish Water	15	(11)	70	0	70
SESTRAN	1	(25)	356	1	0
SUSTRANS	2,930	(0)	1,685	0	10
Transport Scotland	20	0	0	0	629
Spartans	59	(4)	57	38	0
Port of Leith Housing	4,370	(1)	0	4,321	0
Royal Blind Asylum and School	1,636	0	0	1,347	0
Royal Lyceum Theatre Co Ltd	354	(50)	0	361	0
Total	293,408	(268,175)	30,714	6,837	32,191

NOTES TO THE FINANCIAL STATEMENTS

38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

	2018/19		2017/18	
	£000	£000	£000	£000
Opening capital financing requirement		1,575,864		1,610,256
Capital Investment				
Property, plant and equipment	211,736		154,669	
Heritage Assets	155		166	
Assets held for sale	218		(79)	
Intangible assets	131		46	
Capital Receipts transferred to Capital Fund	825		4,971	
National Housing Trust - Consent to borrow (see note 32.4)	20,418		6,470	
Edinburgh Living LLP - Consent to borrow	2,734		0	
Acquisition of Long Term Investment	3,471		0	
Revenue expenditure funded from capital under statute	59,774		44,411	
Adjustments to PPP schools during the year	<u>0</u>		<u>0</u>	
		299,462		210,654
Sources of Finance				
Capital receipts	(25,953)		(21,879)	
Capital Funded from Current Revenue	(38,888)		(22,200)	
Government grants and other contributions	(148,910)		(116,980)	
Write down of EDI Loan Stock	(2,200)		0	
PPP schools - - under construction and lifecycle additions	(20,175)		0	
Loans fund / finance lease repayments	<u>(89,734)</u>		<u>(83,987)</u>	
		<u>(325,860)</u>		<u>(245,046)</u>
Closing capital financing requirement		<u><u>1,549,466</u></u>		<u><u>1,575,864</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		(35,886)		(34,392)
Assets acquired under finance leases		9,488		
(Decrease) / Increase in capital financing requirement		<u><u>(26,398)</u></u>		<u><u>(34,392)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

39. Leases

39.1 Assets Leased in - Finance Leases

Policy

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

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

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

Note

The Council has acquired a waste treatment facility and its IT equipment under finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet:

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	9,093	0	0	0
Additions during the year	9,488	9,488	9,742	0
Repayments during the year	(2,753)	(805)	(649)	0
Derecognition	0	0	0	0
Value at 31 March	15,828	8,683	9,093	0
Other land and buildings	0	0	0	0
Vehicles, plant, equipment and furniture	15,828	8,683	9,093	0
Value at 31 March	15,828	8,683	9,093	0
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	3,134	1,185	1,949	0
Later than one year and not later than five years	8,756	3,560	7,144	0
Between six and ten years	2,134	2,134	0	0
Between eleven and fifteen years	1,804	1,804	0	0
	15,828	8,683	9,093	0

39.2 Assets Leased in - Operating Leases

Policy

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

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

Note

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

NOTES TO THE FINANCIAL STATEMENTS

39. Leases - continued

39.2 Assets Leased in - Operating Leases - continued

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.000m is recoverable from employees (2017/18 £0.002m):

	2018/19		2017/18	
	Group	Council	Group	Council
Future Repayment Period	£000		£000	
Not later than one year	9,610	741	1,603	1,155
Later than one year and not later than five years	37,615	2,172	2,875	1,859
Later than five years	78,025	3,559	5,154	4,001
	125,250	6,472	9,632	7,015
Value at 31 March				
Other land and buildings	7,992	6,454	8,922	6,989
Vehicles, plant, equipment and furniture	117,258	18	710	26
	125,250	6,472	9,632	7,015
Recognised as an expense during the year	10,511	1,508	2,043	1,508

39.3 Assets Leased Out by the Council - Operating Leases

Policy

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

Note

The Council leases out property, equipment and infrastructure under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's-length companies for the provision of services such as sport and leisure and theatres.

In 2018/19 the Council entered into a new operating lease arrangement with Edinburgh Trams for the lease of the tram infrastructure.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2018/19	2017/18
	£000	£000
Not later than one year	21,239	12,683
Later than one year and not later than five years	72,298	39,978
Later than five years	324,856	149,919
	418,393	202,580

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts

40.1 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to an agreed standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with an agreed major maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespie's High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. The concession is due to terminate in July 2041.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2019/20	19,701	8,206	18,310	46,217
Payable within two to five years	89,413	32,594	69,179	191,186
Payable within six to ten years	130,250	46,180	77,500	253,930
Payable within eleven to fifteen years	138,758	57,962	64,174	260,894
Payable within sixteen to twenty years	76,762	44,492	35,630	156,884
Payable within twenty one to twenty five years	1,561	6,631	1,203	9,395
	<u>456,445</u>	<u>196,065</u>	<u>265,996</u>	<u>918,506</u>

Payments due under the following schemes have been inflated by: 1.11% per annum for the PPP1 scheme, 1.67% per annum for the PPP2 scheme and 2.5% per annum for the James Gillespie's High School scheme, reflecting the terms of the separate contracts and assumed inflation of 2.5% per annum.

The amounts disclosed as reimbursement of capital expenditure are included in creditors and other long-term liabilities on the Balance Sheet. These are not subject to the above inflationary uplifts.

The unitary charges paid to the service providers include amounts to compensate them for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2018/19 £000	2017/18 £000
Balance at 1 April	204,089	211,977
PPP unitary charge restatement adjustment	(1)	4
Repayments during the year	<u>(8,023)</u>	<u>(7,892)</u>
Balance at 31 March	<u>196,065</u>	<u>204,089</u>

The Council has entered into a DBFM agreement with Hub South East Scotland for the provision of the new Queensferry High School. Capital expenditure of £17.9m related to the construction of the school is reported as Assets Under Construction within the balance sheet and as a future finance lease liability.

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts

40.2 PPP - Residual Waste

In 2016, the Council entered into a twenty five year contract with FCC to supply residual waste treatment at Millerhill. The contract is a joint arrangement between the Council and Midlothian Council on an 80:20 split respectively. This contract became operational in April 2019.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Prepayment £000	Total £000
Payable in 2019/20	4,801	6,125	3,505	(1,994)	12,437
Within two to five years	24,944	31,878	22,110	0	78,932
Within six to ten years	38,189	5,155	23,065	0	66,409
Within eleven to fifteen years	44,326	8,100	19,773	0	72,199
Within sixteen to twenty years	51,571	13,066	14,114	0	78,751
Within twenty one to twenty five years	60,842	20,388	4,932	0	86,162
Within twenty six to thirty years	1,581	379	(172)	0	1,788
	<u>226,254</u>	<u>85,091</u>	<u>87,327</u>	<u>(1,994)</u>	<u>396,678</u>

Payments due under the scheme have been inflated by 1.06% per annum reflecting the terms of the contracts.

40.3 Provision of Information Technology services

In 2015 the Council entered into a seven year contract with CGI for the provision of information technology services. This contract became operational on 1 April 2016.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift). These sums exclude amounts disclosed under finance leases for ICT asset additions.

Future Repayment Period	£000	Inflationary Uplift
2019/20	32,441	2.5%
2020/21 - 2022/23	<u>66,773</u>	2.5%
	<u>99,214</u>	

40.4 Provision of Parking Enforcement

The Council has entered into a five year contract with NSL for the provision of parking enforcement. The contract commenced on 1 October 2014 and ends on 30 September 2019. There is also a five year extension clause at the end of this period, which is currently under review.

Under the agreement the Council is committed to paying the following sums in cash terms (renegotiated annually):

Future Repayment Period	£000
2019/20	<u>3,327</u>
	<u>3,327</u>

NOTES TO THE FINANCIAL STATEMENTS

40. Public Private Partnerships and Similar Contracts - continued

40.5 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £32.564m.

41. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2018/19		2017/18	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	22,873		21,971	
As a percentage of teachers' pensionable pay		17.20		17.20
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2015/16	18,949		18,220	

At 31 March 2019, creditors include £3.673m (2017/18 £2.898m) in respect of teachers' superannuation.

42. Defined Pension Schemes

42.1 Participation in Pension Scheme

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

In terms of this scheme, in 2018/19 the Council paid an employer's contribution of £58.521m (2017/18 £54.042m) into the Lothian Pension Fund, representing 22.5% (2017/18 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the latest available valuations as at March 2017.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

	2018/19		2017/18	
Comprehensive Income and Expenditure Statement	£000	£000	£000	£000
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	103,040		93,031	
Past service costs	45,205		287	
Effect of Settlements	<u>0</u>		<u>(1,569)</u>	
		148,245		91,749
<i>Financing and investment income:</i>				
Net interest expense		<u>14,129</u>		<u>18,762</u>
Total post employee benefit charged to the surplus on the provision of services		162,374		110,511
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(183,615)		77,350	
Actuarial (gains) and losses arising on changes in financial assumptions	259,229		(92,581)	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		(8,303)	
Other experience	<u>4,375</u>		<u>(250,278)</u>	
		79,989		(273,812)
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>242,363</u>		<u>(163,301)</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(162,374)</u>		<u>(110,511)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		59,815		54,403
Contributions in respect of unfunded benefits		<u>5,573</u>		<u>5,589</u>
		<u>65,388</u>		<u>59,992</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

	2018/19	2017/18
	£000	£000
Fair value of employer assets	2,970,647	2,720,975
Present value of funded liabilities	(3,548,983)	(3,124,427)
Present value of unfunded liabilities	<u>(81,132)</u>	<u>(79,041)</u>
Net liability arising from defined benefit obligation	<u>(659,468)</u>	<u>(482,493)</u>

42.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2018/19	2017/18
	£000	£000
Opening fair value of scheme assets	2,720,975	2,747,964
Effect of settlements	0	(5,711)
Interest income	73,318	71,179
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	183,615	(77,350)
Contributions from employer	59,815	54,403
Contributions from employees into the scheme	16,446	15,508
Contributions in respect of unfunded benefits	5,573	5,589
Benefits paid	(83,522)	(85,018)
Unfunded benefits paid	<u>(5,573)</u>	<u>(5,589)</u>
Closing fair value of scheme assets	<u>2,970,647</u>	<u>2,720,975</u>

Reconciliation of Present Value of the Scheme Liabilities

	2018/19	2017/18
	£000	£000
Present value of funded liabilities	(3,124,427)	(3,368,139)
Present value of unfunded liabilities	<u>(79,041)</u>	<u>(85,611)</u>
Opening balance at 1 April	(3,203,468)	(3,453,750)
Current service cost	(103,040)	(93,031)
Interest cost	(87,447)	(89,941)
Contributions from employees into the scheme	(16,446)	(15,508)
Re-measurement gain / (loss):		
Change in financial assumptions	(259,229)	92,581
Change in demographic assumptions	0	8,303
Other experience	(4,375)	250,278
Past service cost	(45,205)	(287)
Effects of settlements	0	7,280
Benefits paid	83,522	85,018
Unfunded benefits paid	<u>5,573</u>	<u>5,589</u>
Closing balance at 31 March	<u>(3,630,115)</u>	<u>(3,203,468)</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2018/19 £000	%	2017/18 £000	%
Consumer *	316,076	11	372,813	14
Manufacturing *	365,504	9	405,093	15
Energy and Utilities *	224,417	7	170,219	6
Financial Institutions *	249,909	8	241,734	9
Health and Care *	161,397	6	133,399	5
Information technology *	96,757	3	165,884	6
Other *	<u>289,656</u>	12	<u>170,750</u>	6
Sub-total Equity Securities	<u>1,703,715</u>		<u>1,659,891</u>	
Debt Securities:				
UK Government *	301,834	11	263,793	10
Corporate Bonds (non-investment grade)	<u>0</u>	0	<u>53,015</u>	2
Sub-total Debt Securities	<u>301,834</u>		<u>316,808</u>	
Private Equity				
All *	0	0	8,672	0
All	<u>40,287</u>	1	<u>41,007</u>	2
Sub-total Private Equity	<u>40,287</u>		<u>49,679</u>	
Real Estate:				
UK Property	201,206	6	174,887	6
Overseas Property	<u>0</u>	0	<u>2,845</u>	0
Sub-total Real Estate	<u>201,206</u>		<u>177,732</u>	
Investment Funds and Unit Trusts:				
Equities *	29,345	1	26,153	1
Bonds	75,308	3	0	0
Infrastructure	368,743	12	322,478	12
Other	<u>0</u>	0	<u>6,215</u>	0
Sub-total Investment Funds and Unit Trusts	<u>473,397</u>		<u>354,846</u>	
Derivatives:				
Foreign Exchange *	750	0	1,252	0
Sub-total Derivatives	<u>750</u>		<u>1,252</u>	
Cash and Cash Equivalents				
All *	<u>249,458</u>	8	<u>160,768</u>	6
Sub-total Cash and Cash Equivalents	<u>249,458</u>		<u>160,768</u>	
Total Fair Value of Employer Assets	<u><u>2,970,647</u></u>	<u>100</u>	<u><u>2,720,975</u></u>	<u>100</u>

Scheme assets marked with an asterisk (*) have quoted prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2019 were those from the beginning of the year (i.e. 31 March 2018) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 31 March 2018 to 31 March 2019	9.50%
Total return for period from 1 April 2018 to 31 March 2019	9.50%

Average future life expectancies at age 65:

	31.03.19	31.03.18
Current pensioners	male 21.7 years	21.7 years
Current pensioners	female 24.3 years	24.3 years
Future pensioners	male 24.7 years	24.7 years
Future pensioners	female 27.5 years	27.5 years
Period ended	31.03.19	31.03.18
Pension increase rate	2.5%	2.4%
Salary Increase rate	4.2%	4.1%
Discount rate	2.4%	2.7%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2019 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2019	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	359,756
0.5% increase in the Salary Increase Rate	2%	61,058
0.5% increase in the Pension Increase Rate	8%	291,140

42.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. The rate was increased by 0.5% from 1 April 2018 and thereafter, for the remainder of the actuarial valuation period of two years, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

42.8 Information about the defined benefit obligation

	£000	%	Weighted Average Duration
Active members	1,728,264	48.7	24.8
Deferred members	484,541	13.7	24.7
Pensioner members	1,336,178	37.6	13.1
Total	3,548,983	100.0	19.5

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.8 Information about the defined benefit obligation - continued

The figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation as at 31 March 2017.

The unfunded pensioner liability at 31 March 2019 comprises approximately £62.183m (2017/18 £60.821m) in respect of LGPS unfunded pensions and £18.949m (2017/18 £18.220m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2019, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

42.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Valuation Joint Board are included in unusable reserves. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

	2018/19 Pension Reserve £000	2017/18 Pension Reserve £000
Unusable Reserves		
Council	(659,468)	(482,493)
Lothian Valuation Joint Board	(5,432)	(3,628)
	<u>(664,900)</u>	<u>(486,121)</u>
	2018/19 £000	2017/18 £000
Usable Reserves		
CEC Holdings	0	(567)
Capital Theatres (formerly Festival City Theatres Trust)	0	0
Edinburgh Leisure	(1,550)	(1,023)
Transport for Edinburgh Ltd	65,471	59,466
	<u>63,921</u>	<u>57,876</u>
Net Pension Reserves	<u>(600,979)</u>	<u>(428,245)</u>

42.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2020

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(118,003)	(118,003)	(43.9%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(118,003)	(118,003)	(43.9%)
Interest income on plan assets	71,195	0	71,195	26.5%
Interest cost on defined benefit obligation	0	(87,648)	(87,648)	(32.6%)
Total Net Interest Cost	71,195	(87,648)	(16,453)	(6.1%)
Total included in Profit or Loss	<u>71,195</u>	<u>(205,651)</u>	<u>(134,456)</u>	<u>(50.0%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2019/20 is £59.830m.

NOTES TO THE FINANCIAL STATEMENTS

42. Defined Pension Schemes - continued

42.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £1.172m, including accrued payments (2017/18 £0.998m).

42.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Chief Executive Officer, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

43. Financial Instruments

Policy

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- lease payables detailed in note 39,
- Private Finance Initiative contracts detailed in note 40, and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- o cash in hand,
- o current, call and notice accounts with banks
- o fixed term deposits with banks and building societies,
- o loans to other local authorities,
- o certificates of deposit and covered bonds issued by banks and building societies,
- o treasury bills and gilts issued by the UK Government,
- o trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- o money market funds

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued Financial Assets - continued

Transition to IFRS 9 Financial Statements

The Council adopted IFRS9 Financial Instruments accounting standard with effect from 1 April 2019. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements. The changes made on transition to the balance sheet are summarised below:

Financial Assets	IAS 39 31.3.18 £000	Reclassi - fication £000	Remeas - urement £000	IFRS 9 1.4.18 £000
Debtors				
Loans and receivables	870	0	0	0
Fair Value through Profit / Loss	0	870	(204)	666

As part of the introduction of IFRS9, a further review of the classification of Financial Instruments has been undertaken and as a result, investment in Money Market Funds have been reclassified from Available for Sale to Fair value through Profit and Loss. The Council's shareholding (of £23.340m) in subsidiary companies which was previously classified as 'Unquoted Equity at cost' continue to be held at cost and are no longer classified as financial instruments.

There was no unrealised gain on the available for sale financial assets (2017/18 £nil).

43.1 Categories of Financial Instruments

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

	31.03.19		31.03.18	
Assets	Long-Term £000	Current £000	Long-Term £000	Current £000
At amortised cost				
- Bank Call Accounts (Note 21)	0	32,936	0	19,415
- Local Authority Loans - S-T (Note 22)	0	17,100	0	20,722
- Local Authority Loans - S-T (Note 21)	0	73,232	0	108,960
		<u>123,268</u>		<u>149,097</u>
At fair value through profit and loss				
- Money Market Funds	0	25,959	0	26,836
Total Financial Instruments - Assets	0	272,495	0	325,030

The Investment total does not include £23.34m (2017/18 £20.3m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.

Debtors

At amortised cost	<u>118,708</u>	<u>68,471</u>	<u>105,549</u>	<u>60,375</u>
Total debtors	118,708	68,471	105,549	60,375

Borrowings

- Public Works Loans Board	(863,875)	(69,968)	(914,458)	(67,235)
- Salix	(1,024)	(289)	(1,184)	(279)
- Market debt	<u>(285,692)</u>	<u>(3,465)</u>	<u>(285,763)</u>	<u>(3,432)</u>
Total borrowings	<u>(1,150,591)</u>	<u>(73,722)</u>	<u>(1,201,404)</u>	<u>(70,946)</u>

Other Liabilities

Financial liabilities at amortised cost	0	(26,901)	0	(20,328)
PPP and finance lease liabilities	(213,259)	(9,391)	(196,067)	(8,022)
Deferred liability	<u>(37,201)</u>	0	<u>(25,223)</u>	0
Total other long-term liabilities	<u>(250,460)</u>	<u>(36,292)</u>	<u>(221,290)</u>	<u>(28,350)</u>

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.1 Categories of Financial Instruments - continued

In August 2018, the Council undertook a fixed rate forward starting loan transaction. The Council has committed to drawing down a £60m loan in October 2020 repayable over 25 years on a semi annual annuity basis.

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

Other deferred liabilities relate to income received in advance, which is required to be put on interest bearing deposit.

Further detail on the finance lease and PPP liabilities can be seen in notes 39 and 40.

The future liabilities for the Residual Waste PPP facility are not included above as the facility did not become operational until April 2019.

43.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Measured at Amortised Cost £000	Fair Value through Profit / Loss £000	Total £000
Interest expense	63,313	0	0	63,313
Impairment (gain) / loss	0	0	0	0
Total expense in Surplus on the Provision of Services	63,313	0	0	63,313
Interest income	0	(1,361)	(300)	(1,661)
Dividend Income	0	0	0	0
Total Interest and investment income	0	(1,361)	(300)	(1,661)
Net (gain) / loss for the year	<u>63,313</u>	<u>(1,361)</u>	<u>(300)</u>	<u>61,652</u>

In addition to the above interest expense, £1.849m (2017/18 £1.849m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.427m (2017/18 £0.208m) of loans fund expenses charged to the Council.

Dividend income of £7m (2017/18 £6.18m) was received from a subsidiary council company but not included in the table above as the holding is not classified as a financial instrument.

43.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2019, using the following methods and assumptions:

- Loans, including PWLB loans, borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans has been increased by the value of the embedded options.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.3 Fair Value of Assets and Liabilities - continued

- The fair value of soft loan assets has been calculated using the cash flows implied by the appropriate market interest rate which has been deemed to be the appropriate PWLB rate plus a credit spread of between 2% and 5% depending on the party to whom the advance has been made.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

The fair values are calculated as follows:

	Fair Value Level	31.03.19		31.03.18		
		Principal Outstanding £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(922,192)	(933,843)	(1,221,824)	(981,692)	(1,283,157)
Salix	2	(1,368)	(1,313)	(1,290)	(1,462)	(1,484)
Market debt	2	(274,900)	(289,157)	(523,985)	(289,195)	(535,839)
Borrowings		(1,198,460)	(1,224,313)	(1,747,099)	(1,272,349)	(1,820,480)
Other long-term liabilities	n/a	(37,201)	(37,201)	(37,201)	(25,223)	(25,223)
Trade creditors	n/a	(26,901)	(26,901)	(26,901)	(20,328)	(20,328)
PPP and Finance Leases	3	(222,650)	(222,650)	(308,033)	(204,089)	(276,650)
Financial liabilities		<u>(1,485,212)</u>	<u>(1,511,065)</u>	<u>(2,119,234)</u>	<u>(1,521,989)</u>	<u>(2,142,681)</u>

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

	Fair Value Level	31.03.19		31.03.18	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	25,959	25,959	26,836	26,836
		<u>25,959</u>	<u>25,959</u>	<u>26,836</u>	<u>26,836</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	32,936	32,936	19,415	19,415
Local Authority Loans	2	90,332	90,267	129,683	129,723
		<u>123,268</u>	<u>123,203</u>	<u>149,098</u>	<u>149,138</u>
Debtors					
Loan Stock	n/a	2,339	2,339	6,445	6,445
Soft Loans	3	55	55	992	992
Other trade debtors	n/a	68,471	68,471	60,375	60,375
		<u>70,865</u>	<u>70,865</u>	<u>67,812</u>	<u>67,812</u>
Total Investments		<u>220,092</u>	<u>220,027</u>	<u>243,746</u>	<u>243,786</u>

NOTES TO THE FINANCIAL STATEMENTS

43. Financial Instruments - continued

43.4 Financial Assets classified as Fair Value through Profit and Loss

As part of the introduction of IFRS9, a further review of the classification of Financial Instruments has been undertaken and as a result, investment in Money Market Funds have been reclassified from Available for Sale to Fair value through Profit and Loss. The Council's shareholding (of £23.340m) in subsidiary companies which was previously classified as 'Unquoted Equity at cost' continue to be held at cost and are no longer classified as financial instruments.

	Fair Value Level	31.03.19	Fair Value	31.03.18	Fair Value
		Carrying Amount £000	£000	Carrying Amount £000	£000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	25,959	25,959	26,836	26,836
		<u>25,959</u>	<u>25,959</u>	<u>26,836</u>	<u>26,836</u>

There was no unrealised gain on the available for sale financial assets (2017/18 £nil).

44. Nature and Extent of Risks Arising from Financial Instruments

44.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 14 March 2019 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2019/20 has been set at £2.205bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2019/20 has been set at £1.919bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

44.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31 March 2019, the Council had £17.1m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 55.4% were loans to other local authorities, a further 19.6% was held in two AAA rated Money Market Funds, leaving only 25.0% with banks. All of the monies held on deposit with banks at 31 March 2019 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2019 was £149.1 million (31 March 2018: £175.8m). This was held with the following institutions:

	Standard and Poor's Rating	Principal Outstanding 31.03.19 £000	Carry Value 31.03.19 £000	Fair Value 31.03.19 £000	Carry Value 31.03.18 £000
Summary					
Money Market Funds					
Deutsche Bank AG, London	AAAm	4,004	4,006	4,006	760
Goldman Sachs	AAAm	59	59	59	1
Standard Life	AAAm	21,884	21,895	21,895	26,075
Bank Call Accounts					
Bank of Scotland	A	14,671	14,678	14,678	17,371
Royal Bank of Scotland	BBB+	577	577	577	640
Santander UK	A	1	1	1	462
Barclays Bank	A-	13	13	13	14
Svenska Handelsbanken	AA-	7	7	7	862
HSBC Bank Plc 31 dn	AA-	17,642	17,647	17,634	0
HSBC Bank Plc	AA-	14	14	14	65
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	90,227	90,332	90,267	129,683
UK Government Treasury Bills	Aaa	0	0	0	0
Total		149,099	149,229	149,151	175,933

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2019 would have been 'AA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £32.9m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. There was no evidence at 31 March 2019 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.3 Credit Risk - continued

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council has never had any exposure to Icelandic banks and had no investment in the sector at that time.

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2019 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2019 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2019. This is available on request from the Council's Treasury Section - Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.246m (2017/18 £2.172m), trade debtors past due date can be analysed by age as follows:

	2018/19 £000	2017/18 £000
Less than two months	12,325	14,355
Two to four months	1,774	1,805
Four to six months	977	716
Six months to one year	2,153	1,928
More than one year	6,566	7,555
Total	<u>23,795</u>	<u>26,359</u>

Collateral – During the reporting period the Council held no collateral as security.

Credit Risk: Trade Debtors

Loss allowances on debtors have been calculated by reference to the Council's historic experience of default.

Debtors are collectively assessed for credit risk in the following groups:

		31.3.19	
		Gross	Loss
	Range	Receivable	Allowance
Council Tax	3% - 100%	201,454	(185,372)
Non Domestic Rates	1% - 100%	2,940	(1,720)
HRA tenants and other debtors	1% - 90%	8,255	(5,773)
Housing Benefits	75% - 85%	26,285	(20,763)
Sundry debtors	1% - 80%	38,302	(19,097)
Total		<u>277,236</u>	<u>(232,725)</u>

44.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs. It is anticipated that some short to medium term borrowing may be required within the next financial year to meet cashflow and working capital requirements. This will be managed as part of the Council's short- and medium-term cashflow monitoring as required.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.4 Liquidity risk - continued

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to achieve a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

44.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 44.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. With the margin on new borrowing rates and a separate rate for the premature repayment of loans, it is unlikely that there will be much scope for any substantial rescheduling of PWLB debt. However the Council is in on-going discussion with institutions over the potential to restructure some of the Council's market debt.

The maturity analysis of the principal outstanding on the Council's debt is as follows:

	2018/19	2017/18
	£000	£000
Less than one year	(68,018)	(62,982)
Between one and two years	(65,215)	(61,787)
Between two and five years	(156,335)	(174,166)
Between five and ten years	(252,800)	(270,794)
More than ten years	<u>(860,840)</u>	<u>(879,907)</u>
Financial Liabilities	<u>(1,403,208)</u>	<u>(1,449,636)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £26.900m (2017/18 £20.328m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £15.116m (2017/18 £16.009m) nor net equivalent interest rate (EIR) adjustments of £10.737m (2017/18 £10.793m) to the carrying amounts of market debt shown in the financial liabilities are included. The future lease liabilities of £17.902m related to the Queensferry High School (per Note 40.1) are also excluded as the repayment profile will not be agreed until the asset comes into use.

The only investment which the Council has with a maturity of greater than one year is £2.339m in EDI loan stock.

44.6 Market risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

NOTES TO THE FINANCIAL STATEMENTS

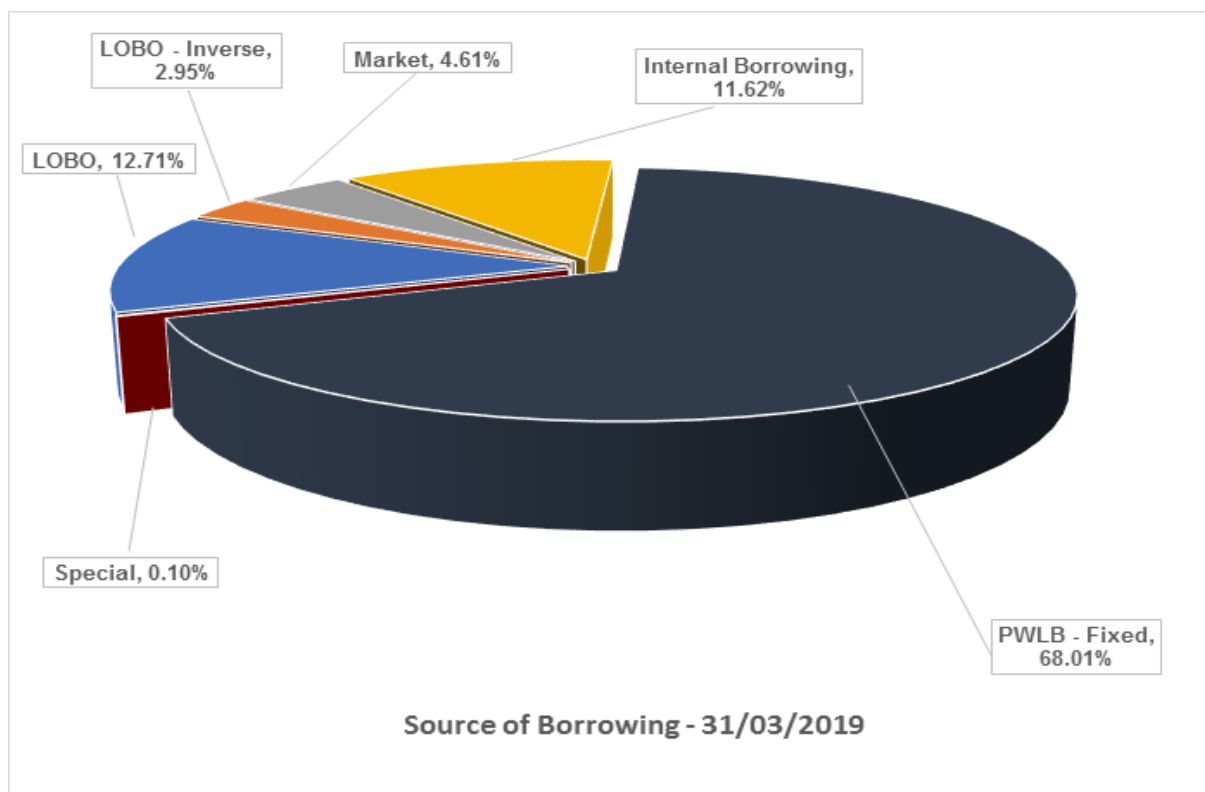
44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.6 Market risk - continued

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Any such strategy is run within the short and medium term liquidity requirements of the Council.

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the PWLB borrowing was variable rate.



In addition to the borrowing in the chart above, in August 2018, the Council undertook a fixed rate forward starting loan transaction. The Council has committed to drawing down a £60m loan in October 2020 repayable over 25 years on a semi annual annuity basis. The purpose of the transaction was to mitigate the interest rate risk on the Council's future capital financing requirement.

NOTES TO THE FINANCIAL STATEMENTS

44. Nature and Extent of Risks Arising from Financial Instruments - continued

44.6 Market risk - continued

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable borrowings	0
Increase in interest receivable on variable rate investments	(854)
Impact on Comprehensive Income and Expenditure Statement	(854)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Decrease in fair value of fixed rate borrowings liabilities	257,132

Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £23.340m (2017/18 £20.280m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

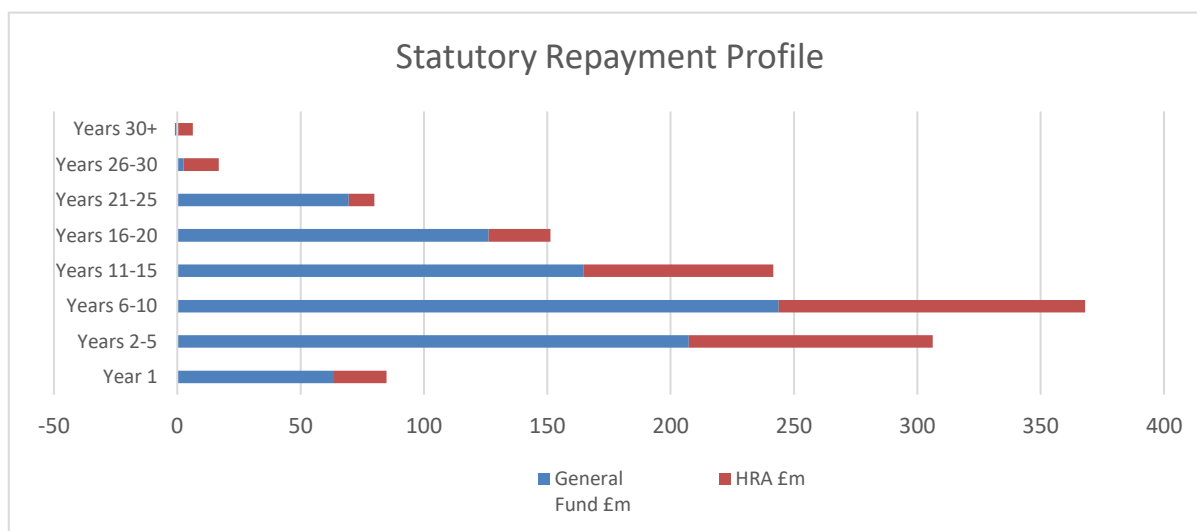
Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

44.7 Repayment Profile

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management.

The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. All advances from the loans fund in the current year have a repayment profile set out using Option 1, the statutory method. All capital advances from the loans fund are repaid using the previous hybrid annuity structure with fixed principal repayments. The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend.



NOTES TO THE FINANCIAL STATEMENTS

45. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to six, with Usher Hall Conservation Trust wound-up in 2017/18 and further plans in place to wind up the Boyd Anderson Trust in 2019/20.

45.1 The funds are:

	Scottish Charity Registration Number	Market Value 31.03.19 £000	Market Value 31.03.18 £000
Scottish Registered Charities			
Lauriston Castle	SC020737	7,043	7,041
Jean F. Watson	SC018971	6,424	6,311
Edinburgh Education Trust	SC042754	1,021	948
Nelson Halls	SC018946	241	228
The Royal Scots Trust	SC018945	34	32
Boyd Anderson	SC025067	105	109
Total market value		<u>14,868</u>	<u>14,669</u>

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

45.2 Financial Position of the Scottish Registered Charity Funds

2017/18 Income and Expenditure Account £000	2018/19 £000
Income	
89 Investment income	79
0 Other non-investment income	26
<u>89</u>	<u>105</u>
Expenditure	
(87) Prizes, awards and other expenses	(22)
(13) Governance Costs	(16)
<u>(100)</u>	<u>(38)</u>
<u>(11) Surplus / (Deficit) for the year</u>	<u>67</u>
2017/18 Balance Sheet £000	
Long-Term Assets	
2,075 Investments	2,207
5,275 Artworks - Jean F Watson Trust	5,317
7,020 Heritable property	7,020
<u>14,370 Total Long-Term Assets</u>	<u>14,544</u>
Current Assets	
313 Cash and bank	331
16 Debtors	20
<u>329</u>	<u>351</u>
Current Liabilities	
(30) Creditors	(27)
<u>(30)</u>	<u>(27)</u>
<u>14,669 Total Assets less Liabilities</u>	<u>14,868</u>
Funds	
3,293 Capital at 1 April	3,291
(11) Surplus / (Deficit) for the year	67
9 Realised and unrealised gains on investments	132
0 Realised and unrealised losses on investments	0
<u>3,291</u>	<u>3,490</u>
<u>11,378 Revaluation reserve</u>	<u>11,378</u>
<u>14,669 Funds at 31 March</u>	<u>14,868</u>

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained from the Council's Finance Division at Business Centre 2.6, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG or on the Council's [website](#) in due course.

NOTES TO THE FINANCIAL STATEMENTS

46. Prior Period Adjustment

In 2018/19, as part of the valuation process for the Council's dwellings, the valuer reviewed the selection and valuation of all beacon properties and the associated adjustment factor applied, resulting in a significant upward increase. Given the extent of this change, the opening valuation for 2018/19 has been restated and a corresponding upward adjustment reflected as shown below:

	2017/18 Statements £000	Council Dwellings £000	2017/18 Re-stated £000
Movement in Reserves Statement			
Council's Unusable Reserves			
Comprehensive Income and Expenditure	529,625	269,305	798,930
Net increase / (Decrease) before transfers to statutory reserves	457,139	269,305	726,444
Balance at 31 March 2018	1,971,552	269,305	2,240,857
Group Comprehensive Income and Expenditure Statement			
Surplus on Revaluation of Non-Current Assets	(255,820)	(269,305)	(525,125)
Other Comprehensive Income and Expenditure	(587,772)	(269,305)	(857,077)
Total Comprehensive (Income) / Expenditure	(530,038)	(269,305)	(799,343)
Council Comprehensive Income and Expenditure Statement			
Surplus on Revaluation of Non-Current Assets	(255,820)	(269,305)	(525,125)
Other Comprehensive Income and Expenditure	(529,625)	(269,305)	(798,930)
Total Comprehensive (Income) / Expenditure	(469,036)	(269,305)	(738,341)
Group Balance Sheet			
Property, Plant and Equipment	4,047,483	269,305	4,316,788
Unusable Reserves	2,090,983	269,305	2,360,288
Council Balance Sheet			
Property, Plant and Equipment	3,923,749	269,305	4,193,054
Unusable Reserves	1,971,552	269,305	2,240,857

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2019

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

2017/18 £000	EXPENDITURE	2018/19 £000	£000
27,964	Repairs and maintenance	33,823	
19,132	Supervision and management	19,282	
21,356	Depreciation and impairment of non-current assets	21,446	
5,627	Other expenditure	5,873	
(40)	Impairment of debtors	43	
74,039			80,467
	INCOME		
(96,050)	Dwelling rents	(97,455)	
(47)	Non-Dwelling rents (gross)	(41)	
(5,343)	Other income	(7,539)	
(101,440)			(105,035)
(27,401)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(24,568)
208	HRA share of corporate and democratic core		150
1,021	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		2,288
(26,172)	Net income for HRA Services		(22,130)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
3,467	(Gain) / loss on sale of HRA fixed assets	(2,381)	
0	Investment Property changes in fair value	(60)	
19,092	Interest payable and similar charges	18,330	
2,306	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,306	
(57)	Interest and investment income	(114)	
(1,825)	Interest income on plan assets (<i>pension-related</i>)	(1,934)	
(11,280)	Capital grants and contributions	(24,788)	
11,703			(8,641)
(14,469)	Surplus for the year on HRA services		(30,771)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2017/18 £000		2018/19 £000
0	Balance on the HRA at the end of the previous year	0
14,469	Surplus for the year on the HRA Income and Exp Account	30,771
(23,511)	Adjustments between accounting basis and funding basis under statute	(56,814)
<u>(9,042)</u>	Net increase before transfers to reserves	<u>(26,043)</u>
9,042	Contribution (to) / from renewal and repairs fund, via the General Fund	<u>26,043</u>
<u><u>0</u></u>	Balance on the HRA at the end of the current year	<u><u>0</u></u>

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
21,356	Charges for depreciation and impairment of non-current assets	21,446
(11,280)	Capital grants and contributions applied	(24,788)
0	Movement in the market value of investment properties	(60)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(18,290)	Statutory provision for the financing of capital investment	(20,115)
(19,474)	Capital funded from revenue	(32,800)
	Adjustments primarily involving the Capital Receipts Reserve	
3,467	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,382)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(536)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(567)
	Adjustments primarily involving the Pensions Reserve	
2,377	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	3,910
(1,128)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,502)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(3)	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	44
<u><u>(23,511)</u></u>		<u><u>(56,814)</u></u>

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2019 are as follows:

Types of Houses	2019		2018	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	285	3,970.00	279	3,891.00
2 Apartment	5,499	4,443.00	5,312	4,351.00
3 Apartment	10,103	5,159.00	9,753	5,043.00
4 Apartment	3,460	5,944.00	3,306	5,806.00
5 Apartment	514	6,366.00	496	6,241.00
6 Apartment	9	6,413.00	9	6,287.00
7 Apartment	4	6,212.00	4	6,090.00
8 Apartment	1	6,212.00	1	6,090.00
Mid-market rent dwellings				
2 Apartment	23	5,780.00	22	5,659.00
3 Apartment	84	7,098.00	81	6,966.00
4 Apartment	22	8,946.00	22	8,770.00
	<u>20,004</u>		<u>19,285</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £6.907m (£6.876m 2017/18) against which a provision amounting to £5.773m (£5.730m 2017/18), has been created in respect of non collectable debts.
- The total value of uncollectable void rents for main provision properties was £0.624m (2017/18 £0.566m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

for the year ended 31 March 2019

2017/18 £000		2018/19 £000	£000
(337,413)	Gross council tax levied and contributions in lieu		(351,763)
53,825	Less: - Exemptions and other discounts	56,620	
8,481	- Provision for bad debts	8,827	
24,217	- Council Tax Reduction Scheme	24,294	
3,766	- Other reductions	4,091	
<u>90,289</u>			<u>93,832</u>
(247,124)			(257,931)
<u>(2,123)</u>	Previous years' adjustments		<u>(1,504)</u>
<u>(249,247)</u>	Total transferred to General Fund		<u>(259,435)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 97.0% (2017/18 96.8%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation. Bands E to H were rebased in 2017/18 by the Scottish Government as per the Council Tax Base table below, with a 3% increase applied to Council Tax in both 2017/18 and 2018/19.

Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted to properties, with certain attributes, that are the sole and main residence of permanently disabled persons.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

Calculation of the Council Tax Base 2018/19

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	23,994	73	3,718	3,387	16,962	6/9	11,308	£826.79
B £27,001 - £35,000	47,568	67	3,557	6,828	37,250	7/9	28,972	£964.59
C £35,001 - £45,000	44,506	(14)	3,037	5,426	36,029	8/9	32,026	£1,102.39
D £45,001 - £58,000	39,890	68	2,748	4,276	32,934	9/9	32,934	£1,240.19
E £58,001 - £80,000	42,203	(12)	3,726	3,783	34,682	473/360	45,568	£1,629.47
F £80,001 - £106,000	25,698	(36)	1,576	1,988	22,098	585/360	35,909	£2,015.31
G £106,001 - £212,000	21,886	(119)	511	1,288	19,968	705/360	39,104	£2,428.71
H Over £212,000	4,065	(27)	143	190	3,705	882/360	9,077	£3,038.47
							Total	234,898
							Add: Contributions in Lieu	511
							Less: Provision for Non-Payment	<u>(7,062)</u>
							Council Tax Base	<u>228,347</u>

NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

for the year ended 31 March 2019

2017/18		2018/19	
£000		£000	£000
(461,111)	Gross rates levied and contributions in lieu		(476,081)
99,998	Less: - Reliefs and other deductions	103,459	
4,794	- Uncollectable debt written off and provision for impairment	4,904	
<u>104,792</u>			<u>108,363</u>
(356,319)			(367,718)
7,305	Previous years' adjustments		7,867
<u>(349,014)</u>	Net Non-Domestic Rates Income		<u>(359,851)</u>
Allocated to:			
(349,501)	Contribution to National Non-Domestic Rates Pool		(360,532)
487	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		681
<u>(349,014)</u>			<u>(359,851)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2018		Number	Rateable Value £000
Shops, offices and other commercial subjects		15,905	655,234
Industrial and freight transport		2,816	81,395
Telecommunications		6	23
Public service subjects		359	50,154
Miscellaneous		3,923	175,605
		<u>23,009</u>	<u>962,412</u>

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £360.532m (2017/18 £349.501m) is the non-domestic rates contributed by the Council through pooling arrangements for government grant purposes. The amount distributed to the Council under these arrangements was £340.474m (2017/18 £355.063m).

With effect from 2011/12, authorities retain in full the income raised locally up to the baseline level assumed in the Local Government Financial Settlement. Any variation from this assumed level is then met by means of a corresponding transfer of funds to or from the Scottish Government. No payment was received under the Business Rates Incentivisation Scheme during the year.

Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 48.0p per £ in 2018/19 (2017/18 46.6p per £).

Properties with a rateable value greater than £51,000 (2017/18 £35,000) had their rate charges calculated using the poundage of 50.6p per £ (2017/18 49.2p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less are entitled to receive relief as set out below:

100% Relief	below	£15,000
25% Relief	£15,001 to	£18,000
Upper limit for combined rateable value		£35,000

COMMON GOOD FUND

Common Good Fund Foreword

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

The Common Good accounts are prepared in accordance with the Council's accounting policies as detailed in Note 1.

In **2015/16**, £2m of the Common Good Fund was earmarked to be utilised to fund a planned property maintenance programme. £111,000 of this funding has been used to fund Scott Monument lighting work and £33,000 on surveys and work at the City Observatory.

The resulting balance of the Common Good Fund is £2.352m as at 31 March 2019 (£2.387m 2017/18). This is split £0.496m in the fund and £1.856m in the planned property maintenance fund.

During 2018/19, the Council made a deficit of £0.035m on the Common Good fund. This is mainly due to no asset disposals in the financial year and other income and overheads remaining stable.

The **Common Good Annual Performance Report** is considered by the Finance and Resources Committee in September each year along with the Audited Annual Accounts.

COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2017/18		2018/19	
£000		£000	£000
Income			
	(9) Interest and investment income	(16)	
(1,591)	Rent Income	(1,684)	
(1,455)	Capital Funding	(1,189)	
(2,812)	Recharges Income	(1,680)	
<u>(5,867)</u>	Total Income	<u>(4,569)</u>	
Expenditure			
24	Common Good Fund	51	
5,858	Common Good Property Costs	4,553	
<u>5,882</u>	Total Expenditure		4,604
<u>15</u>	(Surplus) / Deficit for the Year		<u>35</u>

COMMON GOOD FUND - BALANCE SHEET

Re-stated

31 March 2018 £000		31 March 2019 £000	£000
965	Community Assets	2,558	
<u>965</u>	Property, Plant and Equipment		2,558
20,819	Long-Term Debtors	20,828	
<u>103</u>	Heritage Assets	<u>147</u>	
<u>20,922</u>	Long-Term Assets		20,975
503	Short-Term Investments	449	
<u>1,861</u>	Cash and Cash Equivalents	<u>1,880</u>	
<u>2,364</u>	Current Assets		<u>2,329</u>
<u>24,251</u>	Net Assets		<u>25,862</u>
21,886	Capital Contribution	23,523	
<u>(22)</u>	Capital Adjustment Account	<u>(13)</u>	
<u>21,864</u>	Unusable Reserves		23,510
500	Common Good Fund	496	
<u>1,887</u>	Earmarked Reserve	<u>1,856</u>	
<u>2,387</u>	Usable Reserves		<u>2,352</u>
<u>24,251</u>	Total Reserves		<u>25,862</u>

The unaudited accounts were issued on 15 June 2019. The audited accounts were issued on 27 September 2019.

HUGH DUNN, CPFA
Head of Finance
27 September 2019

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

Re-stated	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2018	965	965	103
Transfer from / (to) General Fund	1,593	1,593	44
	<hr/>	<hr/>	<hr/>
At 31 March 2019	2,558	2,558	147
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 March 2019	2,558	2,558	147
	<hr/>	<hr/>	<hr/>
At 31 March 2018	965	965	103
	<hr/>	<hr/>	<hr/>
Cost or Valuation			
At 1 April 2017	1,073	1,073	103
Revaluation (decreases) recognised in the Revaluation Reserve	(108)	(108)	0
	<hr/>	<hr/>	<hr/>
At 31 March 2018	965	965	103
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 March 2018	965	965	103
	<hr/>	<hr/>	<hr/>
At 31 March 2017	1,073	1,073	103
	<hr/>	<hr/>	<hr/>

These asset categories are not depreciated.

1.2 Developing a Common Good Register

Work is underway to collate information regarding those properties historically considered by the Council to be common good, specifically those included on the Common Good register of assets for accounting purposes, relevant parks and other assets with a public function. Work has also progressed on developing a methodology for assessing all properties' common good status, taking into account the relevant legal tests. Therefore, at the balance sheet date, the Council's balance sheet may hold heritage assets that belong to the Common Good.

A **response** to the Community Empowerment (Scotland) Act 2015 consultation on Common Good matters was approved by the Finance and Resources Committee on 28 September 2017 and submitted to the Scottish Government.

The **legislation** has now been laid in Parliament. The relevant provisions come into force on 27 June 2018, and the Scottish Government published the accompanying guidance in July. The Community Empowerment (Scotland) Act 2015 places a duty on local authorities to "establish and maintain a register of property which is held by the authority as part of the common good" (a common good register).

Before establishing a common good register, the Act requires a local authority to prepare and publish a list of properties that it proposes to include in the register. The Common Good Asset Register for **public consultation** was approved for issuing at the 27 September 2018 Finance and Resources Committee. The consultation closed on 31 December 2018.

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

2. Unusable Reserves

2.1 Capital Contribution

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

- transfer to / (from) Common Good;
- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

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

	2018/19		2017/18	
	£000	£000	£000	£000
Balance at 1 April		21,886		21,994
Movement of assets	1,638		0	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(1)		(108)	
Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Service		1,637		(108)
Derecognition of asset disposals		0		0
Balance at 31 March		<u>23,523</u>		<u>21,886</u>

2.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2018/19	2017/18
	£000	£000
Balance at 1 April	(22)	(22)
Movement in Year	9	0
Balance at 31 March	<u>(13)</u>	<u>(22)</u>

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. This statement outlines how The City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 39 of the Accounts.

The Group's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads its communities. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk and Best Value Committee. The rest of the Group observes the principles of the code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Democracy, Governance and Resilience Senior Manager has reviewed the arrangements and is satisfied that the Code continues to be adequate and effective.

The Council's Corporate Governance Framework has three key elements. These are strategic, decision making structure and internal controls:

Strategic

- The Council's vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2017-2022. The plan forms a central part of the planning and performance framework that connects the strategic vision of the Council and its partners to the detailed operational plans which guide the delivery of our frontline services. The Plan was approved by the Council in August 2017. Building on this, alongside the 2019/20 Budget the Council published a four-year Council Change Strategy. This Change Strategy seeks to set out how the Council will achieve its objectives but also how it will address the significant financial challenges it faces. The Change Strategy was produced and agreed following extensive consultation and engagement with the public and staff. The Change Strategy will be progressed over the coming months and will be a key driver of the 2020/21 budget and ongoing financial framework.
- Implementation of the Change Strategy will be monitored by regular financial monitoring and reporting. In addition, the Change Strategy will be overseen by the Corporate Leadership Team (CLT) based on portfolio management principles, with a monthly report taken to the CLT Change Board. The monthly portfolio update reports on all change across the Council including the level of risk being carried, key deliverables and benefits.
- Scrutiny of performance takes place at every level within the organisation to ensure performance monitoring and service improvement. Service areas continually monitor performance, with senior management teams monitoring their own performance through monthly discussions where areas of risk, good and poor performance will be identified for escalation. CLT focuses on performance quarterly. For both directorates and the CLT a new balanced score card approach is to be implemented which looks to amalgamate all aspects of performance in a single format.
- Executive Committees scrutinise performance relevant to their remit. In addition, the Policy and Sustainability Committee considers performance on a six-monthly basis providing holistic strategic oversight and scrutiny. The Council also considers an annual summary report of all performance issues.

ANNUAL GOVERNANCE STATEMENT

Decision Making Structures

- The Council operates an executive committee structure. This consists of six executive committees which are responsible for policy and financial decision making and scrutiny in their designated areas of responsibility. These committees are Policy and Sustainability, Culture and Communities, Education, Children and Families, Finance and Resources, Housing and Economy and Transport and Environment.
- The Governance, Risk and Best Value Committee provides the Council with assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk-based plan, and monitors performance of the Internal Audit service.
- The Council also utilises a range of other committees, some of which are quasi- judicial such as the Development Management Sub-Committee and the Licensing Sub-Committee, to consider individual applications.
- Empowered communities - the Council has created four localities and is using this model to restructure and deliver a range of frontline services. This ensures integrated local services and improved outcomes for citizens. This locality model operates in co-terminosity with our partners (such as police and fire services) enabling closer working and integration of services around our citizens. Local Improvement Plans cover every area of the city and describe in detail our multi-agency approach to improve the delivery of services in our communities.
- The Council plays an important role in the Edinburgh Partnership and its community planning structure. The new framework agreed by the Edinburgh Partnership comprises a Board, four city wide partnerships, four locality partnerships and thirteen neighbourhood networks. The arrangements are designed to support a different way of working and to support the delivery of the Partnership's priorities for the city as set out in the new community plan. The plan focuses on reducing poverty and inequality in the city through making sure people have enough money to live on; access to work, learning and training opportunities; and have a good place to live.
- The CLT meets weekly, led by the Chief Executive and includes all executive directors and the Head of Finance (Section 95 Officer) and Head of Strategy and Communications. A monthly meeting is held which includes all Heads of Service.

Internal Controls

A significant part of the governance framework is the system of internal controls in place to ensure that risks are being identified and managed effectively.

- The Council is embedding a culture of commercial excellence to ensure that its services always deliver Best Value. The Council's Business Plan describes the Council's determination to have leading commercial and procurement practices that are sustainable and realise benefits for customers and the local supply chain. The Council is also developing a more commercial approach in considering how best to use its assets and generate income in the context of our overall strategic objectives and management of risk.
- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.
- The Chief Executive has overall responsibility to Council, as the Council's statutory Head of Paid Service, for all aspects of operational management and overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.
- The Head of Finance as the Council's Section 95 Officer has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control.

ANNUAL GOVERNANCE STATEMENT

- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.
- The Council's Democracy, Governance and Resilience Senior Manager, reporting to the Head of Strategy and Communications, has responsibility for advising the Council on corporate governance arrangements.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Council Risk Register and service area risk registers identify risks and the proposed treatment of actions. There is an escalation process in place to ensure identified risks and emerging issues are highlighted at an appropriate level. These registers are regularly reviewed, updated and reported to the Corporate Leadership Team and Governance, Risk and Best Value Committee for scrutiny and challenge.
- A Council Governance Hub, chaired by the Chief Executive, has been established to scrutinise the management of Council Arm's Length External Organisations (ALEOs), seek assurance over the delivery of services and to ensure that the Council is aware of any risks. This responds to the four areas for improvement recommended by Internal Audit - the independence of elected members as directors of companies; governance reporting to Council committees; the Council Observer role; and the annual assurance process for ALEOs. The Hub also provides an opportunity for ALEOs to raise issues directly with the Council's Chief Executive and to engage on issues of common interest.
- ALEOs are required to report to the Council's Chief Executive once a year with their forward plans which are then considered at the relevant Council committee, with their accounts and past performance scrutinised by the Governance, Risk and Best Value Committee.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.
- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations. Under the mandatory policy awareness programme, it is a requirement that officers regularly confirm their awareness and understanding of these key policies.
- The Whistleblowing policy and the independent and confidential reporting arrangements the Council has in place provide a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' Interests are maintained and available for public inspection and a current version of the Register is available on the Council's website.
- The General Data Protection Regulation and Data Protection Act 2018 came into effect on 25 May 2018. The legislation introduced new statutory rights and obligations, as well as increased penalties for non-compliance. In line with legislative requirements and regulatory guidance, various controls and measures were developed and implemented as part of a planned programme of work to reduce the risks associated with non-compliance. These included the development of privacy and processing information, breach procedures, data protection impact assessments, revised contract documentation, guidance, information sharing agreements, and a major training and awareness programme. Data protection compliance and maturity continues to be monitored and promoted through established procedures, communications and an information governance maturity model.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Democracy, Governance and Resilience Senior Manager has reviewed the effectiveness of the Code which has resulted in changes to the 2018/19 process to ensure that the Council's annual governance practice is open, transparent and reflects best practice but also is modernised and meets the needs of a changing Council.

An assurance statement on the effectiveness of the system of internal controls has been provided and was informed by:

- The work of the Corporate Leadership Team which develops and maintains the governance environment;
- The certified annual assurance statements provided by all Executive Directors;
- The certified assurance statements provided by the Chief Executives, Heads of Service and Finance Directors of the Council's group companies;
- Council officers' management activities;
- The Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- An annual review by the Council's Democracy, Governance and Resilience Senior Manager of the Council's compliance with the Local Code of Corporate Governance, reported to the Governance, Risk and Best Value Committee;
- Reports from the Council's external auditor; and
- Reports by external, statutory inspection agencies.

The evidence of effectiveness from these sources includes:

- In compliance with standard accounting practice, the Head of Finance (Section 95 Officer) has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2019. It is the Head of Finance (Section 95 Officer)'s opinion that reasonable but not absolute assurance can be placed upon its effectiveness. Therefore, the Council is continually seeking to improve its internal controls to identify or prevent irregularities.
- Scott-Moncrieff's review of the Council's systems of internal financial control, the results of which were reported to the Governance, Risk and Best Value Committee in September 2019, assessed these to be well-designed, with no significant deficiencies in their design, implementation or operation.
- The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on an agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal and Risk and Monitoring Officer but had free access to the Chief Executive, all executive directors and elected members along with direct reporting to the Governance, Risk and Best Value Committee.
- Each executive director has reviewed the arrangements in his / her Directorate and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered relevant third-party reviews and recommendations. Reliance has also been placed on each organisation's most recent audited accounts together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Council.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and Internal Audit, to the Corporate Leadership Team, Governance, Risk and Best Value Committee and Council, where appropriate, supports effective scrutiny and service improvement activities.
- Internal Audit actions are also recorded, monitored and discussed as part of regular updates to the Corporate Leadership Team and Governance, Risk and Best Value Committee and relevant Executive Committees, where appropriate.
- The Council reviewed its decision-making structures in June 2018. This review noted that the committee structure was working well and that executive committees were carrying out their remit. Improvements to the processes that support decision making were explored to enable a more effective structure.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- The Council webcasts the majority of its committee meetings and retains an extensive library of previous webcasted meetings on its website. The Council offered to webcast Edinburgh Integration Joint Board meetings which was subsequently agreed and commenced in September 2018.
- Concern was raised over potential pressures on the political management arrangements of the Council in February 2019 that may result in some executive committees being unable to effectively scrutinise due to the volume of business.
- The Council reviewed locality committees in February 2019. The review concluded that the expansive remit was unfocused and the capacity and resources required to deliver the committees effectively were challenging for the Council. The committees had not been successful in engaging with communities, although they had been successful in discussing local matters which had not previously been given sufficient direction. Council agreed that the challenges outweighed the benefits and decided to dissolve locality committees from April 2019. It further agreed to focus on the community planning structures within the city and agreed to explore which powers could be delegated to allow the community to have increased influence over Council decisions.
- There has been regular reporting to the Governance, Risk and Best Value Committee on overdue Internal Audit actions and late management responses. These are also reported monthly to the Corporate Leadership Team (CLT). Due to the complexity of overdue findings CLT agreed that directorate action plans be created to assess whether alternative actions could be identified to mitigate the risks. Although the timely completion of management actions requires further improvement, the steps taken to address the deficiencies have taken significant steps to improve the culture in the Council on addressing the risks identified by Internal Audit.
- Meeting the demands of new data protection legislation has led to significant increases in the volume of data protection work. This has resulted in several resource and operational challenges which have had a detrimental effect on statutory obligations and associated timescales. This increase has also impinged on other areas of information rights, including compliance with Scotland's freedom of information laws. Remedial plans are in place to reduce risks in this area and to ensure that statutory obligations are met.
- Communities and Families operate an annual self-attestation of the effectiveness of operating controls in secondary schools, primary schools, nurseries, libraries, community centres and central service teams. Internal Audit highlighted weaknesses in the model due to the availability of support for the framework from second line of defence business areas and partners.
- The Council's Governance Hub and the changes to Council Company reporting agreed in June 2016 have strengthened the Council's oversight and scrutiny of its ALEOs whilst addressing conflicts of interest.
- Financial controls including full documentation of all procedures, development of an anti-money laundering policy, introduction of an independent review of monthly income and expenditure account reconciliations and independent authorisation of changes to Bankline access rights are in place.
- All directorates include budget issues as standing items on the agenda of their regular Senior Management Team (SMT) meetings.
- Each directorate's assurance schedule was scrutinised by the Governance, Risk and Best Value Committee.
- A corporate policy framework has been put in place which enables a consistent application of policy assurance across the organisation. The process was further streamlined in 2017 to ensure it was an effective process but maintained a robust assurance role focussing on continuous improvement and best practice. Further work is necessary to ensure the framework is being maintained across the Council.
- The whistleblowing service employs an independent organisation to ensure a robust, transparent and trustworthy process. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the Finance and Resources Committee reviews the policy annually.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate Executive Director. Officers have personal work objectives and receive feedback on their performance through the Council-wide performance review and development process.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- There is a robust health and safety reporting structure which includes directorate health and safety committees, a quarterly Council health and safety group and a quarterly consultation forum involving the trade unions. Health and safety working groups are in place for fire safety, water safety and asbestos.
- All directorates have risk and assurance committee meetings that meet at least quarterly and ensure escalation of risks. The Corporate Leadership Team's Risk Register continues to be scrutinised quarterly at the Governance, Risk and Best Value Committee.
- Programme/project risks are managed through relevant programme structures and are also reported to the Corporate Leadership Team Change Board. Any new significant change ideas must be agreed through the monthly change board. This approach is now bedding in and being applied to the development of the change strategy, with reporting every six months to the Governance, Risk and Best Value Committee.
- The annual governance statement was not reported to Governance, Risk and Best Value Committee prior to the annual accounts being reported. Further changes to the process are required to allow this.
- A short-life working group was created to work on simplifying and modernising the report template. It aimed to shorten reports and make them more accessible while ensuring sufficient information was included to ensure effective scrutiny. The new template was rolled out in April 2019.
- A single risk management system is now in place to manage Health and Social Care Partnership and Integration Joint Board risks.
- Business Impact Analysis has been completed for all Council services, with an annual review frequency. These set out the resources required to ensure the continuous delivery of essential activities in the event of an emergency or other disruption.
- Resilience submit an annual report to the Corporate Strategy and Policy Committee, detailing training, exercising, planning and incident response.
- The Council maintains registration to the International Standard for Business Continuity, ISO22301 and, as part of that compliance, the Council's Resilience Management System is audited biannually by an external auditor.
- The Chief Internal Auditor reported to the Governance, Risk and Best Value Committee in August 2019 on the overall adequacy of the Council's framework of governance, risk management and controls and found that the Council's established control environment; governance and risk management had not adapted or evolved sufficiently to support the effective management of the changing risk environment and the Council's most significant risks. The Chief Internal Auditor has reported a 'red' rating, with the assessment towards the middle of this category but that reflects that significant enhancements are required to the Council's control environment, governance and risk management arrangements.
- Internal Audit highlighted control gaps and residual risks associated with a lack of clear definition and oversight of Partnership business support arrangements provided by the Council to the Health and Social Care Partnership. Service Level Agreements are being created for business support by October 2019.
- Internal Audit highlighted significant enhancements needed in relation to the design of the controls supporting the development, agreement and approval of developer contribution legal agreements.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'.
- Induction training on roles and responsibilities, and ongoing development opportunities are provided for Elected Members. The Council has revised its Councillor Induction and Training programme, drawing upon best practice from other organisations including The Scottish Parliament, informed by exit interviews conducted with councillors who indicated their intention not to stand again and also reflecting the views of political groups. Some distinctive features of the initial training programme for those elected members joining the Council in May 2017 included a Welcome Event, a 'Freshers Fayre', organised tours, each councillor being allocated a dedicated senior manager as a buddy to assist their assimilation and an informal evening reception at which their families could join them.

ANNUAL GOVERNANCE STATEMENT

Actions

The status of the previous year's actions is outlined below:

	Action	Responsible Party	Reporting Date
1	The Chief Executive will report to the Governance, Risk and Best Value Committee in June 2018 outlining the actions taken and status of the historic outstanding audit actions. Internal Audit and directorates will continue to work on ensuring improved processes are in place to avoid repeat issues	Chief Executive	Completed
2	Workforce controls will be reported to committee outlining improved and increased management information to facilitate workforce controls, strategic workforce planning and to measure performance	Executive Director of Resources	Completed and an on-going cycle of reporting continues.
3	Overpayments to Council wide employees had been identified by Human Resources. A plan has been developed to address this during 2018	Executive Director of Resources	Implemented and on-going improvements are being progressed
4	A review is taking place of health and safety risk assessments in Facilities Management. Work is also underway with Communities and Families to ensure clarity around roles and responsibilities regarding health and safety.	Executive Director of Resources	Completed
5	Corporate health and safety training programme to be reviewed	Executive Director of Resources	Completed
6	A risk governance framework is being created for Health and Social Care Partnership risks to sit alongside the already established Integration Joint Board risk framework	Chief Officer - Health and Social Care Partnership	Partially completed and constantly evolving
7	The Assurance Statement template will be reviewed by December 2018 to ensure more effective, concise but robust process	Chief Executive	Completed
8	A review has taken place of cash handling within social care and health business support teams and improvements will be rolled out	Chief Officer - Health and Social Care Partnership	Completed
9	Management actions being implemented to ensure processing of payments to contractors effectively and in line with the Council's policies and procedures	Executive Director of Resources	Completed
10	Development of an improved business continuity plan for the Council's mortuary service	Executive Director of Place	Completed
11	Reporting of ALEOs has gone to executive committees and the Chief Executive but not all ALEOs are also reporting to the Governance, Risk and Best Value Committee. Work will be undertaken with directors and the Governance Hub to improve awareness and compliance with the reporting process	Chief Executive	Completed
12	During 2017, issues were identified with service delivery in Building Standards. An improvement plan has been established and will be undertaken with the support of the Scottish Government. Reporting has taken place at the Governance, Risk and Best Value Committee and the Planning Committee	Executive Director of Place	Implemented and on-going improvements are being progressed
13	A review of arrangements is underway to ensure ALEOs have a service level agreement or funding agreement	Executive Director of Place	Completed
14	Action is being taken to ensure a higher percentage of return from schools regarding self-assurance	Executive Director of Communities and Families	Completed
15	To ensure the appointment of deputies for resilience co-ordinators in each directorate	All	Partially completed, constantly being updated
16	Work is ongoing across the Council to identify any gaps regarding compliance with GDPR, this will be monitored and reported to the Corporate Leadership Team as well as being reported to committee	All	Completed

ANNUAL GOVERNANCE STATEMENT

Following the review of effectiveness and the assurance statements from directorates and ALEOs, the following actions have been identified to improve the Council's governance arrangements:

	Action	Responsible Party	Reporting Date
1	A review of delegated authority within the Place directorate is being carried out to ensure that appropriate governance and controls are in place.	Executive Director of Place	September 2019
2	A new balanced score card approach is to be implemented which looks to amalgamate all aspects of performance in a single format	Chief Executive	June 2019
3	The Health and Social Care Partnership aim to complete the risk escalation framework	Chief Officer	March 2020
4	A transformation and change team will provide project support capacity across the Partnership allowing for greater oversight and ensure projects have clear business justification and business cases.	Chief Officer	March 2020
5	Upgrades to HR and Payroll system to be implemented	Executive Director of Resources	September 2019
6	Review of developer contributions held in Finance database	Executive Director of Resources	September 2020
7	Review of historic developer contributions	Executive Director of Place	September 2020
8	Review of Developer contribution process documentation and guidance	Executive Director of Place	March 2020
9	Review of Political Management Arrangements	Chief Executive	Completed May 2019
10	Review Annual Assurance process	Chief Executive	September 2019

Conclusion

In conclusion, our controls framework continues to evolve and improve. Further work will be undertaken to ensure our corporate governance framework and assurance is joined up and changes are integrated into the current operational governance structures. Controls are generally adequate and improving but further work is necessary to ensure that identified improvement plans are monitored and that controls are fully embedded. Increased business in the committee model will require monitoring to ensure that scrutiny is not de-prioritised. Actions included in the plan will improve the Council's governance with many including in-built monitoring by both officers and elected members.

We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and will further enhance our corporate governance and internal control arrangements.

Certification

It is our opinion that in light of the foregoing, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

ANDREW KERR
Chief Executive

27 September 2019

STEPHEN S. MOIR
Executive Director of Resources

27 September 2019

CAMMY DAY
Depute Council Leader

27 September 2019

ELEANOR BIRD
Leader of the SNP Group

27 September 2019

REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration was over £150,000 during the year covered by these accounts. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 in that year.

Remuneration Arrangements

Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2017. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of Councillors' remuneration, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2018/19, the remuneration for the Leader of the City of Edinburgh Council was £50,986. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2018/19 this was £38,239. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all Senior Councillors shall not exceed £662,802. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below.

	No. of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Communities, Housing and Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Integration Joint Board Committees	8	62.5%
Convener of Licensing Board	1	55%
Convener of Governance, Risk and Best Value	1	50%
Vice-Conveners of Culture and Communities, Housing and Economy, Education, Children and Families, Finance and Resources, Planning and Transport and Environment Committees	6	50%
Opposition Group Leaders - Conservative, Green and Liberal Democrat Groups	3	47.5%

In addition, the Council has an arrangement with the Joint Boards to reimburse the Council for any additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

REMUNERATION REPORT

Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, where the individual was a Senior Councillor for part or all of the year.

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances	Taxable Expenses	Non-Cash Expenses / Benefits-in-kind	Total Remun. 2018/19	Total Remun. 2017/18
	£	£	£	£	£
A. McVey, Leader of the Council	50,986	53	133	51,172	44,437
F. Ross, Lord Provost	38,239	0	6,107	44,346	40,103
C. Day, Deputy Leader of the Council	38,239	75	129	38,443	34,892
J. Griffiths, Depute Convener	25,493	0	200	25,693	24,218
A. Burns, Leader of the Council (to 04.05.17)	n/a	n/a	n/a	n/a	4,632
S. Cardownie, Depute Convener (to 04.05.17)	n/a	n/a	n/a	n/a	2,322
Conveners					
D. Wilson, Convener Culture and Communities	31,866	30	847	32,743	31,045
A. Rankin, Convener Finance and Resources	31,866	25	146	32,036	30,010
R. Henderson, Convener Edinburgh Integration Joint Board	32,156	0	783	32,939	25,675
I. Perry, Convener Education, Children and Families	31,866	0	591	32,457	29,974
J. Mowat, Convener Governance, Risk and Best Value	25,493	0	770	26,263	24,351
K. Campbell, Convener Housing and Economy	32,543	0	2,672	35,215	16,105
L. Macinnes, Convener Transport and Environment	31,866	0	381	32,247	27,617
N. Gardiner, Convener Planning	31,866	0	765	32,631	20,947
C. Fullerton, Convener Regulatory	31,866	17	190	32,072	29,043
N. Work, Convener Licensing Board	28,042	95	678	28,815	27,149
Vice-Conveners					
M. Child, Vice Convener Planning and North East Locality Chair	25,173	0	107	25,280	23,135
M. Donaldson, Vice Convener Finance and Resources (to 29.01.2019) (full year equivalent)	21,107	0	113	21,221	23,596
A. McNeese-Mechan, Vice Convener Culture and Communities	25,880	0	1,345	27,225	16,178
A. Dickie, Vice Convener Education, Children and Families	25,493	0	1,053	26,546	22,665
L M. Cameron, Vice Convener Housing and Economy	25,493	0	1,527	27,021	23,923
K. Doran, Vice Convener Transport and Environment	25,493	0	776	26,269	24,230
M. Main, Vice Convener Governance, Risk and Best Value & Green Group Leader (to 29.06.18)	18,760	0	95	18,855	19,551
Locality Committee Conveners					
M. Watt, South East Locality Chair	24,218	0	789	25,007	21,117
G. Gordon, North West Locality Chair (to 09.02.18)	n/a	n/a	n/a	n/a	21,683
D. Dixon, South West Locality Chair	24,218	0	94	24,312	22,619

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2018/19 £	Total Remun. 2017/18 £
Council's Leader, Civic Head and Senior Councillors					
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader (to 04.05.2017)	n/a	n/a	n/a	n/a	18,095
I. Whyte, Conservative Group Leader	24,218	0	753	24,971	23,648
S. Burgess, Green Group Leader (to 23.11.2017)	n/a	n/a	n/a	n/a	21,429
M. Campbell, Green Group Leader (from 29.06.18 to 29.12.2018)	20,588	0	160	20,748	15,493
C. Booth, Green Group Leader (from 29.12.2018)	18,858	0	114	18,972	17,720
R. Aldridge, Liberal Democrat Group Leader	24,218	0	0	24,218	22,499
<u>Councillors</u>					
G. Barrie, Convener Housing and Economy (to 15.03.2018)	n/a	n/a	n/a	n/a	31,371
L. Ritchie, Convener Planning (to 23.11.2017)	n/a	n/a	n/a	n/a	24,191
R. Lewis, Convener of Culture and Communities (to 04.05.2017)	n/a	n/a	n/a	n/a	3,117
M. Bridgman, Convener Regulatory (to 04.05.2017)	n/a	n/a	n/a	n/a	3,138
L. Hinds, Convener Transport and Environment (to 04.05.2017)	n/a	n/a	n/a	n/a	3,011
E. Milligan, Convener Licensing Board (to 04.05.17)	n/a	n/a	n/a	n/a	2,779
W. Henderson, Convener Police and Fire Scrutiny (to 04.05.2017)	n/a	n/a	n/a	n/a	1,948
G. Munro, Vice Convener Housing and Economy (to 04.05.17)	n/a	n/a	n/a	n/a	18,269
I. Campbell, Vice Convener of Culture and Communities (to 15.03.18)	n/a	n/a	n/a	n/a	23,358
N. Austin-Hart, Vice Convener of Culture and Communities (to 04.05.17)	n/a	n/a	n/a	n/a	2,085
A. Blacklock, Vice Convener Regulatory (to 04.05.17)	n/a	n/a	n/a	n/a	2,179
B. Cook, Vice Convener Finance and Resources (to 04.05.17)	n/a	n/a	n/a	n/a	2,085
A. Lunn, Vice Convener Planning (to 04.05.17)	n/a	n/a	n/a	n/a	2,180

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2018/19 was £4,251 (2017/18 £3,560). Expenses relate to Councillor role.
2. The full year equivalent under Salary, Fees and Allowances represents the Senior Responsibility Allowance at the year end for the position.

Members' Salaries and Expenses

The Council paid the following amounts to members of the Council during the year (these sums include the totals shown above):

	2018/19 £	2017/18 £
Salaries	1,380,111	1,330,242
Expenses		
<i>Claimed by councillors</i>	742	950
<i>Paid directly by the Council</i>	46,733	40,371

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2018/19 £	Total Remun. 2017/18 £
Council's Senior Officers				
A. Kerr, Chief Executive	167,468	0	167,468	167,468
A. Gaw, Executive Director of Communities and Families	150,390	0	150,390	150,390
J. Proctor, Integration Joint Board Chief Officer (<i>from 01.05.18</i>) (<i>full year equivalent</i>)	68,929	0	68,929 75,995	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>to 05.09.17</i>)	n/a	n/a	0	68,667
M. Miller, Interim Integration Joint Board Chief Officer (<i>to 30.06.18</i>) (<i>full year equivalent</i>)	37,977	0	37,977 150,390	87,086
P. Lawrence, Executive Director of Place	150,390	0	150,390	150,390
J. Irvine, Chief Social Work Officer (<i>from 30.07.18</i>) (<i>full year equivalent</i>)	69,407	0	69,407 103,278	n/a
S. Moir, Executive Director of Resources (Note 2)	150,390	0	150,390	111,984
H. Dunn, Head of Finance (Note 3)	108,720	0	108,720	119,138
Total	903,671	0	903,671	855,123

Notes:

1. J. Proctor took up the position of Chief Officer with 50% of her salary costs from 1 May 2018 reflected above. The full year equivalent figure reflects the salary for the Integration Joint Board Chief Officer, funded 50% by NHS Lothian and the Integration Joint Board.
2. S. Moir was appointed Executive Director of Resources in July 2017. The 2017/18 salary shown for S. Moir is pro-rated accordingly. An additional £2,354 removal and relocation assistance claim was received by S. Moir which is not included in the Remuneration above.
3. H. Dunn was appointed Acting Executive Director of Resources in January 2016 but returned to his substantive role as Head of Finance in July 2017.
4. Pay in lieu of notice is included within Salary, Fees and Allowances where applicable.

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers - continued

Council Subsidiary Companies

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2018 and 2017 respectively.

	Salary, Fees and Allowances	Bonus	Other Benefits	Total Remun. 2018/19	Total Remun. 2017/18
	£	£	£	£	£
Council's Subsidiary Companies					
E. Adair, Operations and Finance Director, EDI Group (to 30.06.18) (full year equivalent)	55,546	0	84,050	139,596	106,659
M. Dallas, Chief Executive, EICC	143,142	27,998	0	171,140	166,454
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd (Note 1)	139,200	0	0	139,200	139,200
R. Hunter, Chief Executive, Capital City Partnership	53,729	0	0	53,729	50,414
<u>Transport for Edinburgh</u>					
G. Lowder, Chief Executive	144,281	0	0	144,281	141,800
<u>Lothian Buses Ltd.</u>					
R. Hall, Managing Director	169,331	47,817	521	217,669	211,200
W. Devlin, Engineering Director (until 31.01.17)	n/a	n/a	n/a	n/a	12,900
N. Strachan, Finance Director (until 31.01.17)	n/a	n/a	n/a	n/a	12,900
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager	109,962	18,000	0	127,962	111,229
	<u>815,191</u>	<u>93,815</u>	<u>84,571</u>	<u>993,577</u>	<u>952,756</u>

Notes:

- Marketing Edinburgh Limited entered into two contracts with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive. The cost of these contracts is £139,200 in 2018/19, including VAT (2017/18 £139,200, including VAT).

REMUNERATION REPORT

Remuneration Paid - continued

Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2018/19	2017/18		2018/19	2017/18
£50,000 - £54,999	197	199	£110,000 - £114,999	1	1
£55,000 - £59,999	132	116	£115,000 - £119,999	0	1
£60,000 - £64,999	44	42	£120,000 - £124,999	0	1
£65,000 - £69,999	35	41	£125,000 - £129,999	0	1
£70,000 - £74,999	32	26	£130,000 - £134,999	0	0
£75,000 - £79,999	20	20	£135,000 - £139,999	0	1
£80,000 - £84,999	3	2	£140,000 - £144,999	0	1
£85,000 - £89,999	4	4	£145,000 - £149,999	0	3
£90,000 - £94,999	0	3	£150,000 - £154,999	3	0
£95,000 - £99,999	2	1	£155,000 - £159,999	0	0
£100,000 - £104,999	8	8	£160,000 - £164,999	0	0
£105,000 - £109,999	1	0	£165,000 - £169,999	1	1
			Total No. of Employees	483	472

Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000							£000	£000
- Council	0	0	23	48	23	48	179	606
- Group companies	0	0	4	2	4	2	38	25
£20,001 - £40,000								
- Council	0	0	11	38	11	38	311	1,112
- Group companies	0	0	1	0	1	0	31	0
£40,001 - £60,000								
- Council	0	0	4	13	4	13	202	635
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	9	2	9	2	621	153
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	2	3	2	3	193	250
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	4	1	4	1	498	132
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	2	2	2	2	364	343
- Group companies	0	0	0	0	0	0	0	0
	0	0	60	109	60	109	2,437	3,256

REMUNERATION REPORT

Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. For Pre April 2015 benefits, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The Post April 2015 benefits are calculated in the same way as Local Government employees.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2018/19 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £21,300 (2017/2018 £20,700)	5.50%
On earnings above £21,300 and up to £26,100 (2017/2018 £20,700 to £25,300)	7.25%
On earnings above £26,100 and up to £35,700 (2017/2018 £25,300 to £34,700)	8.50%
On earnings above £35,700 and up to £47,600 (2017/2018 £34,700 to £46,300)	9.50%
On earnings above £47,600 (2017/2018 £46,300)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives.

For the reporting year 2018/19, the equivalent of 8.5 FTE (across 16 individuals) of paid facility time was made available, with an associated cost of £0.27m. This sum equates to 0.05% of the Council's overall paybill.

Of the total time made available, seven individuals spent 100% of time during the year on trade union-related activities, nil between 51% and 99%, and the remaining nine between 1% and 50%.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
<u>Council's Leader and Civic Head</u>					
A. McVey, Leader of the Council	11,115	9,309	Pension	4	1
			Lump Sum	0	0
F. Ross, Lord Provost	8,336	7,941	Pension	5	1
			Lump Sum	0	0
C. Day, Deputy Leader of the Council	8,336	6,197	Pension	1	1
			Lump Sum	0	0
J. Griffiths, Depute Convener	5,557	5,117	Pension	3	1
			Lump Sum	0	0
A. Burns, Leader of the Council (to 04.05.17)	n/a	987	Pension	0	0
			Lump Sum	0	0
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	6,947	6,461	Pension	7	1
			Lump Sum	2	0
A. Rankin, Convener Finance and Resources	6,947	6,362	Pension	4	0
			Lump Sum	0	0
R. Henderson, Convener Edinburgh Integration Joint Board	7,010	5,314	Pension	6	1
			Lump Sum	2	0
I. Perry, Convener Education , Children and Families	6,947	6,362	Pension	6	1
			Lump Sum	2	0
J. Mowat, Convener Governance, Risk and Best Value	5,557	5,166	Pension	3	1
			Lump Sum	0	0
K. Campbell, Convener Housing and Economy	7,094	3,275	Pension	n/a	n/a
			Lump Sum	n/a	n/a
L. Macinnes, Convener Transport and Environment	6,947	5,721	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Gardiner, Convener Planning	6,947	4,328	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Work, Convener Licensing Board	6,113	5,503	Pension	5	1
			Lump Sum	2	0
<u>Vice-Conveners</u>					
M. Child, Vice Convener Planning and North East Locality Chair	5,488	5,503	Pension	10	1
			Lump Sum	16	0
M. Donaldson, Vice Convener Finance and Resources (to 29.01.2019)	4,601	5,002	Pension	2	1
			Lump Sum	0	0
A. McNeese-Mechan, Vice Convener Culture and Communities	5,642	3,276	Pension	1	1
			Lump Sum	0	0
A. Dickie, Vice Convener Education, Children and Families	5,557	4,673	Pension	n/a	n/a
			Lump Sum	n/a	n/a
L M. Cameron, Vice Convener Housing and Economy	5,557	4,673	Pension	n/a	n/a
			Lump Sum	n/a	n/a
K. Doran, Vice Convener Transport and Environment	5,557	5,002	Pension	3	1
			Lump Sum	0	0
M. Main, Vice Convener Governance, Risk and Best Value & Green Group Leader (to 29.06.18)	4,090	4,029	Pension	2	0
			Lump Sum	0	0

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
<u>Locality Committee Conveners</u>					
M. Watt, South East Locality Chair	5,280	4,463	Pension Lump Sum	n/a n/a	n/a n/a
G. Gordon, North West Locality Chair (to 09.02.18)	n/a	4,463	Pension Lump Sum	n/a n/a	n/a n/a
D. Dixon, South West Locality Chair	5,280	4,792	Pension Lump Sum	3 0	1 0
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	5,280	4,792	Pension Lump Sum	6 2	1 0
S. Burgess, Green Group Leader (to 23.11.2017)	n/a	4,533	Pension Lump Sum	n/a n/a	n/a n/a
M. Campbell, Green Group Leader (from 29.06.18 to 29.12.18)	4,488	3,276	Pension Lump Sum	n/a n/a	n/a n/a
R. Aldridge, Liberal Democrat Group Leader	5,280	4,792	Pension Lump Sum	5 2	1 0
<u>Councillors</u>					
D. Key (including role as Convener of Lothian Valuation Joint Board)	4,631	4,304	Pension Lump Sum	3 0	1 0
<u>Former Conveners/Vice Conveners</u>					
G. Barrie, Convener Housing and Economy (to 15.03.2018)	n/a	6,362	Pension Lump Sum	n/a n/a	n/a n/a
R. Lewis, Convener of Culture and Communities (to 04.05.2017)	n/a	651	Pension Lump Sum	n/a n/a	n/a n/a
M. Bridgman, Convener Regulatory (to 04.05.2017)	n/a	641	Pension Lump Sum	n/a n/a	n/a n/a
L. Hinds, Convener Transport and Environment (to 04.05.2017)	n/a	641	Pension Lump Sum	n/a n/a	n/a n/a
E. Milligan, Convener Licensing Board (to 04.05.17)	n/a	592	Pension Lump Sum	n/a n/a	n/a n/a
W. Henderson, Convener Police and Fire Scrutiny (to 04.05.2017)	n/a	395	Pension Lump Sum	n/a n/a	n/a n/a
G. Munro, Vice Convener Housing and Economy (to 04.05.17)	n/a	3,720	Pension Lump Sum	n/a n/a	n/a n/a
I. Campbell, Vice Convener of Culture and Communities (to 15.03.18)	n/a	4,673	Pension Lump Sum	n/a n/a	n/a n/a
N. Austin-Hart, Vice Convener of Culture and Communities (to 04.05.17)	n/a	444	Pension Lump Sum	n/a n/a	n/a n/a
A. Blacklock, Vice Convener Regulatory (to 04.05.17)	n/a	444	Pension Lump Sum	n/a n/a	n/a n/a
A. Lunn, A. Lunn, Vice Convener Planning (to 04.05.17)	n/a	444	Pension Lump Sum	n/a n/a	n/a n/a

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
A. Kerr, Chief Executive	n/a	35,671	Pension	9	0
			Lump Sum	0	0
A. Gaw, Executive Director of Communities and Families	32,785	32,033	Pension	74	3
			Lump Sum	142	0
J. Proctor, Integration Joint Board Chief Officer (<i>from 01.05.18</i>)	30,053	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>to 05.09.17</i>)	n/a	6,545	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Miller, Interim Integration Joint Board Chief Officer (<i>to 30.06.18</i>)	8,196	27,860	Pension	61	6
			Lump Sum	115	10
P. Lawrence, Executive Director of Place	32,785	32,033	Pension	25	0
			Lump Sum	n/a	n/a
J. Irvine, Chief Social Work Officer (<i>from 30.07.18</i>)	15,131	n/a	Pension	1	1
			Lump Sum	0	0
S. Moir, Executive Director of Resources	32,785	23,853	Pension	n/a	n/a
			Lump Sum	n/a	n/a
H. Dunn, Head of Finance	23,701	25,376	Pension	56	(2)
			Lump Sum	105	(10)
Total	<u>175,436</u>	<u>183,371</u>			

Notes:

All senior employees shown in the previous table above are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2019, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 128.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2019 are shown below, together with the contribution made to each senior employee's pension during the year.

REMUNERATION REPORT

Pension Benefits - continued

Council's Subsidiary Companies - continued

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
E. Adair, Operations and Finance Director, EDI Group	30,061	21,606	Pension	33	2
			Lump Sum	45	1
M. Dallas, Chief Executive, EICC	18,812	18,283	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
R. Hall, Managing Director	16,933	16,500	Pension	n/a	n/a
			Lump Sum	n/a	n/a
W. Devlin, Engineering Director (<i>until 31.01.17</i>)	n/a	3,109	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Strachan, Finance Director (<i>until 31.01.17</i>)	n/a	3,109	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager	10,996	9,675	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	11,112	9,790	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Total	<u>87,914</u>	<u>82,072</u>			

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2018 and 31 December 2017 respectively.

E. Adair and R. Hunter are the only members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

ANDREW KERR
Chief Executive

27 September 2019

CAMMY DAY
Depute Council Leader

27 September 2019

ELEANOR BIRD
Leader of the SNP Group

27 September 2019

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of City of Edinburgh Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account, Council Tax Income Account, Non-domestic Rates Income Account, Common Good Fund Income and Expenditure Account and Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 3 years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the Head of Finance and City of Edinburgh Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The City of Edinburgh Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

INDEPENDENT AUDITOR'S REPORT

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have the following to report in respect of these matters:

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The council failed to comply with this statutory requirement for the three year period ending 31 March 2019 in respect of their significant trading operation, Edinburgh Catering Services - Other Catering.

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

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett (for and on behalf of Scott-Moncrieff Audit Services)
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

27 September 2019

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Finance and Resources Committee

10.00am, Thursday, 26 September 2019

2018-19 Common Good Annual Performance Report

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 It is recommended that the Committee notes the contents of this report.

Stephen S. Moir

Executive Director of Resources

Contact: Liam MacDonald, Senior Accountant,

Finance Division, Resources Directorate

E-mail: Liam.MacDonald@edinburgh.gov.uk | Tel: 0131 469 3174

2018-19 Common Good Annual Performance Report

2. Executive Summary

- 2.1 The report presents the outturn position for the Common Good Fund and the performance of its cash investments for the 2018/2019 financial year. The report includes an update on the Common Good Property Planned Maintenance Fund and the plans for the 2019/20 financial year. The report also includes an update on current issues affecting Common Good in Edinburgh.

3. Background

- 3.1 The City of Edinburgh Council has a statutory obligation under the Local Government, etc. (Scotland) Act 1994, Section 15(4) (b) in administering property held as part of the common good to have regard to the interests of all the inhabitants of the city. In effect the Council holds the Common Good Fund for the benefit of the city as a whole.
- 3.2 Section 102 of the Community Empowerment (Scotland) Act 2015 places a duty on local authorities to “establish and maintain a register of property which is held by the authority as part of the common good” (a common good register). Before establishing a common good register, the Act requires a local authority to publish a list of property that it proposes to include in the register, and to consult on this list. When the list of property is published, the local authority must notify community councils and other community bodies so that these groups can consider the list and give their views (make representations).
- 3.3 On 19 October 2015, the Governance, Risk and Best Value Committee requested that the Head of Finance explore ways to use the Common Good Fund to maintain proactively and refurbish Common Good property.
- 3.4 On 14 January 2016, the Finance and Resources Committee approved the use of the Common Good Fund for planned maintenance of the Common Good assets. Since approval, £0.144m has been spent, with £0.111m spent on Scott Monument lighting and £0.030m spent on Calton Hill redevelopment.

4. Main report

Financial Outturn

- 4.1 All income and expenditure relating to Common Good property, including that which is incurred from within main Council budgets, is included in the Revenue Account for the Common Good Fund. A recharge equal to the net cost funded from Council budgets is shown, in Appendix 1, as being made against the Council for the use of Common Good assets for £1.680m (£2.812m 2017/18). All figures within the report are subject to rounding.
- 4.2 The unaudited accounts for the Common Good Fund for 2018/19 showed an in-year deficit of £0.035m, compared to a deficit of £0.015m in 2017/18.
- 4.3 The balance of the Common Good Fund as at 31 March 2019 was £2.352m (£2.387m 2017/18). £2m from the receipt of the sale of East Market Street Garage had been earmarked to fund a maintenance programme for Common Good assets as agreed at the 14 January 2016 Finance and Resources Committee. £1.856m of this fund remained as at 31 March 2019 and is included within the £2.352m above.
- 4.4 Much of the cash resources of the Common Good are invested with the Council's cash fund, with a balance held within the Council's loans fund to manage day to day cash flow. The interest earned on the investment amounted to £0.016m in 2018/19 (£0.009m 2017/18). The interest was re-invested within the cash fund throughout the year. A balance of £2.123m was held within the Treasury cash fund at 31 March 2019 (£2.109m 2017/18).
- 4.5 Further detail of income, capital funding and expenditure on Common Good properties is shown in Appendix 2.

Common Good Properties

- 4.6 The properties included in the 2018-19 financial accounts as assets of the Common Good fund are listed in Appendix 3.
- 4.7 The value of Common Good assets is determined in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. In adhering to the code, the valuations for community and heritage assets on the Common Good balance sheet may appear low. As they are based on a historic cost methodology, the valuation often acts as a proxy to log ownership of the asset on the register. Due to the historic nature of the Common Good Asset Register and the fact that there is generally no readily available market valuation for a number of the assets, the figures are indicative for accounting purposes. The valuations are similarly notional rather than reflecting the real economic value.
- 4.8 A response to the Community Empowerment (Scotland) Act 2015 consultation on Common Good matters was approved by the Finance and Resources Committee on 28 September 2017 and submitted to the Scottish Government. The corresponding legislation has now been laid in Parliament. The relevant provisions came into force on 27 June 2018, and the Scottish Government published accompanying guidance in July 2018. The Community Empowerment (Scotland)

Act 2015 places a duty on local authorities to “establish and maintain a register of property which is held by the authority as part of the common good” (a common good register).

- 4.9 Before establishing a common good register, the Act required a local authority to prepare and publish a list of properties that it proposed to include in the register. The Common Good Asset Register for public consultation was approved for issuing at the 27 September 2018 Finance and Resources Committee. The consultation closed on 31 December 2018.
- 4.10 The updated Common Good Asset Register is attached at Appendix 4. This is different to Appendix 3 because it includes assets which are partially Common Good and the extent of which hasn't been determined for inclusion in the 2018-19 Accounts and assets where legal counsel opinion is being sought.

Common Good Property Planned Maintenance

- 4.11 Annual stonework safety surveys costing approximately £10,000 will be carried out on the Scott Monument, Nelson Monument, Calton Hill Monuments and buildings, Canongate Tolbooth and Lady Stairs House. Any necessary public safety works identified will be carried out at that time and reported as part of the next Common Good update.

Calton Hill

- 4.12 An Engineers assessment has been obtained which highlighted a number of risks at Calton Hill and recommended works. Work has been carried out to mitigate some of these risks, but it is likely that further work will be required. A further Committee report will be presented once the extent of the work is known and the possibility of external funding for these works is investigated.

South Queensferry Harbour

- 4.13 An Engineers report has been obtained to advise on the structural condition of the harbour and to identify and prioritise future maintenance costs. The report has noted £0.500m backlog maintenance costs, with an indicative cost of £0.080m to £0.120m suggested for interim works to stabilise the harbour structure. For a more robust interim figure to be provided, trial pits need to be dug in the harbour surface and the engineers will inspect and specify the works required. Quotations for this aspect of the work are currently being obtained.

Community Asset Transfers

- 4.14 A community asset transfer of Ravelston Park Pavilion was agreed by Finance and Resources Committee on 7 March 2019, subject to the removal of inalienable common good status. The Council is petitioning the Court of Session to have the status changed and this is being funded by the applicant. A public consultation is currently underway into the proposal, which will close on 11 October.

5. Next Steps

- 5.1 The next Annual Performance Report will be reported to Committee in September 2020 following completion of the 2019/20 External Audit.

6. Financial impact

- 6.1 There is no direct financial impact arising from the content of this report. However, outcomes of the condition surveys (including South Queensferry Harbour) and the on-going asset review may have future financial impacts.

7. Stakeholder/Community Impact

- 7.1 The Council's unaudited annual accounts, which include reporting on the Common Good, were published on the Council's website from 30 June 2019 and made available for public inspection for a period of 15 working days in accordance with the provisions of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014.
- 7.2 In compliance with Scottish Government Guidance the Common Good Asset Register was issued for public consultation and engagement from 27 September 2018 to 31 December 2018. Feedback from that has been used in updating the Common Good Asset Register.

8. Background reading/external references

- 8.1 ['Common Good Planned Maintenance Programme and Common Good Reporting'](#), Finance and Resources Committee, 14 January 2016
- 8.2 ['Community Empowerment \(Scotland\) Act 2015: Proposed Consultation Response on Common Good Matters'](#), Finance and Resources Committee, 28 September 2017
- 8.3 ['Common good property: statutory guidance for local authorities'](#), Scottish Government, July 2018
- 8.4 ['2017-18 Common Good Annual Performance Report'](#), Finance and Resources Committee, 27 September 2018
- 8.5 [Common Good Webpage](#) on the City of Edinburgh Council's website.

9. Appendices

- 9.1 2018-19 Common Good Fund Detailed Accounts
- 9.2 2018-19 Common Good Fund Income and Expenditure
- 9.3 2018-19 Common Good Asset Register included within Accounts
- 9.4 Common Good Asset Register with additional information

2018-19 Common Good Fund Detailed Accounts

Appendix 1

2017/18	REVENUE ACCOUNT	2018/19
£	Expenditure	£
82,661	<i>Property Costs</i>	92,211
0	Bruntsfield Links	276
40,243	Burns Monument	41,652
70,132	Calton Hill / Calton Road	104,597
2,790,090	Canongate Tolbooth	1,419,984
2,069,795	City Chambers	1,782,102
62,393	City Observatory	50,000
0	Custom House	544
0	Flodden Wall	12,255
57,109	Hermitage of Braid Public Park	58,451
30,313	Inch Park	46,257
110,637	Lady Stairs House	161,340
16,061	Meadows	27,613
12,930	Nelsons Monument	11,869
0	Portobello Park	242
26,600	Portobello Municipal Clock	27,226
493,583	Roseburn Park	710,870
0	Princes Street Gardens (including Ross Theatre and Scott Monument)	535
0	Starbank Park	7,746
47	Taylor Gardens	48
<u>5,862,593</u>	Other Incidentals	<u>4,555,820</u>
	<i>Other</i>	
631	Cash Fund Fees	33,145
19,039	Central Support Costs	15,773
<u>5,882,263</u>		<u>4,604,738</u>
	Income	
1,591,855	Rents and Other Income	1,684,247
1,454,969	Capital Funding	1,189,550
0	Proceeds from sale of Fixed Assets	0
8,531	Investment Income	16,235
<u>3,055,354</u>		<u>2,890,032</u>
	2,811,787 Recharge to City of Edinburgh Council for Use of Assets	1,679,857
<u>5,867,141</u>		<u>4,569,889</u>
<u>15,122</u>	(Surplus) / Deficit for Year	<u>34,849</u>
	STATEMENT OF MOVEMENT ON THE COMMON GOOD FUND	
£	Deficit / (Surplus) for the Year on the Common Good Income and Expenditure Account	£
15,122		34,849
<u>15,122</u>		<u>34,849</u>
	Whereof:	
(15,122)	Transferred to / (from) Common Good Fund	(34,849)
<u>(15,122)</u>		<u>(34,849)</u>

2018-19 Common Good Fund Detailed Accounts

Appendix 1

31st March 2018	BALANCE SHEET	31st March 2019
	Operational Assets	
20,819,417	Long-Term Debtors	20,828,577
<u>964,200</u>	Community Assets	<u>2,556,874</u>
		23,385,451
	Non-Operational Assets	
0	Surplus Assets Held for Disposal	0
<u>0</u>	Deferred Charges	<u>0</u>
21,783,617		23,385,451
102,960	Heritage Assets	147,100
	Current Assets	
248,456	Short Term Investments	243,343.81
254,851	Balance with Loans Fund	205,678.36
<u>1,860,855</u>	Cash and Cash Equivalents	<u>1,880,291.09</u>
2,364,162		2,329,313.26
	Less: Current Liabilities	
2,364,162	Creditors	0.00
<u>24,250,738</u>	NET ASSETS	<u>2,329,313.26</u>
		<u>25,861,863.40</u>
	Represented by :	
21,885,576	Revaluation Reserve	23,522,388
(22,050)	Capital Adjustment Account	(12,888)
<u>0</u>	Disposals/Revaluations	<u>0</u>
21,863,526		23,509,501
	Common Good Fund	
	2,402,334 Fund at start of year	2,387,212
2,387,212	(15,122) Surplus for year / (Deficit)	<u>(34,849)</u>
<u>24,250,738</u>		2,352,363
		<u>25,861,863</u>

2018-19 Common Good Fund Detailed Accounts

Appendix 1

	Restated Community Assets £	Heritage Assets £
Balance as at 1 April 2018	964,200	102,961
Restated	0	0
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	1,592,674	44,139
Revaluation decreases recognised in the deficit on the Provision of Services	0	0
Depreciation in Year	0	0
Depreciation w/o to the deficit on the Provision of Services	0	0
Derecognition - disposals	0	0
Balance as at 31 March 2019	<u>2,556,874</u>	<u>147,100</u>

(B) Revaluation Reserve

Balance brought forward as at 1 April 2018	<u>(21,885,576)</u>
Capital Adjustment Account to Revaluation Reserve	0
Revaluation of Assets	
Upward revaluation of assets	(1,637,813)
Downward revaluation of assets	<u>1,000</u>
	(1,636,813)
Derecognition - disposals	0
Balance as at 31 March 2019	<u><u>(23,522,388)</u></u>

(C) Capital Adjustment Account

Balance brought forward as at 1 April 2018	22,050
Accumulated Depreciation	
Capital Adjustment Account to Revaluation Reserve	0
Net written out of cost non-current assets consumed in year	<u>22,050</u>
Revaluation Losses on Property, Plant and Equipment	
Adjusting Amounts w/o of Revaluation Reserve	0
Other Movements	(9,162)
Balance as at 31 March 2019	<u><u>12,888</u></u>

Common Good Account Income and Expenditure 2018/19									Appendix 2
Property	Revenue Income	Capital Income	Total Income	Description of Income	Revenue Expenditure	Capital Expenditure	Total Expenditure	Description of Expenditure	Notional Recharge to CEC for Use of Common Good Assets
Bruntsfield Links	£2,000	£0	£2,000	N/A	£92,211	£0	£92,211	Expenditure relates to c. £71k of Grounds Maintenance costs and the remainder is an allocation of Park Staff costs	£90,211
Burns Monument	£0	£0	£0	N/A	£276	£0	£276	Expenditure relates to Electricity and Rates costs	£276
Calton Hill	£25,486	£0	£25,486	Majority of income from events held on the Hill.	£41,652	£0	£41,652	Expenditure relates to an allocation of Park Staff costs	£16,166
Canongate Tolbooth	£339	£0	£339	Income from People's Story Museum	£104,597	£0	£104,597	Expenditure relates to c.£22k on other premises costs, c. £8k on repair and maintenance and c.£75k on operational costs (including staff, books, furniture and food and drink)	£104,258
City Chambers Complex	£383,663	£0	£383,663	c.£204k for Mary King's Close rental and rechargeable repair costs, c.£85k for internal charges, c.£53k for external catering and c.£41k for other rental income	£1,146,065	£272,519	£1,418,584	Revenue expenditure consists of £0.855m of premises costs, £0.277m of repairs and maintenance costs and £0.014m of costs at Mary King's Close. Capital expenditure primarily consists of spend on wiring and lighting improvements.	£1,034,921
City Observatory	£0	£1,168,134	£1,168,134	Capital income is primarily from Heritage Lottery Funding to be used against expenditure costs	£1,263	£1,779,922	£1,781,185	Capital expenditure relates to major redevelopment works at the City Observatory	£613,051
Custom House*	£0	£0	£0	N/A	£0	£50,000	£50,000	Capital expenditure relates to upgrade works undertaken	£50,000
Flodden Wall	£0	£0	£0	N/A	£544	£0	£544	Expenditure relates to graffiti removal costs	£544
Hermitage of Braid Public Park	£0	£0	£0	N/A	£12,255	£0	£12,255	Expenditure primarily relates to £12k of energy costs at the Hermitage of Braid Visitor Centre and other repairs and maintenance costs	£12,255
Inch Park	£0	£0	£0	N/A	£58,451	£0	£58,451	Expenditure relates to Grounds Maintenance costs	£58,451
Lady Stairs House	£3,299	£0	£3,299	Income from Writers Museum	£46,257	£0	£46,257	Expenditure relates to c.£22k on other premises costs, c. £14k on repair and maintenance and c. £10k on operational material.	£42,958
Nelson Monument	£132,633	£0	£132,633	Income from admission charges	£27,613	£0	£27,613	Expenditure relates to repair and maintenance and operational equipment	-£105,020
Portobello Municipal Clock	£0	£0	£0	N/A	£242	£0	£242	Expenditure relates to surveyor fees	£242
Portobello Park	£0	£0	£0	N/A	£11,091	£778	£11,869	Expenditure primarily relates to Grounds Maintenance costs	£11,869
Princes St Gardens	£728,831	£0	£728,831	Majority of income from events held by Underbelly and Kifdo Limited (Includes c.£83k of Ross Bandstand income)	£526,436	£144,477	£670,913	Revenue expenditure relates to c. £425k of Grounds Maintenance costs, c. £56k of Park Staff costs, c. £21k of property costs, c. £17k of costs at the Ross Theatre and c. £7k of costs at the Ross Fountain.	-£57,918
Roseburn Park	£0	£0	£0	N/A	£27,226	£0	£27,226	Expenditure relates to Grounds Maintenance costs	£27,226
Scott Monument	£311,057	£0	£311,057	Revenue income of c. £311k from admission charges.	£30,797	£9,160	£39,957	Expenditure relates to repair and maintenance and operational equipment	-£271,100
Starbank Park	£0	£0	£0	N/A	£535	£0	£535	Expenditure relates to repair and maintenance and electricity costs	£535
Taylor Gardens	£0	£0	£0	N/A	£7,746	£0	£7,746	Expenditure primarily relates to maintenance costs of the public conveniences.	£7,746
The Meadows	£96,740	£21,416	£118,156	Majority of revenue income from events and programming. Capital income from public realm schemes	£113,383	£47,957	£161,340	Expenditure relates to c.£91k of Grounds Maintenance costs and the remainder is an allocation of Park Staff costs	£43,184
Total	£1,684,048	£1,189,550	£2,873,598		£2,248,640	£2,304,813	£4,553,453		£1,679,855

* Custom House is an asset of the Common Good Fund but is not Common Good

Other Non Asset Specific	£200	£0	£200	Other minor income	£0	£2,366	£2,366	Expenditure primarily relates to legal fees	
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2018-19 Common Good Asset Register included within Accounts**Appendix 3**

5th Duke Buccleuch Queensberry Memorial
Adam Smith Statue
Bingham Park
Blackford Hill Public Park
Bloomiehall Public Park
Bowfoot Well
Bowling Green
Braidburn Valley
Bruntsfield Links
Calton Hill
Campbell Public Park
Charles II Statue
City Chambers Complex
City Observatory
Craiglockhart Dell Public Park
Cramond Park and Foreshore
Custom House*
David Hume Statue
Davidsons Mains Public Park
Dr Chalmers Statue
Dugald Stewart Monument Calton Hill
East Market St Garage
Flodden Wall
Grassmarket - Martyr's Cross Monument
Harrison Park
Hermitage Of Braid Public Park
Inch Park
Inverleith Public Park
Jawbone Arch
John Wilson Statue
Keddie Gardens
King George V Public Park
Lady Stair's House
Meadows
Meadows - Nelson Pillars
Meadows - Sundial West
Memorials - High Street
Mercat Cross
Murieston Public Park
National Monument Calton Hill
Peoples Story Museum
Play Area
Playfair Monument Calton Hill
Portobello Park
Princes St Gardens (East)
Princes St Gardens (West)
PSG - Walter Scott Monument
PSG - Adam Black Statue
PSG - Allan Ramsay Statue

PSG - Burns Monument
PSG - David Livingston Statue
PSG - Dean Ramsay Memorial Cross
PSG - Floral Clock
PSG - Genius Of Architecture Statue
PSG - Robert Louis Stevenson Memorial Grove
PSG - Ross Bandstand
PSG - Ross Fountain
PSG - Royal Scots Greys Monument
PSG - Royal Scots Monument
PSG - Scottish American War Memorial
PSG - Sir James Y Simpson Statue
PSG (W) - Memorial Stone
PSG - Norwegian Memorial Stone
PSG - St Margaret's Well
PSG - Thomas Guthrie Statue
Public Park
Ravelston Public Park
Regent Road Public Park
Rocheid Path
Roseberry Memorial Hall and House
Roseburn Park
S Queensferry Harbour
Scotland Street Lane
Scott Monument
Session House, Dalmeny
Session Lands, Dalmeny
St Bernard's Walkway
St Bernard's Well
St James Place
St Marks Park
Starbank Public Park
Substation Site
Taylor Gardens
The Cross Well
Victoria Public Park
Walled Garden
War Memorial
White Park
William Pitt Statue
Alexander and Bucephalus Status
Well (By John Knox's House)

* Custom House is an asset of the Common Good Fund but is not Common Good

Information fields	Detail
Name of asset	The name by which the asset is generally known by.
Description of asset	A brief description of what the asset is e.g. land, building, fund.
Former Burgh	The former Burgh to which the asset originally belonged.
Location	The most detailed information that the local authority has about the location of the asset e.g. grid reference, map or description.
Additional Information	Any extra information which might be of use.

Key

Identifier	Description
*	Asset is listed as Common Good but there are exceptions
**	Formerly school board property
***	An asset of the fund but not Common Good

Asset Types

Land
Building
Structure
Monument

PSG =	Princes Street Gardens
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Common Good Asset Register

Name of Asset	Type of Asset	Location	Post Code	Reference	X-Coord	Y-Coord	Former Burgh linked to asset	Additional Information
Ballantyne Road*	Land	20 Ballantyne Road	EH6	2198	326468.9	676317.1	Leith	
Bruntsfield Links	Land	Bruntsfield Links	EH10	3127	325036.9	672499.4	Edinburgh	
Calton Hill	Land	(34) Calton Hill	EH7	3512	326240.4	674236	Edinburgh	
Calton Hill - City Observatory	Building	38 Calton Hill	EH7	2011	326200.1	674182.3	Edinburgh	
Calton Hill Cannon	Structure	Calton Hill	EH7	745	326224.9	674138.9	Edinburgh	
Calton Crags	Land	6/1 Regent Road	EH1	809	326297	673973.5	Edinburgh	
Dugald Stewart Monument	Monument	Calton Hill	EH7	1711	326138.8	674132.7	Edinburgh	
National Monument, Calton Hill	Monument	36 Calton Hill	EH7	2993	326308.2	674154.5	Edinburgh	
Nelson Monument	Monument	Calton Hill	EH7	3508	326254	674114	Edinburgh	
Playfair Monument	Monument	38B Calton Hill	EH7	3468	326226.7	674163	Edinburgh	
City Chambers	Building	253 High Street	EH1	906	325764.2	673656.6	Edinburgh	
Custom House***	Building	65-67 Commercial Street	EH6	32365	327027.6	676593.7	n/a	
Grassmarket - Martyr's Cross Monument	Monument	(114) Grassmarket	EH1	1862	325482.4	673396.6	Edinburgh	
Grassmarket - Bowfoot Well	Structure	118/1 Grassmarket	EH1	1235	325500.6	673416.7	Edinburgh	
High Street - David Hume Statue	Structure	High Street	EH1	32074	325629.2	673591.3	Edinburgh	
High Street - Adam Smith Statue	Structure	High Street	EH1	32076	325789.7	673615.1	Edinburgh	
High Street - Alexander & Bucephalus Statue	Structure	(253A) High Street	EH1	1984	325768.5	673647.4	Edinburgh	
High Street - The Cross Well	Monument	172/1 High Street	EH1	962	325826	673618.1	Edinburgh	Also known as Canongate Well, by Old Assembly Close
High Street - Mercat Cross	Monument	192/1 High Street	EH1	1824	325771.7	673597.9	Edinburgh	
High Street - Stone of Remembrance	Monument	253(A) High Street	EH1	13343	325771	673631.2	Edinburgh	Also known as City Chambers War Memorial
High Street - Duke of Buccleuch War Memorial	Monument	253B High Street	EH1	1826	325757.6	673628.4	Edinburgh	
High Street - Netherbow Well	Monument	45/1 High Street	EH1	853	326082.6	673692.4	Edinburgh	Also known as John Knox House Well and Fountain Well
Inch Park*	Land	Gilmerton Road	EH16	13269	327625.4	670824.3	Edinburgh	
Lady Stair's House	Building	3 Lady Stairs Close	EH1	561	325546.6	673607.2	Edinburgh	Also known as Writer's Museum
Meadows	Land	Meadows	EH3	13268	325663.4	672675.1	Edinburgh	
Meadows - Jaw Bone Arch	Structure	West Meadows	EH3	13391	325479.8	672580.9	Edinburgh	
Meadows - Masons Pillars	Structure	Meadows	EH3	1757	325125.3	672760.8	Edinburgh	
Meadows - Nelson Pillars	Structure	(3/1) East Meadows	EH3	1812	326201.1	672567.1	Edinburgh	
Meadows - Sister Cathedral Fountain	Structure	Meadows	EH3	32221	325478.8	672611.6	Edinburgh	Also known as Helen Acqueroft Memorial Fountain.
Meadows - Sundial	Structure	West Meadows	EH3	32218	325214.7	672730.1	Edinburgh	
Middle Meadow Walk - Gate Piers	Structure	Meadows	EH3	2185	325689.6	673107.9	Edinburgh	
People's Story Museum	Building	161-163 Canongate	EH8	3639	326413.1	673790.5	Edinburgh	Also known as Canongate Tolbooth
Portobello Municipal Clock	Structure	N/A					1896	
Portobello Park	Land	(21) Stanley Street	EH15	13257	330559.6	673163	1896	
Princes Street Gardens (East)	Land	Princes Street	EH2	17739	325538.5	673857.5	Edinburgh	
Princes Street Gardens (West)	Land	Princes Street	EH2	16458	325102.5	673716.7	Edinburgh	
PSG - Walter Scott Monument	Monument	(4A) Princes Street	EH2	2280	325586.1	673905.1	Edinburgh	
PSG - Floral Clock	Structure	(5B) Princes Street	EH2	2279	325336.3	673838.4	Edinburgh	
PSG - Genius of Architecture Statue	Structure	(5C) Princes Street	EH2	2458	325268.6	673755.9	Edinburgh	
PSG - Adam Black Statue	Structure	(4D) Princes Street	EH2	1745	325511	673885	Edinburgh	
PSG - Allan Ramsay Statue	Structure	(5F) Princes Street	EH2	1783	325330	673835.2	Edinburgh	
PSG - David Livingston Statue	Structure	(4E) Princes Street	EH2	2251	325617.8	673913	Edinburgh	
PSG - Professor Wilson Statue	Monument	Princes Street	EH2	32085	325446.8	673866.5	Edinburgh	
PSG - Robert Louis Stevenson Memorial Grove	Monument	West Princes Street Gardens	EH2	32082	325009.3	673659.6	Edinburgh	
PSG - Ross Bandstand	Structure	West Princes Street Gardens	EH2	1508	325152.2	673727.3	Edinburgh	
PSG - Ross Fountain	Structure	(5H) Princes Street	EH2	1889	324970.2	673659.6	Edinburgh	
PSG - Royal Scots Greys Monument	Monument	(5L) Princes Street	EH2	1892	325200.3	673795.5	Edinburgh	
PSG - Scottish American War Memorial	Monument	(5N) Princes Street	EH2	1874	325089.9	673767	Edinburgh	
PSG - Sir James Young Simpson Statue	Structure	(5P) Princes Street	EH2	2323	324845.2	673699.1	Edinburgh	
PSG - Memorial Stone (W)	Monument	West Princes Street Gardens	EH2	32255	325224.3	673701	Edinburgh	Also known as Belsen Liberation & Holocaust Memorial
PSG - Norwegian Memorial Stone	Monument	(5E) Princes Street	EH2	1851	325141.3	673679.5	Edinburgh	
PSG - Thomas Guthrie Statue	Structure	(5D) Princes Street	EH2	1342	324996.1	673741.6	Edinburgh	
South Queensferry Harbour	Structure	(C) Head of Harbour	EH30	3375	312983.8	678500.4	Queensferry	
Scotland Street Lane	Land	(1) Scotland Street Lane East	EH3	2601, 3479 & 3580	325559.5	674730	Edinburgh	

Common Good Asset Register

Streets of Old Town*	Land	Various						Edinburgh	
Streets of New Town*	Land	Various						Edinburgh	
Streets, Ways and Passages of Leith*	Land	Various						Leith, Edinburgh after 1920	
Burns Monument	Monument	Regent Road	EH1	32449	326519.8	674007.8		Edinburgh	
Flodden Wall	Structure	Various	EH8 & EH3	13351 & 52	326236.7	673486.6		Edinburgh	
Mid Terrace, South Queensferry	Land	4/1 Mid Terrace	EH30	3779	313034.6	678315		Queensferry	
Parliament Square - Charles II Statue	Monument	(12B) Parliament Square	EH1	335	325748.9	673550.1		Edinburgh	
Parliament Square (West) - 5th Duke of Buccleuch	Monument	(12A) Parliament Square	EH1	245	325675.4	673580.8		Edinburgh	Also known as Queensberry Memorial
Parliament Square Well	Structure	(12C) Parliament Square	EH1	679	325646.8	673577.6		Edinburgh	
Portobello Garden	Land	67A Promenade (John Street)	EH15	514	331163	673769.3		Edinburgh	Also known as John Street.
Promenade, Portobello	Land	Promenade	EH15		330729.7	674125.1		Portobello, Edinburgh post 1898	
Rosebery Memorial Hall and House	Building	17 West Terrace, S Queensferry	EH30	2471	312951.4	678337.4		Queensferry, Edinburgh after 1918	
St Bernard's Bridge	Structure	MacKenzie Place - Water of Leith	EH3	2426 & 2956	324483	674311.9		Edinburgh	
South Bridge	Structure	Various	EH1		325969.7	673530		Edinburgh	
Bingham Park	Land	35 Bingham Avenue	EH15	25015	329947.2	672552.8		Portobello, Edinburgh after 1896	
Blackford Hill Public Park	Land	(4) Charterhall Road	EH9	1979	325609.2	670629.2		Edinburgh	
Bloomiehall Public Park	Land	(13) Juniper Park Road	EH14	1442	319446.7	668763.8		Edinburgh	
Bonaly Country Park*	Land	Bonaly Road	EH14	157	321035.4	666928.5		Edinburgh	
Braidburn Valley Public Park	Land	(168) Comiston Road	EH10	2013	324174.2	669841.2		Edinburgh	
Campbell Park	Land	(114A) Woodhall Road	EH13	2579	320554.3	668679.7		Edinburgh	
Corstorphine Hill Public Park*	Land	(2B) Clermiston Road North	EH4	3258	320482	674474.3		Edinburgh	
Craiglockhart Dell Public Park	Land	(31) Lanark Road	EH14	2056	322075.9	670480.8		Edinburgh	
Cramond Park and Foreshore	Land	(2) Cramond Foreshore	EH4	3477	319380.9	677230.2		Edinburgh (part)	
Cramond Walled Garden	Land	20/2 Cramond Glebe Road	EH4	3602	319099.1	676764.6		Edinburgh	
Davidsons Mains Public Park	Land	27 East Barnton Avenue	EH4	3188	320312.5	675255.5		Edinburgh	
Figgate Burn Public Park	Land	Hamilton Drive	EH15	13295	329699.5	673569.5		Edinburgh	
Harrison Park (East and West)	Land	(4) West Bryson Road	EH11	2662 & 31696	323579.4	672000.6		Edinburgh	
Hermitage of Braid Public Park	Land	(163A) Braid Road	EH10	2375	325000.3	670258.8		Edinburgh	
Inverleith Park	Land	8(01) Portgower Place	EH4	2598	324142.7	675174.7		Edinburgh	
King George V Public Park	Land	(13) Logan Street	EH3	2502	325307.1	674823.6		Edinburgh	
Leith Links*	Land	11 Links Place	EH6	21489	327401.8	675936.8		Edinburgh	
Liberton Public Park	Land	Rear of 8-50 Liberton Gardens	EH16	2429	327212.7	669235.3		Edinburgh	
Lochend Public Park*	Land	25 Lochend Road South	EH7	2140	327639.9	674779.4		Edinburgh	
Montgomery Street Park	Land	119A Montgomery Street	EH7	1388	326750.1	674664.5		Edinburgh	
Murieston Public Park	Land	(39) Murieston Crescent	EH11	3267	323456.7	672590.9		Edinburgh	
Pilrig Public Park*	Land	69 Pilrig Street	EH6	2309	326381.6	675676.6		Edinburgh	
Ravelston Public Park	Land	(17) Keith Crescent	EH4	1411	321873.3	674234.6		Edinburgh	
Regent Road Park	Land	(12) Regent Road	EH7	1873	326813.4	674181.6		Edinburgh	
Roseburn Park	Land	(6) Roseburn Park	EH12	3154	322626.8	673108.5		Edinburgh	
Saughton Public Park*	Land	172(09) Balgreen Road	EH11	3276	321977.2	672003.8		Edinburgh	
Sighthill Public Park*	Land	250 Broomhouse Road	EH11	3590	319721.1	671195.6		Edinburgh	
St Margaret's Park*	Land	(29A) Corstorphine High Street	EH12	3599	319852.3	672568.7		Edinburgh	
Starbank Public Park	Land	(18) Laverockbank Road	EH5	3259	325149.7	676899		Leith then Edinburgh 1920	
Victoria Public Park*	Land	(161) Newhaven Road	EH6	3121	325606.8	676442.1		Leith then Edinburgh 1920	
White Park	Land	(1) White Park	EH11	3148	323151.8	672306		Edinburgh	

Name of Asset	Type of Asset	Location	Post Code	Reference	X-Coord	Y-Coord	Former Burgh linked to asset	Additional Information
Counsel Opinion being sought								
Wardie Playing Fields**	Land	Granton Road	EH5	3	324351.8	676660.2	Leith, originally Leith School Board	With Counsel
Warriston Recreation Ground**	Land	26(A) Howard Place		3180	325137.7	675368.5		With Counsel
Meggetland Recreation Ground**	Land	Colinton Road		889	322819.9	671144.7		With Counsel
Bangholm Recreation Ground (inc wooded area)*	Ground	Craighall Gardens		418	325234.7	676315.4		With Counsel
Antigua Street Pillar and Clock	Structure	14/1 Antigua Street		45				With Counsel
Antigua Street - Pigeon Statues	Structure	Antigua Street		32080				With Counsel
PSG - Wojtek The Soldier Bear Memorial	Structure	Princes Street		Not in AIS	325029.3	673734		With Counsel
PSG - Spanish Civil War Volunteers	Structure	Princes Street		Not in AIS	325478	673719.6		With Counsel
George Street - James Clerk Maxwell Statue	Structure	George Street		32086	325511.5	674085.9		With Counsel
Properties unconfirmed as CG and still under investigation								
Session House, Dalmeny	Building	Session House, Dalmeny		3439				With Council Solicitor
Session Lands, Dalmeny	Land	6.455 Ac, Dalmeny		89				With Council Solicitor
Catherine Sinclair Monument	Structure	North Charlotte Street						
Non heritable assets								
Civic Regalia - inventories of the Lord Provost's Office are being researched.								With Museums Staff

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Finance and Resources Committee

10am, Thursday, 26 September 2019

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2018/19 Audit

Item number
Report number
Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
- 1.1.1 Approve the Trustee's Annual Report and Accounts for 2018/19 and note that these will be submitted to the External Auditor by 30 September 2019 and to the Office of the Scottish Charity Regulator (OSCR) by 31 December 2019; and
 - 1.1.2 Note the commentary on the management of the Charitable Trusts included in the Audit Management Report in Appendix 1.

Hugh Dunn

Head of Finance

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The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2018/19 Audit

2. Executive Summary

- 2.1 The report updates the committee with the External Auditor's view on matters arising from the Charitable Trusts audit in compliance with International Standard on Auditing 260.
- 2.2 An unqualified audit opinion has been issued on the Trustee's Annual Report and Accounts for 2018/19.

3. Background

- 3.1 The purpose of this report is to update the Committee with the External Auditor's view on matters arising from the annual audit in compliance with International Standard on Auditing 260 (ISA 260).
- 3.2 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.
- 3.3 The External Auditor is required to comply with International Standard on Auditing 260. As part of the standard, the Auditor is required to highlight relationships that bear on independence, unadjusted misstatements and material weaknesses in internal control.
- 3.4 The Finance and Resources Committee, as the trustee, has overall responsibility for ensuring that:
 - i. there are appropriate systems of control;
 - ii. proper accounting records are maintained which disclose the financial position of the charities;
 - iii. suitable accounting policies are selected and applied consistently;
 - iv. judgements and estimates are reasonable and prudent;
 - v. assets of the charities are safeguarded against unauthorised use or disposition;
 - vi. reasonable steps for the prevention and detection of fraud are taken; and

- vii. reasonable assurances are provided that the charities are operating efficiently and effectively.

4. Main report

Key Points from the Audit Management Report for 2018/19

- 4.1 The independent auditor's report to the trustee of The City of Edinburgh Council Charitable Trust Funds, included as Appendix 1, is unqualified.
- 4.2 The Trustee's Annual Report and Accounts for 2018/19 are included in Appendix 2 of this report. The key points the External Auditor has drawn to members' attention are:
 - i. **The external revaluation of Lauriston Castle Trust collection commenced in 2016 but has yet to be completed. The financial statements therefore reflect the valuation as at the previous reporting date.**

The Council contracted a valuer who has carried out a substantial amount of the valuation work. Due to unforeseen and unavoidable delays, however, the valuation work is yet to be completed. It is intended to advise the contracted valuer of a final deadline of 31 December 2019, after which time an alternative solution to those parts of the review which remain incomplete will be sought. The forbearance with the current valuer is mainly due to the considerable additional funding that would be required were the project to be completed by an alternative means.

- ii. **During audit testing the External Auditor was unable to verify one item of artwork from the Jean F. Watson collection. This item was identified as unaccounted for in 2015, following a full review of the collection. This item of artwork however remains on the valuation records which are used in the preparation of the financial statements. The value of this item is £2,500.**

The item in question was on loan in 2015 to another Council property. Whilst the recent review did not locate the item in question, efforts will continue to trace the artwork elsewhere within the Council's property estate.

- iii. **During the review of councillor declarations of interests for the City of Edinburgh Council the External Auditor noted that not all councillors have recorded their interests as trustees.**

The two specific issues highlighted by the External Auditor regarding declarations of interests will be addressed as soon as practicable, and we will continue to remind councillors regularly of their duties under the Act.

Basis of accounts and future plans

- 4.3 The financial statements for the remaining five trusts, after the closure of Boyd Anderson, are prepared on the going concern basis. The trustees are of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the coming year.
- 4.4 The strategy to restructure radically the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson Trust which has been approved by Committee, with five Trusts remaining.

5. Next Steps

- 5.1 Subject to the Committee's approval, the audited Trustee's Annual Report and Accounts for 2018/19 will be submitted to the External Auditor by 30 September 2019 and to OSCR by 31 December 2019.

6. Financial impact

- 6.1 There is no direct financial impact arising from the content of this report.

7. Stakeholder/Community Impact

- 7.1 The Annual Report and Accounts were made available for public inspection from 1 July 2019 for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received no requests for further information in respect of the Trusts under these Regulations.
- 7.2 There is no direct equalities or rights-related impact arising from the report's contents.
- 7.3 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

8. Background reading/external references

- 8.1 ['Guidance and good practice for Charity Trustees'](#), OSCR Website
- 8.2 ['Charitable Trusts Reserves Policy'](#), Finance and Resources Committee, 17 March 2016

- 8.3 [‘Winding Up of Boyd Anderson Charitable Trust’](#), Finance and Resources Committee, 23 January 2018
- 8.4 [‘Spend to Save funding application – Lagganlia Outdoor Centre’](#), Finance and Resources Committee, 16 August 2018
- 8.5 [‘The City of Edinburgh Council Charitable Trusts - Report to those charged with Governance on the 2017/18 Audit’](#), Finance and Resources Committee, 27 September 2018

9. Appendices

- 9.1 The City of Edinburgh Council Charitable Trusts Audit Management Report for the year ended 31 March 2019.
- 9.2 Audited Trustee’s Annual Report and Accounts, 2018/19.



The City of Edinburgh Council Charitable Trusts

Audit management report for the
year ended 31 March 2019

September 2019





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1. Introduction



Introduction

1. International Standards on Auditing (UK) 260, “Communication with those charged with governance” and 265 “Communicating deficiencies in internal control to those charged with governance” require Scott-Moncrieff to report to those charged with governance the significant findings from our audit.
2. This report aims to provide trustees with constructive observations arising from the audit process. We set out in this report details of:
 - any expected modifications to our audit reports;
 - any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
 - any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
 - any other relevant matters.
3. Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. We take this opportunity to remind you that:
 - This report has been prepared for the sole use of the trustees of The City of Edinburgh Council Charitable Trusts;
 - A copy of this report will be submitted to Audit Scotland; and
 - No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.
5. The report has been discussed and agreed with City of Edinburgh Council management.
6. We would like to thank management and staff for their kind co-operation and assistance during our audit.



2. Financial statements



Financial statements

Audit conclusion

7. In our opinion the financial statements of those charities listed below (collectively referred to as 'The City of Edinburgh Council Charitable Trusts') give a true and fair view and comply with the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and all relevant accounting standards.

The City of Edinburgh Council Charitable Trusts (as at 31 March 2019)

- Jean F. Watson (SC018971)
- Edinburgh Education Trust (SC042754)
- Nelson Halls Trust (SC018946)
- City of Edinburgh Council Charitable Funds (Boyd Anderson) (SC025067)
- Lauriston Castle Trust (SC020737)
- The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)

8. We are pleased to report that our independent auditor's report to the trustees of The City of Edinburgh Council Charitable Trusts is unqualified. We have, however, drawn attention in our independent auditor's report to the fact that the City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as the trustees consider that it is not a going concern. Our opinion is not modified in respect of this matter.
9. Our audit opinion is based on approval of the financial statements and signing of the letter of representation, a draft of which has been included as an appendix to this report. Within the letter of representation, the trustees have confirmed that there are no subsequent events that require amendment to the financial statements.

Basis of preparation

10. The financial statements have been prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees. The City of Edinburgh Council's Finance and Resources Committee acts as sole Trustee for these charitable trusts.

Our assessment of risks of material misstatement

11. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described in Exhibit 1 below:



Exhibit 1 – Our assessed risks of material misstatement and how the scope of our audit responded to those risks

1. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

Noted in the 2018/19 City of Edinburgh Council External Audit Plan

12. We have not identified any indications of management override in the year. We have reviewed the charitable trusts' accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

2. Revenue recognition

Under ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Trusts could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

Noted in the 2018/19 City of Edinburgh Council External Audit Plan

13. On receipt of the unaudited annual report and accounts, we evaluated each type of income stream and concluded that the risk of fraud in revenue recognition was not material. In 2018/19, two sources of income were received across all the charitable trusts; grant income (£26,000) and dividend income (£79,000). The income received across each individual trust was not material. We have therefore rebutted this risk.

3. Lauriston Castle Trust external valuation

An external revaluation of the collection commenced in 2016 but has yet to be completed. The 2017/18 financial statements reflected the valuation as at the previous reporting date (31 March 2017). The charitable trusts' accounting policy on heritable property states that such properties are included in the financial statements at a revalued amount where this is available. The notes to the financial statements detail that the previous valuation of Lauriston Castle was carried out in 1997.

There is a risk that the result of this valuation is incorrectly accounted for in the 2018/19 financial statements.

Noted in the 2018/19 City of Edinburgh Council External Audit Plan

14. The external valuation of the collection has yet to be completed. The financial statements therefore reflect the valuation as at the previous reporting date (31 March 2018).
15. While we concluded that the financial statements have been prepared in accordance with the Charities SORP (FRS 102) in respect of this matter, we recommend that the external valuation of the collection should be concluded as soon as practicable to ensure



incorporation into the financial statements (this recommendation was also raised in the prior year).

Prior year action plan point 1

4. Winding up of trusts

In January 2018, a paper was presented to the Council's Finance and Resources Committee seeking approval for the formal winding up of the City of Edinburgh Council Charitable Funds (Boyd Anderson) and the transfer of the remaining assets to the Lagganlia Outdoor Learning Centre. Consent to wind up this charitable trust was received from the OSCR in December 2017.

In the 2017/18 financial statements, the Trustees prepared the financial statements for the City of Edinburgh Council Charitable Funds (Boyd Anderson) adopting a break-up basis of accounting as they considered that it was not a going concern. Our opinion was not modified in respect of this matter.

There is a risk that this Fund is not accounted for and disclosed correctly in the financial statements.

Noted in the 2018/19 City of Edinburgh Council External Audit Plan

16. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. OSCR has granted consent to wind up this Trust and this will be progressed once construction works have been completed.
17. In respect of this Trust, note 1 in the financial statements explains a break-up basis of accounting has been applied as the trustees consider that it is not a going concern. We have disclosed this matter in our independent auditor's report. Our opinion is not modified in respect of this matter.

Our application of materiality

18. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the financial statements.
19. Our initial assessment of materiality for each charitable trust is set out in the following table. We revised our initial assessment, following receipt of the unaudited annual report and accounts and they remained at these levels throughout our audit.
20. Our assessment of materiality is set with reference to gross assets. We consider this to be the principal consideration for the users of the financial statements when assessing the financial performance of each charitable trust.

	Initial materiality £	Final materiality £
Lauriston Castle	140,860	140,900
Jean F. Watson	126,360	128,640
Edinburgh Education Trust	19,040	20,500
Nelson Halls	4,740	4,980
City of Edinburgh Council Charitable Funds (Boyd Anderson)	2,320	2,180
Royal Scots Monument Trust	660	700

21. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.
22. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are



performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the following table:

Area risk assessment	Weighting
High	50%
Medium	60%
Low	75%

23. We noted within our External Audit Plan that we would report to trustees all audit differences in excess of 2% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identify when assessing the overall presentation of the financial statements.

Audit differences

24. We did not identify any audit adjustments during our audit other than amendments to the disclosure notes which are reflected in the final set of financial statements.
25. We did not identify any unadjusted items which were in excess of 2% of the overall materiality figure.

An overview of the scope of our audit

26. The scope of our audit was detailed in our City of Edinburgh Council External Audit Plan, which was presented to the council's Governance, Risk and Best Value Committee in March 2019. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the charitable trusts. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
27. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
28. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In performing our work we have applied the

concept of materiality, which is explained earlier in this report.

Accounting systems and internal controls

29. During the course of our audit of the financial statements, we examined the principal internal controls which the trustees have established to enable them to ensure, as far as possible, the accuracy and reliability of each of the charitable trusts' accounting records and to safeguard the charitable trusts' assets.
30. It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.
31. We are pleased to report we did not identify any new system weaknesses during our 2018/19 audit.
32. We have followed up on progress in implementing actions raised in the prior year. Full details of our findings are included in Appendix 3.

Fraud and irregularity

33. Responsibility for preventing and detecting fraud and other irregularities lies with the trustees of the charitable trusts. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.
34. We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

35. We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.
36. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.
37. Under Section 46 of the Charities and Trustee Investment (Scotland) Act 2005, auditors have a responsibility to report items of material significance to the Office of the Scottish Charity Regulator (OSCR).
38. We did not identify any areas of material significance during our audit that required reporting to OSCR.



Going concern and subsequent events

39. We are required under International Standard on Auditing (UK) 570, "Going Concern" to consider the appropriateness of the trustees' use of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about each charitable trust's ability to continue as a going concern which needs to be disclosed in the financial statements.
40. The term "subsequent events" is used to refer to events occurring between the year-end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.
41. In order to gain assurance on these matters our work has included (where applicable):
- reviewing bank facilities;
 - enquiring of Council senior management and the charitable trusts' solicitors concerning litigation, claims and assessments; and
 - performing sample testing of post balance sheet transactions.
42. We confirm that there are no issues affecting five¹ of the six charitable trusts' ability to continue as a going concern.
43. In respect of the City of Edinburgh Council Charitable Funds (Boyd Anderson), we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.
44. No subsequent events were identified requiring amendment to or disclosure in the financial statements.

to regulation 9² as it relates to the financial statements. Overall, we concluded that appropriate arrangements were in place to comply with these Regulations (as they apply to charities).

Qualitative aspects of accounting practices and financial reporting

46. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Other matters identified during our audit

The Local Authority Accounts (Scotland) Regulations 2014

45. As part of our audit, we reviewed the charitable trusts' compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect

¹ The five charitable trusts referred to are: Jean F. Watson, Edinburgh Education Trust, Nelson Halls Trust, Lauriston Castle Trust and The Royal Scots (The Royal Regiment) Monument Trust Fund

² Regulation 9 relates to the notice of public right to inspect and object to the accounts.



Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and consider these to be appropriate to the charitable trusts.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates and judgements used in the preparation of the financial statements. We did however note (paragraphs 14-15) that the external revaluation of the Lauriston Castle Trust collection has yet to be completed and the financial statements therefore reflect the valuation as at the previous reporting date.
The appropriateness of the going concern assumption	Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that five of the six charitable trusts will continue to operate for at least 12 months from the signing date. In respect of the City of Edinburgh Council Charitable Funds (Boyd Anderson) we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.
The potential effect on the financial statements of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we have not identified any significant unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the financial statements.	Our review of the Annual Report did not identify any material misstatements or inconsistencies with the financial statements.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention.
Disagreement over any accounting treatment or financial statements disclosure.	There was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.



3. Appendices



Appendix 1: Respective responsibilities of the trustees and the auditor

Responsibilities of the trustees

Under legislation relating to charities in Scotland, the trustees are required to prepare financial statements for each financial year which give a true and fair view of the state of the charity's affairs and of its incoming resources and application of resources, including its surplus or deficit for that year, and which have been properly prepared from and are in agreement with the accounting records of the Trust and comply with relevant disclosure requirements.

In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable trusts will continue their activities.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the charitable trusts' financial position and enable them to ensure that the financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The trustees also have general responsibility for taking such steps as are reasonably open to them to safeguard the charitable trusts' assets and to prevent and detect fraud and other irregularities.

Responsibilities of the auditor

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The charitable trusts covered by this report fall within the scope of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Revised Ethical Standard 2016.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.

The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Confirmation of independence

International Standard on Auditing (UK) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that we have complied with the Financial Reporting Council's Ethical Standards. In our professional judgement the audit process is independent and our objectivity is not compromised.



Appendix 2: List of entities' key financials

The list of entities on which we have reported, and which are covered by this report are included in the table below. All financial statements were prepared on an accruals basis.

	2019 £'000	2018 £'000	Commentary
Jean F. Watson (SC018971)			
Income	61	39	Only investment income in the prior year. In the current year grant funding was received to assist in the purchase of artwork (£29,000).
Expenditure	(6)	(5)	
Net gains/(losses) on investments	58	3	
Net income/ (expenditure)	113	37	
Funds:			
Unrestricted funds	1,072	1,017	
Endowment funds	975	917	
Revaluation reserve	4,377	4,377	
Total funds	6,424	6,311	
Edinburgh Education Trust (SC042754)			
Income	32	38	
Expenditure	(16)	(14)	
Net gains/(losses) on investments	57	5	
Net income/ (expenditure)	73	29	
Unrestricted funds	84	68	
Endowment funds	937	880	
Total funds	1,021	948	



	2019 £'000	2018 £'000	Commentary
Nelson Halls Trust (SC018946)			
Income	8	9	
Expenditure	(8)	(9)	
Net gains/(losses) on investments	13	1	
Net income/ (expenditure)	13	1	
Unrestricted funds	3	3	
Endowment funds	238	225	
Total funds	241	228	
City of Edinburgh Council Charitable Funds (Boyd Anderson) (SC025067)			
Income	1	-	
Expenditure	(5)	(4)	
Net gains/(losses) on investments	-	-	
Net income/ (expenditure)	(4)	(4)	
Unrestricted funds	105	109	
Total funds	105	109	At the January 2016 Finance and Resources Committee, it was agreed that £64,000 would be used to build a modular log cabin type classroom and storage space at Lagganlia. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. A proposal to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space have been completed.



	2019 £'000	2018 £'000	Commentary
Lauriston Castle Trust (SC020737)			
Income	2	2	
Expenditure	(2)	(2)	
Net gains/(losses) on investments	2	-	
Net income/ (expenditure)	2	-	
Unrestricted funds	(1)	(1)	
Endowment funds	43	41	
Revaluation reserve	7,001	7,001	
Total funds	7,043	7,041	
The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)			
Income	1	1	
Expenditure	(1)	(1)	
Net gains/(losses) on investments	2	-	
Net income/ (expenditure)	2	-	
Unrestricted funds	1	1	
Endowment funds	33	31	
Total funds	34	32	



Appendix 3: Follow up of prior year recommendations

Of the four recommendations raised within our 2017/18 audit management report, we note that one has been completed, two remain outstanding and one is in progress. Details are given below.

Action plan grading structure

To assist in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

The rating structure is summarised as follows:

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<ul style="list-style-type: none"> • A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.



1. Valuation of Lauriston Castle collection

Initial rating	Issue & recommendation	Management comments
Medium	<p>Issue</p> <p>The external valuation of Lauriston Castle collection commenced in 2016 but has yet to be completed. The financial statements therefore reflect the valuation as at the previous reporting date.</p> <p>The previous valuation of the collection was carried out in 1997.</p> <p>Recommendation</p> <p>The external valuation of the collection should be concluded as soon as practicable to ensure incorporation in the 2018/19 financial statements.</p>	<p>The Council will ensure that the valuation is completed for inclusion within the 2018/19 accounts.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: March 2019</p>
Current status	Audit update	Management response
Outstanding	<p>The external valuation of the Lauriston Castle collection has yet to be completed.</p>	<p>The Council contracted a valuer who has carried out a substantial amount of the valuation work. Due to unforeseen and unavoidable delays, the valuation work is yet to be completed. Our intention is to give the contracted valuer a final deadline of 31 December 2019 after which time we will seek an alternative solution to those parts of the review which remain incomplete. Our forbearance with the current valuer is mainly due to the considerable additional funding that would be required were we to complete the project by an alternative means.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: March 2020</p>



2. Missing artwork

Initial rating	Issue & recommendation	Management comments
Medium	<p>Issue</p> <p>During our audit testing we were unable to verify one item of artwork from the Jean F Watson collection. We understand that this item was identified as unaccounted for in 2015, following a full review of the collection. This item of artwork however remains on the valuation records which are used in the preparation of the financial statements. The value of this item is £2,500.</p> <p>Recommendation</p> <p>A full review of the Jean F Watson artwork should be carried out to ensure records are up to date and complete.</p>	<p>The Council will conduct a formal review of the Jean F. Watson collection ensuring that records are up to date and complete.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: March 2019</p>
Current status	Audit update	Management response
In progress	<p>The review of the Jean F Watson collection is now complete. The item we were unable to locate in the prior year however still remains unaccounted for.</p>	<p>The item in question was on loan in 2015 to another Council property. Whilst the review did not locate the item in question, efforts will continue to try and trace the artwork elsewhere within the Council's property estate.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: March 2020</p>



3. Artwork – asset tagging

Initial rating	Issue & recommendation	Management comments
Medium	<p>Issue</p> <p>We identified, through our sample testing, two items of artwork (from the Jean F Watson collection) that did not have labels (either title or ID number).</p> <p>Recommendation</p> <p>A review of all artworks should be carried out to ensure they are appropriately tagged.</p>	<p>As part of the formal review of the Jean F. Watson collection undertaken for Action Point 2, the Council will ensure that all artwork has appropriate labels (either title or ID number).</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: March 2019</p>
Current status	Audit update	Management response
Complete	<p>The overall review of the Jean F Watson collection, including an exercise to ensure all assets are appropriately tagged. We have concluded that the original recommendation has been completed. This exercise, however, is on-going as the collection continues to grow.</p>	<p>As part of the review we have endeavoured to rectify examples where labels or numbers are missing. Labelling forms part of the accessioning procedure, and so as new items are added to the collection, numbers are assigned and applied to the works by different means. This process of accessioning can take many months from the time the work is first considered for purchase by the Watson Committee, to the final payment to the artist and paperwork completed. The Jean F Watson collection continues to grow as new artworks are added, so applying labels or accession numbers is an ongoing task. For this reason, although substantial progress has been made, we cannot say definitively that this is now complete.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: On-going</p>



4. Declaration of interests

Initial rating	Issue & recommendation	Management comments
Medium	<p>Issue</p> <p>As part of our review of councillor declarations of interests for the City of Edinburgh Council we noted that not all councillors have recorded their interests as trustees.</p> <p>Recommendation</p> <p>We recommend all councillors acting as Trustees to the City of Edinburgh Council charitable trusts review and update their registers of interest, if required, to reflect their role as Trustee on these Trusts.</p>	<p>As part of the equivalent action for the Council referenced in the 2017/18 annual report on the audit, we will continue to remind regularly councillors of their duties under the Act.</p> <p>Responsible officer: Governance and Democratic Services Manager</p> <p>Councillors</p> <p>Completion date: Ongoing</p>
Current status	Audit update	Management response
Outstanding	<p>We noted the following during our audit:</p> <ul style="list-style-type: none"> The Council's website details those councillors who are members of the Finance and Resources Committee and the Jean F. Watson Committee. The website does not explicitly note that where councillors are members of the Finance and Resources Committee they are trustees of the City of Edinburgh Council Charitable Trusts. Individual councillor registers of interests do not make reference to the City of Edinburgh Council Charitable Trusts. 	<p>The two specific issues highlighted will be addressed as soon as practicable.</p> <p>The Council is currently implementing a new committee management software system that will simplify the process for elected members updating their register. Training is provided to all elected members on the requirements of the Code of Conduct and it remains the responsibility of individual elected members to update their register accurately and timeously.</p> <p>Responsible officer: Governance and Democratic Services Manager</p> <p>Completion date: On-going</p>



Appendix 4: Management representation letter

DRAFT LETTER OF REPRESENTATION: THE CITY OF EDINBURGH COUNCIL CHARITABLE TRUSTS

Dear Sirs

The City of Edinburgh Council Charitable Trusts

This representation letter is provided in connection with your audit of the financial statements of the City of Edinburgh Charitable Trusts for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice.

By a resolution of the trustees of the charities, I am directed to confirm to you, in respect of the financial statements of the charitable trusts for the year ended 31 March 2019, the following:-

Financial statements and accounting records

1. We have fulfilled our responsibilities under the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the Trust;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
5. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
6. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
7. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements of five of the six charitable trusts to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.
8. The City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as we consider that it is not a going concern.
9. We have considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in the financial statements in order to give a true and fair view.



10. We confirm the financial statements are free of material misstatements, including omissions.

Fraud

11. We acknowledge as trustees our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.

12. In our opinion, the risks that the financial statements may be materially misstated as a result of fraud are low for the following reasons:

- The Trust Accountant runs a general ledger transactions query report on an at-least monthly basis, promptly reviewing any unexpected items and instigating corrective action as appropriate. Given the relatively low level of transactions, these can be investigated on an individual basis.

13. We have disclosed to you all information in relation to fraud or suspected fraud of which we are aware and that affects the entity and involves:

- management
- employees who have significant roles in internal control
- others where the fraud could have a material effect on the financial statements.

14. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.

Compliance with laws and regulation, and contractual agreements

15. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

16. The charitable trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Accounting estimates

17. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.

Related parties

18. We have disclosed to you the identity of the charity's related parties and all related party relationships and transactions of which we are aware.

19. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.

20. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charitable trusts at any time during the year.

Assets and liabilities

21. The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold;
- assets pledged as collateral.



22. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice.
23. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
24. The charitable trusts have satisfactory title to all assets and there are no liens or encumbrances on the charitable trusts' assets, other than as disclosed in the financial statements.
25. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

Subsequent events

26. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

.....
Signed on behalf of the trustees of the charitable trusts

On..... (date)

The above individual is signing this letter on behalf of all trustees of the charitable trusts confirming that:

- so far as each trustee is aware, there is no relevant audit information of which the charitable trusts' auditor are unaware; and
- each trustee has taken all the steps that ought to have been taken as a trustee, including making appropriate enquiries of fellow members and of the charitable trusts for that purpose, in order to be aware of any information needed by the charitable trusts' auditor in connection with preparing their report and to establish that the charitable trusts' auditor is aware of that information.

**The City of Edinburgh Council Charitable Trusts
Trustee's Annual Report and Accounts
for the year ended 31 March 2019**

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the **Finance and Resources Committee** and now has delegated responsibility from Council to act in the role of trustee of its charities. The individual members of the Committee are listed on page 6 of the Trustee Report.

Reference and Administrative Details

At the year end the Council acted as sole trustee for a total of six trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of all the charities can be found on page 3 of this report and in the accounts.

The Council administers these charities but their assets are not available to the Council and have not been included in the Council's balance sheet, or its wider Group balance sheet.

Registered Office

The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

Auditor

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Investment Managers

CCLA Investment Management Ltd
Senator House
85 Queen Victoria Street
London
EC4V 4ET

Legal Advisors

The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

M&G Charities
PO Box 9038
Chelmsford
CM99 2XF

Trustee's Annual Report 2018/19

The trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2019. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice effective 01/01/2015 (FRS 102), commonly referred to as the Charities SORP (FRS 102). One set of accounts for connected charities has been prepared under the provisions of these regulations.

Structure, Governance and Management

The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The Trustee section on the previous page describes the Committee of the Council which is involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity trustees. Risk management is covered as part of the Council's general risk management procedures.

All major decisions relating to the strategic operation of the Trusts are undertaken by the Finance and Resources Committee. There is also a dedicated Jean F. Watson Committee which meets to discuss the finances and make decisions on art acquisitions.

The **Committee on the Jean F. Watson Bequest** has the following delegated authority: "With monies from the Jean F. Watson Bequest, to purchase and commission for the City's collection, works of artists and craftspeople born, practising in, or otherwise associated with Scotland, and in particular Edinburgh; all decisions to be guided by the Collection and Disposal Policy for the City Museums and Galleries."

The Children's Panel meets to approve funding for the Edinburgh Education Trust. The Children's Panel consists of four senior Council officers.

Responsibilities of the Trustee

Charity law requires charity trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls, financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the Charities SORP (FRS 102).
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charities.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
 - i) the charities are operating efficiently and effectively;
 - ii) the charitable assets are safeguarded against unauthorised use or disposition;
 - iii) proper records are maintained and financial information used by the charities is reliable;
 - iv) the charities comply with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity trustee;
2. Regular consideration by the charity trustee of financial results and non-financial performance
3. Delegation of authority and segregation of duties; and
4. Identification and management of risks.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included in the Council's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Exemptions From Disclosure and Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Annual Report 2018/19
Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2019 are as follows:

Official Name (<i>Name Used in Accounts</i>)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/19 £'000
Jean Fletcher Watson (<i>Jean F. Watson</i>)	SC018971	The purchase of works of art by artists who have connections with the city	6,424
Edinburgh Education Trust (<i>Edinburgh Education Trust</i>)	SC042754	To fund activities to support Looked after Children and school prizes	1,021
Nelson Halls Trust (<i>Nelson Halls</i>)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	241
City of Edinburgh Council Charitable Funds (<i>Boyd Anderson</i>)	SC025067	Provision of outdoor education and skiing opportunities	105
Lauriston Castle Trust (<i>Lauriston Castle</i>)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,043
The Royal Scots (The Royal Regiment) Monument Trust Fund (<i>The Royal Scots Trust</i>)	SC018945	Maintenance of the Royal Scots Monument	34
Total			14,868

The main activities undertaken in relation to the Trusts' purposes are outlined below;

Jean F. Watson purchased artwork totalling £42,220, with funding of £26,360 provided to contribute towards these purchases, as set out in Note 5. This compares to the purchase of 'Princes Street Station, Edinburgh' by William Wilson for £550 during the previous financial year.

Additional purchases were approved at the **Committee on the Jean F Watson Bequest** meeting on 30 November 2018 and will be progressed and finalised throughout the next financial year.

The Edinburgh Education Trust funded £9,663 of activities for looked after children (£8,427 2017/18) and £2,178 of school prizes (£2,154 2017/18). An improved process has been introduced to ensure that this funding is allocated to the recipients in a more timely and direct manner than had been the case previously. Unused funds from the current year will be rolled forward into the new year.

At the **14 January 2016 Finance and Resources Committee**, it was agreed that £64,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred.

A proposal to use the remaining funds for the same purpose was approved by **Committee on 23 January 2018**. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

The Nelson Halls are open to the public as part of the libraries and community centres they are attached to.

The Lauriston Castle is open to the public with the interest received in 2018/19 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2018/19 was used to cover some of the running costs.

Trustee's Annual Report 2018/19 Achievements and Performance

Financial Investments Performance

The Trusts' investments are held in the Charibond Charities Fixed Interest Common Investment Fund managed by M&G Charities and the COIF Charities Investment Fund managed by CCLA Investment Management Ltd.

Charibond Charities Fixed Interest Common Investment Fund

Charibond recorded a flat total return of 0.0% over the 12 months to 1 November 2018. This outcome largely reflects the generally challenging period for the performance of bonds, with the fund's positioning bias towards short-dated government securities being a factor that held back its returns. The FTSE British Government All Stocks Index - a broad index of UK government bonds - returned 1.3% over the same period.

The single year performance for the last five years ending October is outlined in the table below;

	2018	2017	2016	2015	2014
Charibond	0.0%	1.2%	9.6%	3.0%	4.5%

A letter dated March 2018 was received stating that the fund's distribution would be reducing with effect from its next quarterly payment in May 2018. As at 1 November 2018, the distribution yield of the fund was 2.3%, which reflects this reduction becoming effective. For comparison, on 1 November 2017, the fund's distribution yield was 3.7%.

COIF Charities Investment Fund

The longer term total return performance (gross) for the COIF Charities Investment Fund for the 12 months to end March is outlined in the table below;

	2019	2018	2017	2016	2015	2014	2013
Fund	12.2%	6.0%	20.0%	0.4%	14.70%	7.20%	18.50%
Comparator	8.5%	2.2%	20.4%	-1.5%	11.10%	8.10%	13.70%

The return was supported by stock selection in the equity portfolio. There were strong performances in health, industrials, I.T. and specialist financials. The low weighting to energy and mainstream banks was also helpful. Asset allocation was a negative factor due to the weighting in equities, which was below that of the comparator. The cash allocation, increased in the previous quarter, made a minor but negative contribution.

The COIF Charities Investment Fund is split; 54.7% in overseas equities, 17.8% in UK equities, 20.9% in Property/Other Assets, 3.4% in Fixed Interest and 3.2% in Cash as at 31 March 2019. The overseas equities are split as follows: - North America 33.85%, Europe 13.14%, Pacific Ex. Japan 5.2%, Japan 2.16%, Other Americas 0.34%.

The forecast annual income from the COIF Charities Investment Fund is £60,374, which represents an income yield of around 3.35% based on the current market value of investments.

Termination of the Chariguard UK Equity Fund

Further to the shareholder notice dated 1 April 2016, the termination of the Chariguard UK Equity Fund has now been completed. Following completion of the termination, a balance remained to the account of the Fund. This amount (net of a provision for any further expenses) was paid as a final distribution to the Trusts in proportion to their holding in the Fund at the commencement of termination.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2019. This section describes briefly the key points of each statement. Financial statements and notes have been rounded to the nearest thousand. All of the unrestricted funds of the charities are general and not designated.

The Statement of Financial Activities shows the total income to be £105,000 in 2018/19. (2017/18 £89,000). This increase in income compared to the previous year is primarily due to the grants received by the Jean F. Watson Trust to support the purchase of artwork. An analysis of income is available in Note 2.

Trustee's Annual Report 2018/19

Financial Review - continued

The expenditure in the year is lower than last year at £38,000 compared to £100,000. This movement is primarily a result of £65,000 of funds from the Usher Hall Trust being transferred to the City of Edinburgh Council to assist in the purchase of a Grand Piano at the Usher Hall in the prior year. A like-for-like comparison would show a £3,000 increase in 2018/19 as a result of the increase in support costs. An analysis of expenditure is detailed in Notes 3 and 4 with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being allocated to the maintenance of the assets.

The Balance Sheet Statement shows the fixed asset investments have increased to £2.207m from £2.075m. Movements on the valuation of the investments are further analysed in note 7, 16 and 17.

Fixed asset properties and collections have been included in the accounts at their most recent valuations. The £18,000 increase in cash is further analysed in the Cash Flow Statement (£20,000 decrease in 2017/18). The detail of the breakdown of the £27,000 owed by the Trusts as at 31 March 2019 is included within Note 17 of the Accounts with the year on year comparative included in Note 10.

Reserves Policy

The Charitable Trusts should follow the prevailing general principle that the "Capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. If the Trustee requires to use "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the **17 March 2016 Finance and Resources Committee**.

The annual income for Jean F. Watson averages around £40,000. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £6,424,000, consisting of £975,000 in Investments, £5,317,000 in Fixed Assets, £129,000 in Cash, £11,000 of debtors less Creditors of £8,000.

The annual income for the Edinburgh Education Trust averages around £35,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £1,021,000, consisting of £937,000 in Investments, £81,000 in Cash, £7,000 of debtors less Creditors of £4,000.

The annual income for Nelson Halls averages around £8,000. This income should be used in full towards costs incurred by the City of Edinburgh Council for the maintenance of the Halls. The Trust has total funds of £241,000, consisting of £219,000 in Investments, £19,000 in Heritage Assets, £9,000 in Cash, £2,000 of debtors less Creditors of £8,000.

The annual income for the Lauriston Castle averages around £1,500. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Castle. The Trust has total funds of £7,043,000, consisting of £7,001,000 in Heritage Assets, £43,000 in Investments, £1,000 in Cash less Creditors of £2,000. Cash will be available to fund liabilities as they fall due.

The annual income for The Royal Scots Trust averages around £1,200. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Monument. The Trust has total funds of £34,000, consisting of £33,000 in Investments and £2,000 in Cash less Creditors of £1,000.

No reserves policy has been created for Boyd Anderson as the existing funds have been agreed to be disbursed as per the report to Finance and Resources Committee on 14 January 2016.

The Heritage Assets and the Investments stated above are endowment funds and are therefore not available for general purposes. An analysis of Heritage Assets is included within Notes 5 and 6 to the Accounts.

Trustee's Annual Report 2018/19

Financial Review - continued

Going Concern Policy

The financial statements for the remaining five trusts, after the closure of Boyd Anderson, are prepared on the going concern basis. The trustees are of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the coming year.

Plans for Future Period

The strategy to radically restructure the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson Trust which has been approved by Committee, leaving five Trusts remaining.

Since the end of the 2015/16 financial year the Trusts have improved processes regarding the transfer of funds and this should be continued in 2019/20 to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting will be carried out by finance staff in 2019/20 to ensure that they are also aware of the likely money available in 2020/21 to enable longer-term planning.

Signed on behalf of the trustee of the charities:

Councillor Alasdair Rankin

Convener of the Finance and Resources Committee

Date:

The other members of the Finance and Resources Committee as at 26

September 2019 are outlined below:

Councillor Lezley Marion Cameron *(from 02.05.19)*
Councillor Rob Munn *(from 02.05.19)*
Councillor Gavin Corbett
Councillor George Gordon
Councillor Graham Hutchison
Councillor Andrew Johnston
Councillor Chas Booth *(from 27.06.19)*
Councillor Neil Ross
Councillor Mandy Watt *(to 02.05.19 and from 22.08.19)*
Councillor Graeme Bruce *(from 27.06.19)*

The following were also members during the reporting period:

Councillor Marion Donaldson *(to 29.01.19)*
Councillor Kate Campbell *(to 02.05.19)*
Councillor Maureen Child *(from 07.02.19 to 22.08.19)*
Councillor Claire Miller *(to 27.06.19)*
Councillor Iain Whyte *(to 27.06.19)*

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2019

	Note	2018/19			2017/18		
		Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
Income and Endowments from:							
<i>Charitable activities</i>	2	26	-	26	-	-	-
<i>Investments</i>	2	79	-	79	89	-	89
Total		<u>105</u>	<u>-</u>	<u>105</u>	<u>89</u>	<u>-</u>	<u>89</u>
Expenditure on:							
<i>Charitable activities</i>	3, 4	(38)	-	(38)	(100)	-	(100)
Total		<u>(38)</u>	<u>-</u>	<u>(38)</u>	<u>(100)</u>	<u>-</u>	<u>(100)</u>
<i>Net gains / (losses) on investments</i>	16	-	132	132	-	9	9
Total		<u>-</u>	<u>132</u>	<u>132</u>	<u>-</u>	<u>9</u>	<u>9</u>
Net income / (expenditure)		<u>67</u>	<u>132</u>	<u>199</u>	<u>(11)</u>	<u>9</u>	<u>(2)</u>
Net movement in funds		<u>67</u>	<u>132</u>	<u>199</u>	<u>(11)</u>	<u>9</u>	<u>(2)</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>5,574</u>	<u>9,095</u>	<u>14,669</u>	<u>5,585</u>	<u>9,086</u>	<u>14,671</u>
Total funds carried forward	17	<u><u>5,641</u></u>	<u><u>9,227</u></u>	<u><u>14,868</u></u>	<u><u>5,574</u></u>	<u><u>9,095</u></u>	<u><u>14,669</u></u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2019

		2018/19			2017/18		
	Note	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets:							
<i>Jean F. Watson Collection</i>	5	5,317	-	5,317	5,275	-	5,275
<i>Other Heritage Assets</i>	6	-	7,020	7,020	-	7,020	7,020
<i>Investments</i>	7	-	2,207	2,207	-	2,075	2,075
Total fixed assets		5,317	9,227	14,544	5,275	9,095	14,370
Current Assets:							
<i>Cash at Bank</i>	8	331	-	331	313	-	313
<i>Debtors</i>	9	20	-	20	16	-	16
Total current assets		351	-	351	329	-	329
Liabilities:							
<i>Creditors due within one year</i>	10	(27)	-	(27)	(30)	-	(30)
Total Liabilities		(27)	-	(27)	(30)	-	(30)
Net Current Assets		324	-	324	299	-	299
Total Net Assets		5,641	9,227	14,868	5,574	9,095	14,669
The funds of the charity:							
<i>Unrestricted Funds</i>	17	1,264	-	1,264	1,197	-	1,197
<i>Endowment Funds</i>	17	-	2,226	2,226	-	2,094	2,094
<i>Revaluation Reserve</i>	17	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,641	9,227	14,868	5,574	9,095	14,669

The unaudited accounts were issued on 14 June 2019. The audited accounts were approved and authorised for issue on 26 September 2019.

Signed on behalf of the charity trustee:

Councillor Alasdair Rankin
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2019

	31 March 2019		31 March 2018
	£'000	£'000	£'000
Operating Activities			
<i>Dividend Income and Interest received (Note 2)</i>	(62)		(73)
<i>Receipt of Prior Year Accrued Interest (Note 2)</i>	(16)		-
<i>Grant Income for Purchase of Art (Note 2 and 9)</i>	(25)		-
Cash inflows generated from operating activities	<hr/>	(103)	<hr/> (73)
<i>Cash paid to Schools and Pupils (Note 3)</i>	12		11
<i>Cash paid for Usher Hall Grand Piano (Note 3)</i>	-		65
<i>Cash paid for Purchase of Art (Note 5)</i>	42		-
<i>Cash paid to the Council</i>	31		17
Cash outflows generated from operating activities	<hr/>	85	<hr/> 93
Net cash (inflows) / outflows from operating activities		<hr/> (18) <hr/>	<hr/> 20 <hr/>
Investing Activities			
<i>Additional Investment into COIF Charities Investment Fund</i>	-		-
Net cash flows from investing activities	<hr/>	-	<hr/> -
Net cash flows from financing activities		-	-
Net (increase) / decrease in cash and cash equivalents		<hr/> (18) <hr/>	<hr/> 20 <hr/>
	April 2018		April 2017
<i>Cash and cash equivalents (Note 8)</i>	313		333
	March 2019		March 2018
<i>Cash and cash equivalents (Note 8)</i>	<hr/> 331 <hr/>		<hr/> 313 <hr/>
Net (increase) / decrease in cash and cash equivalents		<hr/> (18) <hr/>	<hr/> 20 <hr/>

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

1 Accounting policies

a) Basis of preparation

The 2018/19 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) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

These financial statements have been prepared on the basis that the Trusts for which the City of Edinburgh Council acts as sole Trustee are connected charities. As such, the accounts for the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis. These Trusts meet the definition of a public benefit entity under Charities SORP (FRS 102). Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

At the January 2016 Finance and Resources Committee, it was agreed that £64,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. A proposal to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

The financial statements for Boyd Anderson have been prepared using a break-up basis of accounting as it is considered that it is not a going concern.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable trust funds' transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The critical judgements and estimates for the Trusts are included in note (j).

b) Fund accounting

Unrestricted funds are general funds that are available for use at the trustee's discretion in the furtherance of any of the objectives of the charities.

Almost all of the charities have an endowment fund consisting of invested capital and any Heritage Assets. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the trustee has discretion to expend endowment funds should the need arise.

c) Investment income

Investment income is accounted for in the period in which the charity is entitled to receive it and the amount can be measured with reasonable certainty.

d) Grant income

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the charitable trust is entitled to receipt, it is probable that the income will be received and the amount can be measured with reliability. Such income is deferred when the charitable trust has to fulfil conditions before becoming entitled to it.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

1 Accounting policies - continued

e) Expenditure

Expenditure is included in the financial statements on an accruals basis.

f) Heritage assets and depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. The type of assets includes collections of: paintings, ceramics, textiles, silverware, clocks and books. The valuations used for these assets are based on values for insurance purposes.

Heritage Assets are stated in the accounts at a revalued amount where this is available. Where this is not available historic cost has been used, this is the case for the Nelson Halls.

g) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the Charities SORP (FRS 102). Any gain or loss on revaluation is shown on the Statement of Financial Activities.

Reserves policy

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. The Finance and Resources Committee agreed the current Reserves Policy on 17 March 2016.

Creditors

Creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and are measured at fair value.

i) Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the charitable trust becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value.

Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of Charities SORP (FRS 102). At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

j) Critical judgements and estimates

The preparation of financial statements in compliance with Charities SORP (FRS 102) requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the charitable trust funds' accounting policies.

The trustees do not consider there to be any accounting judgements required in preparing these accounts. The trustees are satisfied that accounting policies are appropriate and applied consistently.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

2 Analysis of Income	2018/19	2017/18
	£'000	£'000
<i>Dividend income - received</i>	62	73
<i>Dividend income - accrued</i>	17	16
<i>Jean F. Watson grant received for purchase of art</i>	26	-
Total Income	<u>105</u>	<u>89</u>

3 Analysis of Expenditure on Charitable Activities	2018/19	2017/18
	£'000	£'000
<i>Edinburgh Education Trust - Grants to Individuals</i>	(10)	(9)
<i>Edinburgh Education Trust - Grants to Schools</i>	(2)	(2)
<i>Lauriston Castle - Maintenance of Assets</i>	(2)	(2)
<i>Nelson Halls - Maintenance of Assets</i>	(7)	(8)
<i>The Royal Scots Trusts - Maintenance of Assets</i>	(1)	(1)
<i>Usher Hall - Purchase of Grand Piano</i>	-	(65)
	<u>(22)</u>	<u>(87)</u>
<i>Allocation of support costs</i>	(16)	(13)
Total Expenditure on Charitable Activities	<u>(38)</u>	<u>(100)</u>

There was no expenditure incurred on raising funds in 2018/19. (£nil 2017/18)

4 Analysis of Support Costs	Support	Governance	Total
	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	(2)	(2)	(4)
<i>Boyd Anderson</i>	(2)	(3)	(5)
<i>Jean F. Watson</i>	(3)	(4)	(7)
Total Support Costs	<u>(7)</u>	<u>(9)</u>	<u>(16)</u>

The basis of allocation for the support and governance support costs was the cash held at bank at the time of allocation.

No trustee received any remuneration or expenses during year ending 31 March 2019. There are no employees of the City of Edinburgh Council Charitable Trusts.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

5 Jean F. Watson Collection	2018/19	2017/18
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,275	5,275
<i>Purchases during the year</i>	42	-
Balance carried forward at 31 March	5,317	5,275

In 1961 an agreement was signed by Miss Jean F. Watson and the Corporation of the City of Edinburgh which set up a fund to purchase works of art in memory of Miss Watson's parents. The Trust acquires works of art for public viewing in Edinburgh by artists who have connections with the city. The agreement allows for existing items in the collection to be sold and the proceeds used to purchase other works of art.

There have been various purchases in the last five financial years per the list below and no disposals. In 2015/16, *The Crags at Dawn* by Catharine Davison, in 2016/17, *Moon* by Alison Watt, in 2017/18 *Princes Street Station, Edinburgh* by William Wilson.

In 2018/19, 14 Original Prints from D'Arcy Thompson, *Kiyembe Lane* by Bronwen Sleigh, *7 February 2017* by Charles Poulsen, a griffin silver sculpture by Bryony Knox, *Understanding versus Sympathy* by Roderick Buchanan, *Three Bridge Evening* by Kate Downie, a suite of photographs by Robin Gillanders, three photograph artworks by Flannery O'Kafka and a silver coffee urn were purchased.

These are classified as heritage assets.

6 Analysis of Other Heritage Assets	2018/19	2017/18
	£'000	£'000
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,001	7,001
Total Other Heritage Assets	7,020	7,020

The Lauriston Castle valuation includes £5m based on full inventory evaluation of the collection. An external revaluation of the collection commenced in 2015/16 but the final figures were still unavailable for inclusion in the 2018/19 Trustee's Annual Report and Accounts. The previous valuation of the Lauriston Castle was carried out in 1997 by Sotheby's, with the last full inventory evaluation of contents dating back to 1978.

The Nelson Halls properties have not been valued for the purposes of these accounts and are stated at cost. These buildings are now often incorporated into the fabric of existing buildings and are therefore difficult to revalue.

Additional information on heritage assets can be found in the Trustee's Annual Report but there have been no acquisitions or disposals in the past five financial years, except for those mentioned for Jean F. Watson in Note 5 above.

7 Analysis of Investments	At 31/3/18	Realised Investments	Purchases at cost	Net Gain on revaluation	At 31/3/19
	£'000	£'000	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	880	-	-	57	937
<i>Jean F. Watson</i>	917	-	-	58	975
<i>Lauriston Castle</i>	41	-	-	2	43
<i>Nelson Halls</i>	206	-	-	13	219
<i>The Royal Scots Trust</i>	31	-	-	2	33
Total Investments	2,075	-	-	132	2,207

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

8 Analysis of Cash and Cash Equivalents	2018/19	2017/18
	£'000	£'000
<i>Edinburgh Education Trust</i>	81	65
<i>Boyd Anderson</i>	109	116
<i>Jean F. Watson</i>	129	119
<i>Lauriston Castle</i>	1	1
<i>Nelson Halls</i>	9	10
<i>The Royal Scots Trust</i>	2	2
Total Cash and Cash Equivalents	331	313

9 Analysis of Debtors	2018/19	2017/18
	£'000	£'000
<i>Edinburgh Education Trust</i>	7	7
<i>Jean F. Watson</i>	11	7
<i>Nelson Halls</i>	2	2
Total Debtors	20	16

The figures above predominately relate to the accrued interest for the CCLA and M&G investments. A further £3,400 for Jean F. Watson relates to grant funding for purchases of art which has been awarded but not yet received.

10 Analysis of Creditors Due Within One Year	Unrestricted funds	Endowment funds	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000
<i>Amounts due</i>	(27)	-	(27)	(30)
Total Liabilities	(27)	-	(27)	(30)

Detail of the amounts due per Trust is available in Note 17.

11 Analysis of Financial Assets and Liabilities	2018/19	2017/18
	£'000	£'000
<i>Financial assets measured at amortised cost</i>	351	329
<i>Financial liabilities measured at amortised cost</i>	(27)	(30)
<i>Financial assets measured at market value</i>	2,207	2,075
Total Financial Assets and Liabilities	2,531	2,374

12 Related Party Transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £16,378 was owed to the Council by the Trusts (2017-18 £16,072). Detail of the total amounts due per Trust is available in Note 17.

13 Prior Year Adjustment

There have been no prior year adjustments that require disclosure within these accounts.

14 Post Balance Sheet Event

There have been no events since 31 March 2019, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

15 Audit Fee

The fee payable to Scott-Moncrieff in respect of the audit services for the Council's Charitable Trusts is £7,800 for 2018/19. The figure for 2017/18 was £9,000 but only £7,500 was accounted for in that financial year, therefore the total in 2018/19 accounts is £9,300. This fee is included in the overall governance costs and allocated proportionately to each individual Trust.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

16 (i) Trusts at Market Value - Year Ended 31 March 2019

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	948	32	(16)	57	1,021
<i>Boyd Anderson</i>	SC025067	109	1	(5)	-	105
<i>Jean F. Watson</i>	SC018971	6,311	61	(6)	58	6,424
<i>Lauriston Castle</i>	SC020737	7,041	2	(2)	2	7,043
<i>Nelson Halls</i>	SC018946	228	8	(8)	13	241
<i>The Royal Scots Trust</i>	SC018945	32	1	(1)	2	34
Total Funds		14,669	105	(38)	132	14,868

16 (ii) Trusts at Market Value - Year Ended 31 March 2018

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	SC042754	919	38	(14)	5	948
<i>Boyd Anderson</i>	SC025067	113	-	(4)	-	109
<i>Jean F. Watson</i>	SC018971	6,274	39	(5)	3	6,311
<i>Lauriston Castle</i>	SC020737	7,041	2	(2)	-	7,041
<i>Nelson Halls</i>	SC018946	227	9	(9)	1	228
<i>The Royal Scots Trust</i>	SC018945	32	1	(1)	-	32
<i>Usher Hall</i>	SC030180	65	-	(65)	-	0
Total Funds		14,671	89	(100)	9	14,669

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2019

17 (i) Trusts at Market Value - Year Ended 31 March 2019

Charity Name	SC Number	Revaluation Reserve										2018/19 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Other Heritage Assets	Heritage Assets incl. Lauriston Castle	Investments	Investments Market Value Adjustment		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<i>Edinburgh Education Trust</i>	SC042754	81	7	(4)	-	-	-	-	844	93	1,021	
<i>Boyd Anderson</i>	SC025067	109	-	(4)	-	-	-	-	-	-	105	
<i>Jean F. Watson</i>	SC018971	129	11	(8)	940	4,377	-	-	881	94	6,424	
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,001	-	39	4	7,043	
<i>Nelson Halls</i>	SC018946	9	2	(8)	-	-	-	19	198	21	241	
<i>The Royal Scots Trust</i>	SC018945	2	-	(1)	-	-	-	-	30	3	34	
Total Funds		331	20	(27)	940	4,377	7,001	19	1,992	215	14,868	

17 (ii) Trusts at Market Value - Year Ended 31 March 2018

Charity Name	SC Number	Revaluation Reserve										2017/18 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Other Heritage Assets	Heritable Property incl. Lauriston Castle	Investments	Investments Market Value Adjustment		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<i>Edinburgh Education Trust</i>	SC042754	65	7	(4)	-	-	-	-	844	36	948	
<i>Boyd Anderson</i>	SC025067	116	-	(7)	-	-	-	-	-	-	109	
<i>Jean F. Watson</i>	SC018971	119	7	(7)	898	4,377	-	-	881	36	6,311	
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,001	-	39	2	7,041	
<i>Nelson Halls</i>	SC018946	10	2	(9)	-	-	-	19	198	8	228	
<i>The Royal Scots Trust</i>	SC018945	2	-	(1)	-	-	-	-	30	1	32	
<i>Usher Hall</i>	SC030180	0	-	-	-	-	-	-	-	-	0	
Total Funds		313	16	(30)	898	4,377	7,001	19	1,992	83	14,669	

Independent auditor's report to the trustees of The City of Edinburgh Council Charitable Trusts and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the statement of accounts of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2019 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charities in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

In respect of the Miss Jean Fletcher Watson Bequest, The Edinburgh Education Trust, Nelson Halls Trust, Lauriston Castle Trust and the Royal Scots (The Royal Regiment) Monument Trust Fund, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charities to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – Basis of preparation

In respect of the City of Edinburgh Council Charitable Funds, we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the trustees for the financial statements

As explained more fully in the Responsibilities of the trustee, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett (for and on behalf of Scott-Moncrieff Audit Services)

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date

Finance and Resources Committee

10.00am, Thursday, 26 September 2019

Consultants Costs 2018/19

Executive/routine

Wards

n/a

Council Commitments

n/a

1. Recommendations

The Finance and Resources Committee is recommended to:

- 1.1 note the revenue and capital expenditure incurred for provision of professional services in financial year 2018/19; and
- 1.2 note that revenue expenditure on consultants has decreased by £0.814m (14%) from 2017/18. The cost of engaging consultants to provide specialist and technical advice to support the Capital Investment Programme has increased by £2.772m as the Council has progressed delivery of major capital investment in Early Years properties, School buildings, 21 Century Homes and Meadowbank Sport Centre.

Stephen S. Moir

Executive Director of Resources

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

Consultants Costs 2018/19

2. Executive Summary

- 2.1 This report provides details of expenditure on consultants for provision of professional services during 2018/19.
- 2.2 Revenue expenditure of £4.857m and capital expenditure of £5.557m was incurred on the provision of professional services for the year ended 31 March 2019.
- 2.3 Expenditure on consultants for the provision of professional services was contained within the Council's overall approved revenue and Capital Investment Programme budgets for 2018/19.

3. Background

- 3.1 At its meeting on 25 August 2009, the Finance and Resources Committee noted the intention to report expenditure on consultants on an annual basis. This report provides details of expenditure on consultants for the provision of professional services during 2018/19.
- 3.2 The purchase of consultancy services is governed by relevant procurement legislation and Council Contract Standing Orders. Contract Standing Orders and Guidance on the Appointment of Consultants were approved by Council on 5 February 2015, with further guidance approved on 2 June 2016 and 27 June 2019.
- 3.3 The Council contracts services from professional service providers to reduce the requirement to employ permanent staff for short-term specialised activities and to mitigate the Council's exposure to potential liabilities.

4. Main report

- 4.1 The definition of consultancy services follows the definition approved by Council on 5 February 2015 - "a consultant is a specialist who charges a fee for providing advice or services in a particular area of expertise such as business management, human resources, environment, communication, information technology, property

and estates and financial services, but excluding agency and temporary workers and professional services provided by solicitors, counsel and actuaries”.

- 4.2 The decision to appoint a consultant is taken after full cognisance of the governance arrangements approved by Council on 5 February 2015 and 2 June 2016, the overall financial constraints within which the Council operates and the scrutiny of expenditure on consultants by the Finance and Resources Committee.
- 4.3 Expenditure was reviewed where total payments to any single supplier in the financial year exceeded £2,500 across all services.
- 4.4 Revenue expenditure of £4.857m and capital expenditure of £5.557m was incurred on consultants for the year ended 31 March 2019. A summary of expenditure for services is shown in the table below. A detailed analysis of this expenditure is shown in Appendix 1 (revenue) and Appendix 2 (capital). Expenditure to consultants for the provision of professional services was contained within approved revenue budget and Capital Investment Programme resources for 2018/19.

Consultants Costs 2018/19

Directorate	Revenue	Capital	Total
	£	£	£
Chief Executive	1,378	0	1,378
Communities and Families	76,211	2,409,210	2,485,421
Health and Social Care	148,872	946	149,818
Place	1,350,419	3,113,653	4,464,072
Resources	732,128	27,473	759,601
Council-wide	2,548,209	6,000	2,554,209
Total	4,857,217	5,557,282	10,414,499

- 4.5 Expenditure for 2017/18 was reported to the Finance and Resources Committee on 11 October 2018 and is shown in the following table. The level of expenditure for provision of professional services incurred in any one year is dependent on directorate requirements and is not directly comparable between financial years.

Consultants Costs 2017/18

Directorate	Revenue	Capital	Total
	£	£	£
Chief Executive	27,804	0	27,804
Communities and Families	55,731	1,278,941	1,334,672
Health and Social Care	78,391	1,535	79,926
Place	709,801	1,454,875	2,164,676
Resources	1,301,596	50,030	1,351,626
Council-wide	3,497,980	0	3,497,980
Total	5,671,303	2,785,381	8,456,684

4.6 Revenue expenditure incurred during 2018/19 included:

- 4.6.1 Commercial Excellence Programme – £0.900m of contractually agreed expenditure, including gainshare payments. This is a reduction of £0.315m (25%) from 2017/18. The Commercial Excellence Programme and work by Commercial and Procurement Services has delivered approximately £190m of savings in recent years;
- 4.6.2 Council Transformation Programme – contractually agreed gainshare payments of £0.296m to support achievement of cumulative Transformation Programme savings of £70m. This is a reduction in gainshare payments of £0.420m (58%) from 2017/18;
- 4.6.3 Expenditure of £0.430m to support investment in Council properties to address the findings of the Property Condition Surveys reported to Finance and Resources Committee on 23 January 2018;
- 4.6.4 £0.421m to support delivery of City Centre Transformation projects, fully funded by grant from SUSTRANS;
- 4.6.5 Edinburgh Tram Extension - expenditure of £1.282m in line with decision of Council of 21 September 2017 to approve Stage 2 project activities.

4.7 Professional fees incurred in 2018/19 to progress major capital projects included:

- 4.7.1 £0.747m for major school projects at Queensferry High School, Boroughmuir High School, St John's RC Primary School and rising school rolls projects;
- 4.7.2 £0.292m on Early Years estate to meet the Scottish Government specific grant-funded target of 1,140 hours of nursery provision by 2020;

- 4.7.3 delivery of a range of transport projects, including the North Bridge refurbishment (£0.234m) and Burnshot Bridge replacement (£0.158m);
- 4.7.4 £1.385m in Housing projects, including £0.907m in 21st Century Homes;
- 4.7.5 Investment of £1.022m to progress the new Meadowbank Sport Centre.

5. Next Steps

- 5.1 Expenditure on provision of professional services provided by consultants will continue to be closely reviewed as part of the revenue and capital expenditure monitoring arrangements for each service during 2019/20.

6. Financial impact

- 6.1 The costs set out in this report were contained within the Council's approved revenue budget and Capital Investment Programme for 2018/19. Expenditure on consultants will continue to be closely monitored as part of the expenditure monitoring arrangements for each service during 2019/20.

7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2018/19 revenue budget.
- 7.2 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development. 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.

8. Background reading/external references

- 8.1 [Consultants Costs 2017/18 - Finance and Resources Committee - Thursday, 11 October 2018](#)
- 8.2 [Use of Consultants 2008/09 – Finance and Resources Committee – Tuesday 25 August 2009](#)
- 8.3 [Operational Governance: Review of Contract Standing Orders and Guidance on the Appointment of Consultants – City of Edinburgh Council - Thursday 5 February 2015](#)
- 8.3 [Operational Governance – Review of Contract Standing Orders and Guidance on the Appointment of Consultants – City of Edinburgh Council - Thursday 2 June 2016](#)

- 8.4 [Operational Governance: Review of Contract Standing Orders - City of Edinburgh Council - Thursday 27 June 2019](#)
- 8.5 [Outcome of Property Condition Surveys – Finance and Resources Committee – 23 January 2018](#)
- 8.6 [Edinburgh Tram – York Place to Newhaven – Final Business Case – City of Edinburgh Council – Thursday, 14 March 2019](#)

9. Appendices

Appendix 1 - Consultancy – Revenue Expenditure 1 April 2018 – 31 March 2019

Appendix 2 - Consultancy – Capital Expenditure 1 April 2018 – 31 March 2019

Service Provider	Chief Executive	Communities and Families	Health and Social Care	Place	Resources	Council-Wide	Total
7N Architects LLP				12,776			12,776
Aecom Limited				84,092			84,092
AHR Architects Limited				(1,190)			(1,190)
Anturas Consulting Limited				11,403		264,678	276,081
Arcadis LLP				23,144	22,000		45,144
Atkins Limited						275,522	275,522
Burgess Adams Architects					2,727		2,727
Catriona Grant		7,000					7,000
CH2M Hill United Kingdom				3,335			3,335
Collective Architecture Limited				31,788			31,788
Cundall Johnston & Partners LLP					1,760		1,760
Currie & Brown UK Limited					234,592		234,592
Cushman & Wakefield Debenham Tie Leung Limited				90,504	2,597		93,101
David Adamson and Partners Ltd				2,125			2,125
David Narro Associates Ltd		2,096		7,205	16,905		26,206
Doig & Smith Limited		16,574	3,159				19,733
Ekos Ltd		19,980					19,980
Environmental Resources Management				9,135			9,135
Environtec Ltd				25,146			25,146
Ernst and Young LLP			125,713	2,000		1,195,716	1,323,429
Faithful and Gould					6,518		6,518
French Duncan LLP						6,720	6,720
G3 Consulting Engineers limited					65,695		65,695
Gardiner and Theobald LLP				2,550			2,550
GGI Development and Research LLP			20,000				20,000
Gibbon Lawson McKee Ltd		3,500					3,500
H R Cartwright Consultancy				66,900			66,900
HG Consulting (Scotland) Limited						24,050	24,050
HouseMark Ltd				11,921			11,921
Improvement Service Company					30,000		30,000
J A B Services UK						23,536	23,536
Jacobs Engineering UK Ltd				380,709			380,709
Jane Ramage Training Consultant and Internal Verification Services		4,160					4,160
Jones Lang LaSalle Limited					2,597		2,597
Kee Consultancy Limited		17,645					17,645
LDA Design Consulting Ltd				6,161			6,161
Len Murray				65,549			65,549
Link Asset Services					5,000		5,000
Malcolm Hollis LLP		4,850					4,850
Meriel Young Consulting				2,550			2,550
Midland Software Limited					2,702		2,702
Mott MacDonald Limited				21,239			21,239
NSL Limited				27,280			27,280
Olsson Fire and Risk UK Limited					13,175		13,175
Pricewaterhousecoopers LLP					153,525		153,525
Quality Leisure Management Limited				11,081			11,081
Rettie & Company Limited				35,518			35,518
RSP Consulting Engineers LLP		406		4,250	11,893		16,549
Sandy Brown Associates LLP				450	800		1,250
Space Solutions Scotland Ltd					10,200		10,200
Steer Davies & Gleave Ltd						143,963	143,963
Stephen Quinn Associates Ltd				63,250			63,250
Steve Radcliffe Associates Ltd	1,378						1,378
Summers-Inman Construction And Property Consultants LLP				4,680	129,300		133,980
TRL Ltd				12,600			12,600
Turner & Townsend Infrastructure				125,373	5,500	614,023	744,897
UCL Consultants Ltd					11,800		11,800
Vector Transport Consultancy				7,280			7,280
Will Rudd Davidson Edinburgh Ltd				5,310	2,842		8,152
WSP UK Limited				13,080			13,080
WYG Environment Planning Transport Ltd				181,224			181,224
Total	1,378	76,211	148,872	1,350,419	732,128	2,548,209	4,857,217

CHIEF EXECUTIVE - REVENUE CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
Steve Radcliffe Associates Ltd	1,378	Professional support for Corporate Leadership Team and Elected members.	Progression of Council Change Strategy.
Total	1,378		

COMMUNITIES AND FAMILIES - REVENUE CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
Catriona Grant	7,000	Review and rewrite of the Caledonian children's manual "Getting it Right for Every Child in the Caledonian". This included a review of recent literature and consultation with practitioners and managers.	The Caledonian System, including the enhanced focus on children described in the Getting It Right for Every Child manual, was re-accredited in December 2017 after a robust process of scrutiny from the Scottish Advisory Panel on Offender Rehabilitation. The consultancy arrangement was funded by a grant to the Council from the Violence Against Women and Girls Fund in the Scottish Government, specifically to prepare the manuals for the re-accreditation process.
David Narro Associates Ltd	2,096	Structural Engineering services at school properties.	Development of New Community Hub and Accessibility improvements.
Doig & Smith Limited	16,574	Bangholm Feasibility - Project Management and Quantity Surveying Services.	Bangholm sports facility (Trinity Academy) development. Phase 1 of project is progressing - consultation has taken place and the design is in final stages before being submitted for Planning approval.
Ekos Ltd	19,980	Culture, Leisure and Lifelong Learning future service model options consultancy.	Following a competitive tender, the Council appointed Ekos Ltd to undertake an options appraisal of the current Culture, Leisure and Lifelong Learning structures within the city. The focus of the review was to consider and appraise options against clearly agreed objectives for the future delivery of these services, demonstrating the advantages and disadvantages of bringing these services together in terms of enhancing Edinburgh's global leading reputation for cultural excellence, improving the customer offering and experience for residents, visitors and investors, delivering greater efficiency and cost-effectiveness and explored how different approaches to these services could enhance community health and wellbeing.
Gibbon Lawson McKee Ltd	3,500	Detailed design to Building Warrant Submission/liasing with Building Standards - outdoor centre.	Professional fees for the snowsports building at Lagganlia. Building warrant is in process with Highland Council. Some actions have been advised which projects team and Gibbon Lawson McKee are addressing.
Jane Ramage Training Consultant and Internal Verification Services	4,160	Internal verification services provided for Early Learning and Child Academy programme.	Contributed to the verification and assessment of staff undertaking the SVQ 3 Health and Social Care (Children and Young People) qualification and provided training to support Council staff to become trained Assessors for the SVQ3.
Kee Consultancy Limited	17,645	Expert opinion in relation to adoption cases.	To provide the necessary professional expert opinion on outcomes for Looked After Children.
Malcolm Hollis LLP	4,850	Daylight assessment - Central Library.	The Daylight Assessment was carried out to provide information on the potential daylight levels impact of the Cowgate development. Malcolm Hollis Independent Building Consultants were instructed to undertake this work and have completed a report highlighting the impacts and some recommendations for mitigation. The report was referred to the Education, Children and Families Committee on 14th August 2018 where the findings of the report were noted. The Committee agreed to carry out the recommended mitigation measures and to refer the report to the Planning Committee.
RSP Consulting Engineers LLP	406	Consulting Engineering services - new Meadowbank Sport Centre and Murrayburn Primary School.	Maintenance of school assets.
Total	76,211		

HEALTH AND SOCIAL CARE - REVENUE CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
Doig & Smith Limited	3,159	Quantity surveying/building surveying services for refurbishment at Niddrie Mains Terrace, Edinburgh	Maintenance of assets.
Ernst and Young LLP	125,713	Professional advice - Sustainable Community Support project - phase one.	Working with external care providers to generate and sustain the capacity for Care at Home required to provide the volume of community based services needed to support people to live at home. A positive impact on the delays in assessment and discharge from hospital.
GGI Development and Research LLP	20,000	Professional support - Governance review.	The Edinburgh Integrated Joint Board (EIJ) Chief Officer initiated a review of the governance systems and processes of the Board in recognition of the extent and complexity of the role of the EIJ and its growing maturity as a distinct entity as set out in the Public Bodies (Joint Working)(Scotland) Act of 2014. The Chief Officer commissioned external, independent expertise to support the review by engaging the Good Governance Institute. Their findings were reported to the EIJ on 14th December 2019 and the Chief Officer was tasked with developing a costed action plan in response to the wider recommendations.
Total	148,872		

PLACE - REVENUE CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
7N Architects LLP	12,776	Architectural services - viability testing at Fountainbridge - Housing and Regeneration.	Work required to support proposed development at Fountainbridge.
Aecom Limited	84,092	Water of Leith Basin siltation study/secondment to Planning Team.	Delivery of improvements to Water of Leith Basin. Provision of specialist resource for Planning and Building Standards Team.
AHR Architects Limited	(1,190)	Noise assessment of Council properties (fee revision).	Delivery of improvements to Council houses.
Anturas Consulting Limited	11,403	Setting Up Programme Management and Governance arrangement for various projects including Granton Waterfront, Active Travel, West Edinburgh, Craigmillar and City Centre Transformation.	Professional services for delivery of development projects.
Arcadis LLP	23,144	Preparation of reports - Transport and Planning - Great Junction Street.	Preparation of feasibility study report.
CH2M Hill United Kingdom	3,335	Cab licensing - unmet demand study.	Work required for Taxi Demand work (Regulatory Committee).
Collective Architecture Limited	31,788	Collective Masterplan/Development Brief - Craigmillar Regeneration.	Design services to support progression of Craigmillar Regeneration.
Cushman & Wakefield Debenham Tie Leung Limited	90,504	Professional advice - Edinburgh BioQuarter.	Delivery of project objectives for Edinburgh BioQuarter.
David Adamson and Partners Ltd	2,125	Cost Consultant service - Feasibility Stage - Craigmillar.	Work required to support 21st Century Homes programme.
David Narro Associates Ltd	7,205	Engineer Services - Craigmillar Regeneration.	Engineering services to support progression of Craigmillar Regeneration.
Environmental Resources Management	9,135	Prorofessional advice - New Ingliston	Compensation Event.
Environtec Ltd	25,146	Asbestos Management Surveys - various Council properties.	Delivery of asbestos specialist survey work for health and safety projects.
Ernst and Young LLP	2,000	Workshop for the Strategic Housing Programme.	Professional services to support development of Strategic Housing Programme.
Gardiner and Theobald LLP	2,550	Quantity Surveying Services - Development framework and revised high-level delivery masterplan - Granton Waterfront Regeneration Project.	Professional services to support development framework and revised high-level delivery masterplan for Granton Waterfront.
H R Cartwright Consultancy	66,900	Building Standards Improvement Plan - Development and Implementation.	Building Standards Service improvement and development.
HouseMark Ltd	11,921	Provision of sset Management Support Services for Housing projects.	Professional services to support development of Housing Regeneration Programme.
Jacobs Engineering UK Ltd	380,709	Professional Services for City Centre Transformation/West Register Consultation/Local Heat and Energy Efficiency Strategy for Edinburgh.	Professional Services to support development of the City Centre Transformation /West Register Consultation/Local Heat and Energy Efficiency Strategy. The City Centre Transformation Team is fully funded by a grant from SUSTRANS.
LDA Design Consulting Ltd	6,161	Professional Support - George Street Design/National Clean Air Day 2018.	Professional support for delivery of George Street design works.
Len Murray	65,549	Building Standards Improvement Plan - Development and Implementation.	Building Standards Service improvement and development.
Meriel Young Consulting	2,550	Evaluation of the impact of the Inverleith Festival.	Provision of evaluation.
Mott MacDonald Limited	21,239	Provision of Flood Planning Consultant.	Professional services for delivery of development projects.
NSL Limited	27,280	Footway consultation/Corstorphine parking consultation.	Delivery of Parking action plan.
Quality Leisure Management Limited	11,081	Professional advice - food health and safety - Housing and Regeneration.	Provision of professional advice for food health and safety.
Rettie & Company Limited	35,518	Residential Property consultancy service/rent pressure zone research - HMO's.	Provision of professional services - residential property consultancy service/rent pressure zone research -HMO's.
RSP Consulting Engineers LLP	4,250	Mechanical and Electrical consultants - Replacement of Automatic Open Ventilation System and CCTV Installation at Moredun Multi Storey High Rise.	Delivery of improvements to Council houses.
Sandy Brown Associates LLP To	450	Acoustic consultancy services at 1 Calder Court - predictions of rain noise.	Provision of professional services for Council housing.
Stephen Quinn Associates Ltd	63,250	Building Standards Improvement Plan Development and Implementation.	Building Standards Service Improvement development.
Summers-Inman Construction And Property Consultants LLP	4,680	Project Manager and Principal Designer Blackhall Primary School Temporary Unit Refurbishment/Portobello Town Hall condition survey services.	Provision of professional services for Council properties.
TRL Ltd	12,600	Provide technical management support for ECO Stars Edinburgh - Housing and Regeneration.	Provision of technical management support for ECO Stars Edinburgh - Housing and Regeneration.
Turner & Townsend Infrastructure	125,373	Project Management Services for City Centre Transformation/REFIT Programme.	Delivery of City Centre Transformation and REFIT Programme projects. The City Centre Transformation Team is fully funded by a grant from SUSTRANS.
Vector Transport Consultancy	7,280	Unmet Taxi demand survey.	Work required for Taxi Demand work (Regulatory Committee).
Will Rudd Davidson Edinburgh Ltd	5,310	Structural Engineering services : Retaining Wall Repair - Old Stamp Close.	Support for delivery of public safety work.
WSP UK Limited	13,080	Asbestos Management surveys at various primary schools.	Delivery of asbestos specialist survey work for health and safety projects.
WYG Environment Planning Transport Ltd	181,224	George Street and New Town consultancy design works.	Professional support for delivery of George Street and New Town consultancy design works.
Total	1,350,419		

RESOURCES - REVENUE CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
Arcadis LLP	22,000	Facilities Management technical consulting to support delivery of the Asset Management Strategy.	Technical support provided for development of service models for Facilities Management services.
Burgess Adams Architects	2,727	Professional Services - Property Conservation case.	Progression of Property Conservation case.
Cundall Johnston & Partners LLP	1,760	Manage contract onsite for electric cable diversion.	Cable diversion at Council property.
Currie & Brown UK Limited	234,592	Project management - interim repairs and maintenance/support to Facilities Management Team.	Technical support provided to Facilities Management Team to progress backlog of investment in Council Estate following Property Condition Surveys.
Cushman & Wakefield Debenham Tie Leung Limited	2,597	Professional fees - lease at Phase 1 Ratho Park.	Professional support provided towards successful conclusion of lease.
David Narro Associates Ltd	16,905	Structural Engineering services - various properties.	Continued maintenance of Council property assets.
Faithful and Gould	6,518	Consultancy Services - Market Street drainage issue.	Professional services to progress drainage issue at Council property.
G3 Consulting Engineers Limited	65,695	Estate-wide structural surveys and investigations.	Technical support provided to progress Property Condition Surveys.
Improvement Service Company	30,000	Council funding commitment to the Improvement Service.	Access to the Improvement Services enables the Council to access a range of products focused on digital public services, learning and development, knowledge management, collaboration, performance management and indicators.
Jones Lang LaSalle Limited	2,597	Professional fees - lease at Phase 1 Ratho Park.	Professional support provided towards successful conclusion of lease.
Link Asset Services	5,000	Treasury Management advice to support consideration of a forward borrowing proposal.	Professional advice to investigate how the Council's interest rate risk on future borrowing can be managed and mitigated. The Council has agreed a £60m forward starting loan with Deutsche Pfandbriefbank (PBB), drawn down in October 2020 at a fixed rate. The rate is considered to represent excellent value to the Council in managing its interest rate risk.
Midland Software Limited	2,702	Professional ICT support to assist with data migration/daily billing.	Support for development of system functionality to meet statutory and operational requirements.
Olsson Fire and Risk UK Limited	13,175	Professional advice - Fire Safety Review - Pilot Study.	Technical support provided to progress Property Condition Surveys.
Pricewaterhousecoopers LLP	153,525	Internal Audit Service co-source contract, including specialist advice.	Provision of Internal Audit Service co-source, to support the Council's Internal Audit Service.
RSP Consulting Engineers LLP	11,893	Mechanical and Electrical consultants - lighting tests -Blackhall Primary School/St Thomas of Aquins High School.	Maintenance of school assets.
Sandy Brown Associates LLP	800	Acoustic consultancy services - primary schools.	Maintenance of school assets.
Space Solutions Scotland Ltd	10,200	Asset Management Strategy Estate Rationalisation Project - provision of Office Reorganisation Project Services.	Reduced operational property costs achieved through the re-stack of Waverley Court and an increase in income from operational assets through a lease to CGI for part of Waverley Court. A reduction in the operational estate, with leases for Lothian Chambers and 329 High Street following relocation of previous occupants. Locality Office re-stack progressed.
Summers-Inman Construction And Property Consultants LLP	129,300	Provision of Building Surveyor services - various Council properties.	Preparation of building survey reports to support maintenance of Council properties.
Turner & Townsend Infrastructure	5,500	Professional fees - claims recovery and procurement support - Edinburgh Shared Repairs Service.	Progression of Property Conservation case.
UCL Consultants Ltd	11,800	Energy Benchmarking.	Completion of Council Energy Benchmarking Exercise.
Will Rudd Davidson Edinburgh Ltd	2,842	Provision of structural engineering services at various Council properties.	Maintenance of operational and non-operational estate assets.
Total	732,128		

COUNCIL-WIDE - REVENUE CONSULTANCY SPEND 2018/19

Service Provider	Amount	Task Delivered	Impact
Anturas Consulting Limited	264,678	Strategic delivery partner for Tram to Newhaven Project.	Key support to the Final Business Case, procurement process and stakeholder management. The Tram to Newhaven Final Business Case was approved at Council on 14 March 2019.
Atkins Limited	275,522	Strategic delivery partner for Tram to Newhaven Project.	Design work to support the Tram to Newhaven Final Business Case and procurement.
Ernst and Young LLP	1,195,716	Commercial Excellence and Business Support Services gainshare fee.	Professional advice and support for delivery of Commercial Procurement Strategy and procurement savings. The Commercial Excellence programme and subsequent work by Commercial and Procurement Services has delivered approximately £190m of savings, including cost avoidance savings. Professional services provided to support delivery of cumulative Transformation Programme savings of £70m by 2018/19 to meet Council-approved savings targets.
French Duncan LLP	6,720	Provision of VAT and other taxation-related advice for potential Capital Investment Programme proposals.	Reviewing the tax position of the Council's potential investment in new assets, including assessing any impacts on the Council's VAT partial exemption position.
HG Consulting (Scotland) Limited	24,050	Professional indemnity insurance - Edinburgh Tram Phase One/professional services - New Inghliston Limited.	Ongoing professional advice - New Inghliston Limited.
J A B Services UK	23,536	Specialist Advisor - Edinburgh Tram to Newhaven and Leith Programme Board/Evaluation of Final Business Case - Edinburgh Tram Phase One.	Independent Advisor to the Tram to Newhaven and Leith Programme Board.
Steer Davies & Gleave Ltd	143,963	Traffic Model for Tram to Newhaven Project/Update of Tram to Newhaven Final Business Case/Edinburgh Airport data purchase for Edinburgh Tram Airport Demand Model/Temporary Traffic Management Requirements update. Edinburgh Tram Project Phase One Evaluation Report.	Traffic model provides detailed forecasts of transport usage on the tram corridor over the period of the financial model of the Tram to Newhaven Final Business Case.
Turner & Townsend Infrastructure	614,023	Project and Commercial Management, including Stakeholder Management for Tram to Newhaven Project.	Support provided for Project and Commercial Management and stakeholder management for the Tram to Newhaven Project. The Tram to Newhaven Final Business Case was approved by Council on 14 March 2019.
Total	2,548,209		

Service Provider	Communities and Families	Health and Social Care	Place	Resources	Council-Wide	Total
Aecom Infrastructure & Environment UK Limited	323,829		75,288			399,117
Aecom Limited	(46,885)		672,177			625,292
AHR Architects Limited			225,522			225,522
Anderson Bell Christie Limited	49,940		201			50,141
Arcus Consultancy Services Limited	660		10,625			11,285
Atkins Limited			52,098			52,098
Balfour Beatty Civil Engineering Ltd			114,195			114,195
BHL Consultancy Ltd			37,092			37,092
Blackwood Partnership Limited	126,910		18,733			145,642
Boston Networks Ltd			9,220			9,220
Buro Happold Limited	3,515					3,515
Capita Property & Infrastructure Ltd			76,543			76,543
Collective Architecture Limited			68,804			68,804
Cundall Johnston & Partners LLP			59,684			59,684
Currie & Brown UK Limited	281,610		437,646		6,000	725,255
David Adamson and Partners Ltd			92,053			92,053
David Narro Associates Ltd	104,049	946	115,872			220,867
Devin Consulting Limited	15,799					15,799
Doig & Smith Limited	81,031		59,146			140,177
Ernst and Young LLP	30,000		25,988			55,988
Faithful and Gould	102,638		7,784			110,422
Gardiner and Theobald LLP	147,548					147,548
GHPC Group Ltd	24,172					24,172
Hickton Consultants Limited			215,879			215,879
Holmes Miller Limited	731,850					731,850
Land Use Consultants Ltd			12,882			12,882
MAC Consulting (Scotland) Limited			2,590			2,590
Peter Brett Associates LLP			7,404			7,404
Pick Everard			3,646			3,646
Power Data Associates Limited			3,200			3,200
Ramboll UK Limited	11,000					11,000
Rettie & Company Limited			3,000			3,000
RSP Consulting Engineers LLP	109,422		53,674	7,231		170,327
Sandy Brown Associates LLP	2,250					2,250
Sharon Hosegood Associates Ltd			6,200			6,200
Smith Scott Mullan & Associates Ltd	5,441					5,441
Steer Davies & Gleave Ltd			22,014			22,014
Studioarc Design Consultants Ltd			20,759			20,759
Summers-Inman Construction And Property Consultants LLP				10,754		10,754
Sweco UK Holding Limited			26,920			26,920
Thomas & Adamson	190,658		452,185			642,843
Will Rudd Davidson Edinburgh Ltd	112,146		85,124	9,488		206,758
WSP UK Limited	1,628					1,628
WYG Environment Planning Transport Ltd			39,508			39,508
Total	2,409,210	946	3,113,653	27,473	6,000	5,557,282

COMMUNITIES AND FAMILIES - CAPITAL INVESTMENT PROGRAMME CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
Aecom Infrastructure & Environment UK Limited	323,829	Project Management services for new Meadowbank Sports Centre.	Professional services to support delivery of new Meadowbank Sport Centre.
Aecom Limited	-46,885	Civil and Structural Engineering services for Duncan Place Resource Centre, St John's Primary School, Early Years 1140 Hours - 2020 Projects and new Meadowbank Sports Centre.	Professional services to support delivery of Early Years 1140 hours commitment and new Meadowbank Sport Centre.
Anderson Bell Christie Limited	49,940	Architectural Services for Early Years 1140 Hours - 2020 Projects.	Professional services to support delivery of Early Years 1140 hours commitment.
Arcus Consultancy Services Limited	660	External review of flood risk assessment - Jack Kane Centre	Progression of Hunter's Hall project.
Blackwood Partnership Limited	126,910	Mechanical and Engineering services - primary schools - St John's, New South Edinburgh, Broomhills, New Victoria.	Professional services to support construction of new schools.
Buro Happold Limited	3,515	Mechanical and Engineering services - Broomhills Primary School.	Professional services to support construction of new school.
Currie & Brown UK Limited	281,610	Professional Services - Project Management and Quantity Surveying Services for Early years 1140 Hours - 2020 Projects, new South Edinburgh Primary School, new Victoria Primary School, Broomhills Primary School, new Meadowbank Sport Centre.	Professional services to support delivery of new schools, Early Years 1140 hours commitment and new Meadowbank Sport Centre.
David Narro Associates Ltd	104,049	Professional Services/Quantity Surveying Services for Early years 1140 Hours 2020 Projects.	Professional services to support delivery of Early Years 1140 hours commitment.
Devin Consulting Limited	15,799	Design consultancy work - St Crispin's School.	Professional services to support construction of new school.
Doig & Smith Limited	81,031	Quantity Surveying services - St John's, new South Edinburgh, Broomhills, New Victoria primary schools; Boroughmuir High School.	Professional services to support construction of new schools.
Ernst and Young LLP	30,000	Financial advice on Queensferry High School Hubco project.	Professional advice to optimise funding for replacement Queensferry High School.
Faithful and Gould	102,638	Hunter's Hall Park - Project Management services.	Progression of Hunter's Hall project.
Gardiner and Theobald LLP	147,548	Clerk of Works services for five Rising Rolls projects.	Professional services to support construction of new schools.
GHPC Group Ltd	24,172	Clerk of Works services for five Rising School Rolls school projects.	Professional services to support construction of new schools.
Holmes Miller Limited	731,850	Architectural Services - St John's, new South Edinburgh, Broomhills, new Victoria primary schools, Portobello High School, new Meadowbank Sports Centre.	Professional services to support construction of new schools and new Meadowbank Sports Centre.
Ramboll UK Limited	11,000	Fire Strategy reports new Meadowbank Sports Centre.	Professional services to support delivery of new Meadowbank Sport Centre.
RSP Consulting Engineers LLP	109,422	Fire Strategy report new Meadowbank Sports Centre - Technical Design Stage 4.	Professional services to support delivery of new Meadowbank Sport Centre.
Sandy Brown Associates LLP	2,250	Professional services - Queensferry Primary School.	Professional services to support construction of new school.
Smith Scott Mullan & Associates Ltd	5,441	Professional services - Kirkliston Primary School extension.	Professional services to support construction of new school.
Thomas & Adamson	190,658	Project Management/Design services for Portobello High School, Boroughmuir High School, new Meadowbank Sport Centre.	Professional services to support construction of new schools and new Meadowbank Sports Centre.
Will Rudd Davidson Edinburgh Ltd	112,146	Structural Engineering services - new South Edinburgh, Broomhills, New Victoria Primary Schools.	Professional services to support construction of new schools.
WSP UK Limited	1,628	Road Safety Audit - Boroughmuir High School.	Professional services to support construction of Boroughmuir High School.
Total	2,409,210		

HEALTH AND SOCIAL CARE - CAPITAL INVESTMENT PROGRAMME CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
David Narro Associates Ltd	946	Services at South Gyle Respite Centre.	Professional advice for works at South Gyle Respite Centre.
Total	946		

PLACE - CAPITAL INVESTMENT PROGRAMME CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
Aecom Infrastructure & Environment UK Limited	75,288	Provision of design support for the City Centre West to East Cycle Link and Street Improvements Project.	Professional design advice for the City Centre West to East Cycle Link and Street Improvements Project.
Aecom Limited	672,177	Provision of Civil Engineering services/Design and Consultation Services for Burnshot Bridge Demolition/Cycle Scheme Design/Road User Safety Audits/Far-a-Fair Weir Repair consultancy/Pedestrian crossing assessments.	Professional services for Burnshot Bridge Demolition, Fair-a-far Weir Repair, Cycle Scheme Design works and various pedestrian crossing assessments.
AHR Architects Limited	225,522	Architectural and Design Services - 21st Century Homes - Housing Revenue Account and Environmental Improvement Works.	Professional services to support delivery of 21st Century Homes.
Anderson Bell Christie Limited	201	Community consultation - 21st Century Homes.	Professional services to support delivery of 21st Century Homes.
Arcus Consultancy Services Limited	10,625	Saughton Park Micro Hydro Scheme Planning and applications services.	Professional advice for Saughton Park Micro Hydro Scheme.
Atkins Limited	52,098	Consultancy support for Edinburgh Street Design Guidance Phase 3 works and Real Time Passenger Information System.	Professional services for delivery of Edinburgh Street Design Guidance Phase 3 works and Real Time Passenger Information System.
Balfour Beatty Civil Engineering Ltd	114,195	Burnshot Bridge - Design Delivery services.	Professional services to support delivery of replacement Burnshot Bridge.
BHL Consultancy Ltd	37,092	Clerk of Works services - North Bridge Major Refurbishment.	Professional services to support delivery of refurbishment of North Bridge.
Blackwood Partnership Limited	18,733	Mechanical and Electrical services - 21st Century Homes.	Professional services to support delivery of 21st Century Homes.
Boston Networks Ltd	9,220	Consultancy Works - Upgrade Wireless Link - Housing Revenue Account properties.	Professional services to support delivery of 21st Century Homes.
Capita Property & Infrastructure Ltd	76,543	Feasibility studies and project development and management - road safety and cycle projects.	Professional services to support delivery of road safety and cycle projects.
Collective Architecture Limited	68,804	Landscape architect services for 21st Century Homes project.	Professional services to support delivery of 21st Century Homes.
Cundall Johnston & Partners LLP	59,684	Civil and Structural Engineering services - 21st Century Homes project.	Professional services to support delivery of 21st Century Homes.
Currie & Brown UK Limited	437,646	Project Management, Quantity Surveying and Technical Design services - North Bridge refurbishment. Management services for Energy Efficient Street Lighting Programme and cycling projects.	Professional services to support delivery of North Bridge refurbishment, Energy Efficient Street Lighting Programme and cycling projects.
David Adamson and Partners Ltd	92,053	21st Century Homes Project - feasibility studies, construction and design management, quantity surveying and technical design.	Professional services to support delivery of 21st Century Homes.
David Narro Associates Ltd	115,872	Housing site investigations and structural engineering reports.	Professional services to support delivery of Housing projects.
Doig & Smith Limited	59,146	Quantity Surveying services - Rosefield Park Play Areas/Bankhead Depot/Project Management services for City Centre West to East Link and Roseburn to Union Canal active travel projects.	Professional services to support delivery of Rosefield Park Play Areas, Bankhead Depot, City Centre West to East Link and Roseburn to Union Canal active travel projects.
Ernst and Young LLP	25,988	Financial Advisor Services - Zero Waste project.	Professional Services to support delivery of Zero Waste Project.
Faithful and Gould	7,784	Professional services - 21st Century Homes.	Professional services to support delivery of 21st Century Homes.
Hickton Consultants Limited	215,879	Clerk of Works services - North Sighthill, West Pilton Grove, Greendykes, Calder Gardens, Clermiston, Hailesend Place, Craigmillar, Pennywell Town Centre.	Professional services to support delivery of 21st Century Homes projects.
Land Use Consultants Ltd	12,882	Landscape Architect services for Cammo Estate Heritage Lottery Fund application.	Professional services to support Cammo Estate Heritage Lottery Fund application.
MAC Consulting (Scotland) Limited	2,590	Landscape Designs at City greenspaces.	Professional services for greenspace improvements.
Peter Brett Associates LLP	7,404	Rockfall Health and Safety inspections.	Professional services for health and safety inspections.
Pick Everard	3,646	Project Management Services at Seafield Amenity Depot.	Professional services for delivery of Seafield Amenity Depot project.
Power Data Associates Limited	3,200	Street Lighting services.	Professional services to support delivery of street lighting services.
Rettie & Company Limited	3,000	Feasibility Stage Valuation and Advice - 21st Century Homes site.	Professional services to support delivery of 21st Century Homes.
RSP Consulting Engineers LLP	53,674	Mechanical and Electrical services - Meadowbank new build housing project.	Professional services to support delivery of Meadowbank new build housing project.
Sharon Hosegood Associates Ltd	6,200	Root Radar Survey - Meadowbank new build housing project.	Professional services to support delivery of Meadowbank new build housing project.
Steer Davies & Gleave Ltd	22,014	Traffic Modelling Services for City Centre junctions.	Professional services to support delivery of changes to City Centre junctions.
Studioarc Design Consultants Ltd	20,759	Calton Hill historic signage, Museum of Childhood and The Scott Monument design and production.	Design services to support delivery of exhibitions.
Sweco UK Holding Limited	26,920	Design services - Neighbourhood Environmental Projects design/feasibility to tender for walking schemes.	Professional services to support delivery of Neighbourhood Environmental Projects and walking schemes.
Thomas & Adamson	452,185	Quantity Surveying, Principal Designer, Architectural, Mechanical and Electrical Engineering Services - 21st Century Homes project.	Professional services to support delivery of 21st Century Homes.
Will Rudd Davidson Edinburgh Ltd	85,124	Structural Engineering Services at Meadowbank and other new build housing projects.	Professional services to support delivery of Housing projects.
WYG Environment Planning Transport Ltd	39,508	Melville Crescent Public Realm Design Services.	Professional services to support delivery of Public Realm.
Total	3,113,653		

RESOURCES - CAPITAL INVESTMENT PROGRAMME CONSULTANCY SPEND 2018/19

Service Provider	Amount	Service Provided	Outcome/Impact
RSP Consulting Engineers LLP	7,231	Professional services - Asset management works - Viewforth Community Centre.	Professional services to support delivery of asset management works at Viewforth Community Centre.
Summers-Inman Construction And Property Consultants LLP	10,754	Professional services - Asset Management works - Brunstane Primary School.	Professional services to support delivery of asset management works at Brunstane Primary School.
Will Rudd Davidson Edinburgh Ltd	9,488	Structural Engineering services for 249 High Street reconfiguration and Currie Community High School works.	Professional services to support delivery of works at 249 High Street and Currie Community High School.
Total	27,473		

COUNCIL-WIDE - CAPITAL CONSULTANCY SPEND 2018/19

Service Provider	Amount	Task Delivered	Impact
Currie & Brown UK Limited	6,000	Assessment of abnormal costs - former Boroughmuir High School.	Professional services to support realisation of capital receipt for former Boroughmuir High School.
Total	6,000		

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Finance and Resources Committee

10:00am, Thursday, 26 September 2019

Cameron House Community Centre budget allocation

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 Committee is requested to agree whether to (i) allocate a reduced budget to Cameron House in 2019/20 proportionately in line with the overall reductions in the tertiary budget (Option A); or (ii) preserve the 17/18 budget level for Cameron House for 19/20 (Option B); both options in the period up until the next local government election and, if Option B is chosen, where this funding should come from.
- 1.2 That all future meetings between council officials and the Management Committee be minuted and circulated to the local councillors. The minute taker to be agreed by both parties.

Andrew Kerr

Chief Executive

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Cameron House Community Centre budget allocation

2. Executive Summary

- 2.1 A motion was approved at Finance and Resources Committee on 23 May 2019. This report fulfils the motion and sets out the position with regard to the budget for Cameron House Community Centre (“Cameron House”) and seeks Committee’s decision with regard to the budget allocation for 2019/20 and beyond.

3. Background

- 3.1 On 23 May 2019, a Motion was approved by the Finance and Resources Committee in the following terms:

“In relation to the running of the Cameron House Community Centre, the Finance and Resources Committee;

1) Notes that Southside-Newington ward councillors are requesting that:

i) The budget held by the Children’s and Families for Cameron House Community Centre be transferred to the South East Localities account;

ii) That this budget be maintained at the 2017 level for the duration of this Council term;

iii) That all future meetings between council officials and the Management Committee be minuted and circulated to the local councillors. The minute taker to be agreed by both parties.

2) Therefore, calls for a report on these issues, including detailing the background to the reason for these requests”

- 3.2 Cameron House is a well-used community centre in the South East of the city. It is a well-run and valued community resource.
- 3.3 Since its construction on its current site, the building has suffered from multiple construction related issues, including significant flooding. The Council has had to spend significant sums of money on repairing and maintaining the building.
- 3.4 The issues with the construction and management of the building of Cameron House, as well as issues relating to allegations raised in relation to inappropriate behaviour of Council officers, have previously been reported in detail to both

Education, Children and Families Committee and Governance Risk and Best Value Committee.

- 3.5 Further significant detail relating to the history of these matters is contained within the following reports (links are provided further below for A-agenda reports):
- 3.5.1 The report to Education, Children and Families Committee in December 2014 in relation to the review of Cameron House project delivery by Turner and Townsend;
 - 3.5.2 The report to Governance, Risk and Best Value Committee in March 2015 which further considered the report presented to Education, Children and Families Committee in December 2014;
 - 3.5.3 The reports to Governance, Risk and Best Value Committee in October and November 2015 (B-agenda reports considered in private)) which considered the allegations of misconduct by Council officers involved in the Cameron House project; and
 - 3.5.4 The report to Governance, Risk and Best Value Committee in August 2016 which considered a report providing an update on the Action Plan agreed with Cameron House Management Committee.
- 3.6 These reports set out details of failings by the Council and an apology was issued to Cameron House Management Committee by the Council.
- 3.7 In 2016, a decision was taken by the Chief Executive, following discussions with the Monitoring Officer, to change the liaison/relationship between the Council and Cameron House from Communities and Families to Localities via the Place directorate.
- 3.8 At the same time, additional measures were also agreed in relation to the level of Community Learning and Development staffing at the centre.

4. Main report

- 4.1 Following the implementation of the matters detailed in 3.7 and 3.8 above, Cameron House has continued to operate successfully.

Budget allocation

- 4.2 A specific budget exists within the Communities and Families budget which relates to Life Long Learning to fund the employment of sessional workers to deliver learning and community development programmes across the city. This is referred to as the “tertiary budget”.
- 4.3 In 18/19 the total citywide tertiary budget for staff amounted to £467,514. This was a reduction on the previous annual budgets, which were £497,512 in 2017/18 and £522,166 in 2016/17. Any Management Committee of a Community Centre can bid in to this tertiary budget to secure funding for programmes they wish to run in Centres, but it is not exclusively to support activity based in Community Centres and can be used for other learning activity based on local priorities.

- 4.4 Management Committees are supported by Lifelong Learning Development Officers to develop programmes of activity and to “bid in” to the budget for funding based on local needs and priorities.
- 4.5 Each of the four Lifelong Learning teams within the Localities receives an allocation from the citywide tertiary budget. Cameron House Community Education Centre falls within the South East Locality. The total tertiary budget allocated to South East Locality in 2018/19 was £109,662. This was less than the budget allocated of £116,698 in 2017/18, a reduction of approximately 6%. The Council moved from the six Neighbourhood model to the four Locality model in 2016 and therefore the previous budgets were allocated on different boundaries.
- 4.6 Given the liaison move from Communities and Families to Localities via the Place Directorate, the budget that Cameron House received in 2016/17 was in practical terms carried forward into 2017/18 at the same level as the Centre had secured in 2016/17. This amount was £15,731.
- 4.7 This meant that Cameron House was simply allocated a budgeted amount, representing approximately 13.5% of the overall fund available for learning activity in South East locality. All other Centres and facilities would then have to bid in to be allocated some of the remaining funds available.
- 4.8 In addition, as part of the Life Long learning organisational review that concluded in 2017, the role of “CLD Worker” based at Community Centres was deleted from the structure and the new Lifelong Learning Service provides support to Management Committees from a team of Lifelong Learning Development Officers who work across the Locality with lead roles in certain areas of the service. The Centres have a link officer but do not have a full time dedicated CLD Worker in the way that most Centres did previously. Due to a decision taken by the Chief Executive in consultation with the Monitoring Officer in 2016, Cameron House has retained its full-time dedicated support.
- 4.9 Accordingly, in significant part in recognition of the issues suffered in relation to the Centre in the past, Cameron House presently benefits from both directly allocated budget and full-time dedicated support.
- 4.10 As part of the Council’s budget setting process for 18/19, the tertiary budget available to Life Long Learning was reduced by 6% and the amount allocated to South East Locality was accordingly reduced by the same percentage. The Locality Manager therefore decided that the budget allocated to Cameron House would see a proportionate reduction in keeping with the overall budget reduction of 6%, with the 2018/19 budget allocation therefore being set at £14,787.
- 4.11 It is understood that Cameron House Management Committee has requested, in view of the issues suffered historically as detailed above, that the budget for 2019/20, and for future years, should be maintained at the 2016/17 level of £15,731. If this were to be removed from the remainder of the Life Long Learning budget then this would mean that there would be a reduction in the funding available to other Centres across the Locality to support learning and development programmes. This is at a time when there is a move towards focussing resources in areas of greatest social inequality. In

South East these communities are in Dumbiedykes and a number of areas in the Liberton Gilmerton ward.

- 4.12 The 2019 Annual report for Cameron House notes that they have current assets on the balance sheet of £82,565.
- 4.13 Committee is asked to agree whether to (i) allocate a reduced budget to Cameron House in 2019/20 proportionately in line with the overall reductions in the tertiary budget (Option A); or (ii) preserve the 17/18 budget level for Cameron House for 19/20 (Option B); both options in the period up until the next local government election.
- 4.14 If Option B is approved, Committee is requested to agree whether the relevant additional funding should be allocated from the South East Localities Life Long Learning tertiary budget or, if not, where the budget should be allocated/transferred from.

Meetings

- 4.15 The Motion proposes that all future meetings between council officials and the Management Committee be minuted and circulated to the local councillors. The minute taker to be agreed by both parties. This is recommended for agreement.

5. Next Steps

- 5.1 Action will be taken as appropriate to implement the Committee's decision.

6. Financial impact

- 6.1 There will be no overall additional cost to the Council. The issue for Committee relates to the source of the funding.

7. Stakeholder/Community Impact

- 7.1 Any impact will only become effective if Option B is the Committee's preferred option. Following a decision, consideration can be given to what, if any, notification of the effect of the decision is required.

8. Background reading/external references

- 8.1 [The report to Education, Children and Families Committee in December 2014 in relation to the review of Cameron House project delivery by Turner and Townsend](#)
- 8.2 [The report to Governance, Risk and Best Value Committee in March 2015 which further considered the report presented to Education, Children and Families Committee in December 2014](#)

- 8.3 [The B-agenda report to Governance, Risk and Best Value Committee in October 2015 which considered the allegations of misconduct by Council officers involved in the Cameron House project](#) (link to agenda, report available to Elected members from committee services)
- 8.4 [The B-agenda report to Governance, Risk and Best Value Committee in November 2015 which considered the allegations of misconduct by Council officers involved in the Cameron House project](#) (link to agenda, report available to Elected members from committee services)
- 8.5 [The report to Governance, Risk and Best Value Committee in August 2016 which considered a report providing an update on the Action Plan agreed with Cameron House Management Committee](#)

9. Appendices

- 9.1 None.

Finance and Resources Committee

10.00am, Thursday, 26 September 2019

Edinburgh Boundaries Extension and Tramways Act 1920 Centennial - Funding Allocation

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 Committee are asked to:

- 1.1.1 Approve the cost of £10,000 to be funded from the Chief Executive's revenue budget to fund the consultancy work and funding application to HLF.

Andrew Kerr

Chief Executive

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Edinburgh Boundaries Extension and Tramways Act 1920 Centennial - Funding Allocation

2. Executive Summary

- 2.1 The Edinburgh Boundaries Extension and Tramways Act of 1920 was an important piece of legislation which led to a major expansion of the city's boundaries. This report sets out a project proposal and associated costs to ensure this event can be celebrated through a series of outreach and community focused events.
- 2.2 This report outlines the requirement for engagement which would cost £10,000. It is proposed that this would be funded from within the Chief Executive's budget.

3. Background

- 3.1 In 2020, it will be the centenary anniversary of the expansion of the city's boundaries to include communities of Colinton, Corstorphine, Cramond, Gilmerton, Leith, Liberton and Longstone.
- 3.2 Given the major significance of the event and forthcoming centenary, a Member/Officer Working Group has been established to explore how the extension's anniversary can be celebrated in 2020. The Group is chaired by the Lord Provost and includes elected members who represent each of the Political Groups, and officers from the Council's Records and Archives Section.
- 3.3 As part of the work of the Member/Officer Working Group, a business case has been developed which sets out how the City of Edinburgh Council proposes to celebrate the centenary of the Edinburgh Boundaries Extension and Tramways Act of 1920.
- 3.4 The business case went to Full Council on 20 September 2018 and was noted.

4. Main report

- 4.1 The proposal now is to explore external funding options and to make applications for funding to such bodies as the Heritage Lottery Fund (HLF). For such an application to be successful, it will require the involvement of community and local

history groups, which in turn would require consultation, mapping and co-ordination of goals and available resources. To do this effectively and within a reasonable timeframe, a consultant with experience in community heritage funding applications would need to be engaged.

- 4.2 After some initial soundings from local consultants in the city, it is believed that such engagement would cost £10,000. This would provide a draft project plan and submitted HLF funding application.
- 4.3 It is proposed that the cost of £10,000 would be funded from the Chief Executive's budget.

5. Next Steps

- 5.1 A consultant will be engaged to start the work.

6. Financial impact

- 6.1 If funding is agreed by Committee this would result in £10,000 of expenditure in the Chief Executive's revenue budget to fund the consultancy work and funding application to HLF.
- 6.2 If the funding application is unsuccessful, the project plan would include stakeholder engagement work, an activity plan and an indication of relevant sources of match funding that would make it a useful basis to pursue non HLF funded options to celebrate the anniversary.

7. Stakeholder/Community Impact

- 7.1 A Member/ Officer Working Group has been established to explore how the extension's anniversary can be celebrated in 2020. The Group is chaired by the Lord Provost and includes elected members who represent each of the Political Groups, and officers from the Council's Records and Archives Section.
- 7.2 There will be stakeholder engagement as part of the work undertaken by the consultant.

8. Background reading/external references

- 8.1 '[Edinburgh Boundaries Extension and Tramways Act 1920](#)', City of Edinburgh Council, 20 September 2018

9. Appendices

None

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by virtue of paragraph(s) 6 of Part 1 of Schedule 7A
of the Local Government(Scotland) Act 1973.

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