

Notice of meeting and agenda

City of Edinburgh Council

10.00 am Tuesday, 30th June, 2020

Virtual Meeting - via Microsoft Teams

This is a public meeting and members of the public are welcome to watch the live webcast on the Council's website.

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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.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 | The City of Edinburgh Council of 12 March 2020 – submitted for approval as a correct record | 15 - 74 |
| 4.2 | Housing, Homelessness and Fair Work Committee of 20 January 2020 – submitted for approval as a correct record | 75 - 86 |
| 4.3 | Culture and Communities Committee of 28 January 2020 – submitted for approval as a correct record | 87 - 100 |
| 4.4 | Transport and Environment Committee of 27 February 2020 – submitted for approval as a correct record | 101 - 116 |
| 4.5 | Education, Children and Families Committee of 3 March 2020 – submitted for approval as a correct record | 117 - 134 |
| 4.6 | Finance and Resources Committee of 5 March 2020 – submitted for approval as a correct record | 135 - 160 |
| 4.7 | Regulatory Committee of 9 March 2020 – submitted for approval as a correct record | 161 - 168 |

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5.12	By Councillor Young - Collection of Grass Cuttings – for answer by the Convener of the Culture and Communities Committee	191 - 192
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6. Leader's Report

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8. Reports

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8.2	Revenue Budget 2020/21 Update – referral from the Policy and Sustainability Committee	369 - 384
8.3	Lothian Pension Fund - Unaudited Annual Report (and Financial Statements) 2020 - referral from the Pensions Committee	385 - 600
8.4	Office of Lord Provost: Year Three Report 2019/20 – Report by the Chief Executive	601 - 610
8.5	Friendship Agreement with Contalmaison – Report by the Executive Director of Resources	611 - 614

9. Motions

9.1 By Councillor Webber - Dolphin Gardens West Park Rangers

“Council:

- 1) Would like to thank the tremendous work and initiative of this group of residents from Currie and invites the Lord Provost to write to the group recognising this.
- 2) Throughout the COVID 19 lock down period, they took it upon themselves to maintain key areas using their own grass cutting machinery and even ensured the arisings were all carefully removed and disposed of appropriately.
- 3) Their focus was the long-neglected park at Dolphin Gardens West where they have also painted and had a blacksmith repair the swings. They have cleared detritus from the safety matting and have reseeded areas of grass that had long suffered damage from vehicles cutting corners and mounting the kerbs.
- 4) They also came together to ensure Currie Kirk Cemetery and the surrounding grounds were maintained through the period of lock down. This has been of immense importance to those visiting loved ones buried there and has been a huge symbol of respect that has moved the entire community to recognise and thank them for their work and dedication.
- 5) The group is now looking to develop a formal arrangement for the ongoing maintenance and investment in Dolphin Gardens West. They have requested support from Parks and Greenspaces and the Waste and Cleansing Services to permit this, primarily via their local councillor. As such requests that we look to facilitate and encourage their endeavours and support the DGW Park Rangers wherever possible.”

9.2 By Councillor Fullerton - Fire at Saughton Park Enclosure - Mr Kyle McAndrew

“Council notes:

The recent reported fire at Saughton Park Enclosure, caused by a deliberate act of mindless vandalism by a gang of youths in the area.

Council will have also read about the heroism of a local resident Kyle McAndrew who saw the fire from his garden and ran to the enclosure. Mr McAndrew pulled an injured man from the seat of the blaze without any regard for his personal safety.

Council agrees Mr McAndrew's unquestionable bravery in saving a man's life should be acknowledged and that the Lord Provost recognise this in an appropriate way."

9.3 By Councillor Wilson - 50th Anniversary of Garvald Edinburgh

"Council notes that:

- a) In order to improve creative opportunities and support for people with learning disabilities in Edinburgh since 1969, they have provided creative working environments focusing mainly around craft, catering and artistic skills for over 200 people.
- b) Their approach brings together all the factors that are important for any person in their daily life. A work like environment provides meaning, structure and stability. The physical environment is even more important for people with learning disabilities. Their day facilities are calm and creative spaces and they encourage respect for the natural world around them. This nourishes the senses and develops a feeling of community and respect that would be otherwise very difficult for their members to experience.
- c) They now support people across four locations. They are also one of the founding organisations of get2gether Edinburgh, which arranges social activities for people with disabilities in safe and friendly places throughout.
- d) The Art and Design Studio at Garvald Edinburgh enables artists with learning disabilities to develop and exhibit their work. [The artists](#) have access to high quality materials and support, giving them space to explore and express their creative voice. Each artist is facilitated to produce a body

of work to exhibition standard and their work is shown in a variety of locations in Edinburgh and beyond. Social Therapy.

In acknowledging the positive work of Garvald Edinburgh, Council requests that the Lord Provost, marks the 50th Anniversary in an appropriate way.”

9.4 By Councillor Arthur - Signage for Scotland's Largest Historical Mural

“Congratulates the Colinton Tunnel Mural Team (SC048476) on the progress they have made to date in creating Scotland's largest historical mural and the interest the project has attracted from around the world.

Recognises the strength of support for the project in the local community, not least from the many local children who have supported artist Chris Rutterford.

Notes that although the Colinton Tunnel Mural is not yet complete it has attracted up to 1,000 visitors each day throughout lockdown. Although many people approach Colinton Tunnel along the Water of Leith Walkway (National Cycle Network Route 75), it is recognised that others come via the road network (whether on foot, bicycle, car or bus).

Notes the Colinton Tunnel Mural team and local Ward Councillors are receiving increasing numbers of reports that some people find it difficult to find the tunnel from Colinton village although it is clearly marked on Google Maps.

Notes the longstanding support the City of Edinburgh Council has provided the Colinton Tunnel Mural project due to its cultural and economic benefits.

Asks that the Traffic Signs Team brings forward a plan within two cycles to improve signage in the Colinton Area for those trying to find the Colinton Tunnel Mural and National Cycle Network Route 75.”

9.5 By Councillor Lezley Marion Cameron - Safe Re-opening of Businesses in Edinburgh

“Council welcomes the positive public engagement with the Spaces for People programme, designed to ensure the safety of people walking, cycling and wheeling; and the contribution of this, and other holistic measures which support the allocation of public space, towards a sustainable, economic recovery for Edinburgh.

Council notes officers across relevant departments are working up a clear framework within which Edinburgh businesses can safely reopen and operate within all social distancing guidelines; and without detriment or compromise to accessibility; and to health and safety.

Council requests an update report on work to support business reopening, including actions taken to support business operating in outside spaces as soon as practicable.”

9.6 By Councillor Lezley Marion Cameron - Impact of Covid-19 on Equalities in Edinburgh

“Council calls for a report to the Policy and Sustainability Committee within 3 cycles on actions taken, during the period of the Covid-19 lockdown commencing on 23 March to date, to safeguard and support inclusion, accessibility, equality and fairness for protected characteristics under the Equality Act 2010.”

9.7 By Councillor Corbett – Green Recovery

“Council

- 1) Welcomes the work by Edinburgh Climate Commission to develop an Edinburgh Green Recovery plan from the Coronavirus pandemic which also aligns with the council’s 2030 zero carbon commitment.
- 2) Agrees that this work should be integrated within the Adaptation and Renewal Programme for the city.
- 3) Recognises that the £1.33 billion City Region Deal was developed to deal with a very different set of

circumstances than those facing Edinburgh in 2020.

- 4) Recognises that those changed circumstances equally affect regional partners and the business and university sectors.
- 5) Therefore also agrees that the Council Leader should seek agreement with City Region Deal partners to present an updated prospectus to the Scottish and UK Governments which is consistent with recovery plans and the city's 2030 zero carbon target."

9.8 By Councillor Rust - Engagement with Employees

"Council:

- 1) Agrees that the contribution of The City of Edinburgh Council employees is vital to the operation of the Council and the Council owes a duty of care to its employees and engagement and consultation, such as in relation to the impact of Covid-19 on working practices, is a key part of that;
- 2) Notes that based on Council information through deduction from pay as at January 2018: 35.6% of non-teaching employees were members of a non-teaching trade union (Unison; Unite the Union; GMB) and 0.47% of teaching staff were members of a trade union.
- 3) Accepts that data is incomplete due to some employees paying their trade union subscription directly, and that anecdotally it is anticipated a majority of teachers will be members of a trade union, nevertheless recognises that there is clearly a remaining and potentially sizeable group of employees that are not trade union members.
- 4) Recognises that trade unions have a role in the workplace in representing the interests of their members and through national frameworks or partnership agreements will for some purposes have a recognised role, but that a significant number of employees choose not to join a trade union.
- 5) Therefore calls for a report to Policy and Sustainability Committee in three cycles on Council engagement with its

employees, to include

- a) details as to the ways in which both non-trade union member and trade union member employees are currently engaged and consulted with:
- b) options to improve engagement and consultation such as through the establishment of employee forums in order to give a voice to those employees who choose not to be trade union members; and
- c) research /information from other authorities, and unionised sectors of industry as to potential models for ensuring appropriate staff engagement and consultation.”

9.9 By Councillor Jim Campbell - Prioritise Education Now

“Council:

- 1) Recognises that re-opening schools in August is the single most important step it can take to support the recovery and renewal of our City and that the same national and local efforts which have gone towards employment and business and other challenges faced over this period now urgently require focus on pupils’ education.
- 2) Expects all young people attending Council schools to be offered the same level of in-classroom education.
- 3) Observes that the threat from the Coronavirus is one that could exist for some considerable time, and that medium to long term solution for a full return to school must take this into account.
- 4) Insists on a costed action plan from the Chief Executive within one cycle setting out how all Council schools could offer 75% and 100% attendance under all responsibly foreseeable scenarios from re-opening in August 2020, or very shortly thereafter.
- 5) Accepts that different levels of Government need to work together on providing this solution, and that discussions are required regarding the need to relax any perceived constraints provided health and safety can be maintained.”

9.10 By Councillor Lezley Marion Cameron - Liberton Primary School

“Following Council’s approval of a Motion on 12 March on the rebuilding and refurbishment of Liberton Primary School; and the subsequent onset of COVID-19 lockdown on 23 March, Council notes the recent request from LPSA to their Liberton Gilmerton Ward Councillors, seeking an update on rebuilding and refurbishing progress and timescales; and confirmation that, given COVID-19 lockdown, plans to site temporary classroom units would still happen in good time before schools reopen on 11 August.

Council requests that officers ensure Liberton Primary School parents, guardians, kinship carers and the Liberton Primary School Association to be advised and kept informed of progress to date on the siting of temporary classrooms, the refurbishment and rebuilding programme; and to be consulted with regards to the proposals and plans for the rebuilding and refurbishment of the school.

Council notes that work to install temporary units on site is ongoing as well as classroom space secured in neighbouring community centres. Officers are planning, alongside third sector partners, to ensure children have all the necessary support and facilities for the schools reopening in August, without decant to other schools.

Council agrees an update report to the Policy & Sustainability Cttee in three cycles setting out the timescale and progress made to date on the rebuilding and refurbishing of Liberton Primary School to a quality and standard which meets 2020 guidelines for class sizes and communal areas; and which also creates the necessary additional space to accommodate continually rising school rolls.”

9.11 By Councillor Burgess - New school session 2020-21

This Council:

- 1) Welcomes statements from the First Minister on the priority being given to restarting schools in August in a way that is

- as close to normal school experience as possible;
- 2) Recognises that school arrangements need to be consistent with public safety advice;
 - 3) Further recognises that a prolonged period of limited access to direct teaching will widen the attainment gap, with a long term negative effect on many of the most disadvantaged young people;
 - 4) Notes that a significant number of young people will have not engaged with online resources provided in the period April – June;
 - 5) Therefore agrees that the Council leader will write to Scottish Government Ministers in support of seeking additional funding required to ensure that schools can operate safely in a way which provides the education which young people need and also to request that there is a co-ordinated effort to improve the quality and consistency of online resources, including online teaching.”

Laurence Rockey

Head of Strategy and Communications

Information about the City of Edinburgh Council

The City of Edinburgh Council consists of 63 Councillors and is elected under proportional representation. The City of Edinburgh Council usually meets once a month and the Lord Provost is the Convener when it meets.

The meeting will be held by Microsoft Teams and will be webcast live for viewing by members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Gavin King, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4239, email gavin.king@edinburgh.gov.uk.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to <https://democracy.edinburgh.gov.uk> .

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Minutes

The City of Edinburgh Council

Edinburgh, Thursday 12 March 2020

Present:-

LORD PROVOST

The Right Honourable Frank Ross

COUNCILLORS

Robert C Aldridge
Scott Arthur
Gavin Barrie
Eleanor Bird
Chas Booth
Claire Bridgman
Mark A Brown
Graeme Bruce
Steve Burgess
Lezley Marion Cameron
Jim Campbell
Kate Campbell
Mary Campbell
Maureen M Child
Nick Cook
Gavin Corbett
Cammy Day
Alison Dickie
Denis C Dixon
Phil Duggart
Karen Doran
Scott Douglas
Catherine Fullerton
Neil Gardiner
Gillian Gloyer
George Gordon
Ashley Graczyk
Joan Griffiths
Ricky Henderson
Derek Howie

Graham J Hutchison
Andrew Johnston
David Key
Callum Laidlaw
Kevin Lang
Lesley Macinnes
Melanie Main
John McLellan
Amy McNeese-Mechan
Adam McVey
Claire Miller
Max Mitchell
Joanna Mowat
Rob Munn
Gordon J Munro
Hal Osler
Ian Perry
Alasdair Rankin
Cameron Rose
Neil Ross
Jason Rust
Stephanie Smith
Alex Staniforth
Mandy Watt
Susan Webber
Iain Whyte
Donald Wilson
Norman J Work
Louise Young

1 International Women's Day - Motion by Councillor Watt

a) Deputation – Edinburgh Womens Aid

The deputation thanked the Council for the opportunity to mark International Women's Day. They outlined the support services that they provided for survivors of any form of violence and the key challenges they faced. In the past year they had provided support for 500 new new referrals and there were many waiting to access support.

b) Motion by Councillor Watt

The following motion by Councillor Watt was submitted in terms of Standing Order 16:

"This Council:

Continues to support International Women's Day as a day to celebrate women's achievements and give focus to campaigns for women's rights.

Recognises that gender-based violence is a major public health and human rights issue; that gender inequality is a root cause of this violence; and that such violence is devastating to all of the individuals involved and detrimental to society as a whole.

Requests a report in three cycles to the Policy and Sustainability Committee summarising the specific policies that have been put in place by the City of Edinburgh Council, during the year to 31 March 2020, that seek to prevent gender inequalities and improve our support for survivors of gender-based violence."

Motion

To approve the motion by Councillor Watt.

- moved by Councillor Watt, seconded by Councillor McNeese-Mechan

Amendment 1

To add after 'summarising the specific policies...', 'and equality impact assessments'.

- moved by Councillor Main, seconded by Councillor Miller

Amendment 2

To replace the third paragraph with:

“Agrees that the equalities working group should:

- a) review the specific policies which the Council has put in place to prevent gender inequalities and improve support for survivors of gender-based violence;
- b) consider how these polices can be further developed; and
- c) make any recommendations for change to the Policy and Sustainability Committee within three cycles.”

- moved by Councillor Young Seconded by Councilllor Gloyer

In accordance with Standing Order 21(12), Amedment 1 was accepted as an addendum to the motion and Amendment 2 as an amendment to the motion.

Decision

To approve the following adjusted motion by Councillor Watt:

To continue to support International Women’s Day as a day to celebrate women’s achievements and give focus to campaigns for women’s rights.

To recognise that gender-based violence was a major public health and human rights issue; that gender inequality was a root cause of this violence; and that such violence was devastating to all of the individuals involved and detrimental to society as a whole.

To agree that the equalities working group should:

- a) review the specific policies and equality impact assessments which the Council had put in place to prevent gender inequalities and improve support for survivors of gender-based violence;
- b) consider how these polices could be further developed; and
- c) make any recommendations for change to the Policy and Sustainability Committee within three cycles.

2 Minutes

Decision

- a) To approve the minute of the Council of 6 February 2020 as a correct record.
- b) To approve the minute of the Council of 20 February 2020 as a correct record

3 Questions

The questions put by members to this meeting, written answers and supplementary questions and answers are contained in Appendix 1 to this minute.

4 Leader's Report

The Leader presented his report to the Council. He commented on:

- Current Budget Position
- Coronavirus

The following questions/comments were made:

- | | |
|---------------------------|---|
| Councillor Whyte | - Coronavirus |
| | - Central Government – additional devolved funding |
| Councillor Staniforth | - Bus service alterations and cuts |
| Councillor Aldridge | - Coronavirus – partnership working |
| | - Budget – additional funding |
| Councillor Day | - Youth summit on the climate crisis |
| Councillor McNeese-Mechan | - Scottish Film Studio in Leith |
| Councillor Rust | - Marketing Edinburgh Staff - contracts |
| Councillor Main | - International Women's Day – Waiting lists for refugees in Edinburgh |
| Councillor Lang | - Council funding – education budget cuts |
| Councillor Munro | - Council funding – available resources |
| Councillor Gordon | - Consultation on Food Growing Strategy |

Councillor McLellan	- Supported bus services
Councillor Booth	- Coronavirus – Council preparedness – support for those with potential lack of income
Councillor Laidlaw	- Coronaviras – small business tax relief
Councillor Barrie	- Major events – use of public spaces – Edinburgh Filmhouse
Councillor Johnston	- Council Tax increases
Councillor Rankin	- Ringfencing £2m of reserves for Covid-19 provisions
Councillor Webber	- Marketing Edinburgh – finances – emergency cash injection
Councillor Mowat	- Subsidised bus services – 6 and 69 bus services
Councillor Doggart	- EIJB cuts

5 Committee and Outside Body Appointments

Details were provided on vacancies which had been created by the resignation of Councillor Ian Campbell.

Motion

Council:

Agrees to replace Councillor Karen Doran on the Edinburgh Community Solar Co-Operative with Councillor Lezley Marion Cameron.

Agrees not to appoint an additional member to the Edinburgh Jazz & Blues Festival and not to appoint to the Local Authority South Africa National Steering Committee.

Agrees to appoint Councillor Catherine Fullerton to the Culture & Communities Committee.

- moved by Councillor Fullerton, seconded by Councillor Doran

Amendment

Council notes the use of the term ‘political balance of the council,’ in relation to committee membership in this report and accepts that as the result of the vote by the SNP, Labour and Green Groups on City of Edinburgh Council on 21st November 2019, to reject the Chief Executives report on Appointments to Committees and

Outside Organisations, the previously cross party agreed terms of reference that saw committee membership allocated on the basis that is 'proportionate to the elected representation of political parties' no longer appear to apply.

On this basis each position on all committees shall be determined by a vote of members at Full Council.

Council further agrees that the City of Edinburgh Council representative on the Local Authority Action for Southern Africa will be a matter for the Council AGM on 20th May 2020.

- moved by Councillor Bridgman, seconded by Councillor Barrie

Voting

The voting was as follows:

For the motion	-	27 votes
For the amendment	-	8 votes

(For the motion: The Lord Provost, Councillors Arthur, Bird, Cameron, Kate Campbell, Child, Day, Dickie, Dixon, Doran, Fullerton, Gardiner, Gordon, Griffiths, Henderson, Howie, Key, Macinnes, McNeese-Mechan, McVey, Munn, Munro, Perry, Rankin, Watt, Wilson and Work.

For the amendment: Councillors Aldridge, Barrie, Bridgman, Gloyer, Lang, Osler, Neil Ross and Young.

Abstentions: Councillors Booth, Brown, Bruce, Burgess, Jim Campbell, Mary Campbell, Cook, Corbett, Daggart, Douglas, Graczyk, Hutchison, Johnston, Laidlaw, McLellan, Main, Miller, Mitchell, Mowat, Rose, Rust, Smith, Staniforth, Webber and Whyte.)

Decision

To approve the motion by Councillor Fullerton.

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

5 Elected Members Oversight Sub-Committee

Details were provided on a cross-regional Elected Members' Oversight Sub-Committee which was being formed to scrutinise the new Regional Growth Framework for the Edinburgh and South East Scotland City Region. The Council were invited to appoint two members to represent the City of Edinburgh Council on the Committee.

Motion

To appoint Councillors McVey and Day to the Elected Members Oversight Committee.

- moved by Councillor Fullerton, seconded by Councillor Doran

Amendment

To appoint Councillor Iain Whyte to the Elected Members' Oversight Sub Committee.

- moved by Councillor Mowat, seconded by Councillor Rust

Voting

The voting was as follows:

For the motion	-	27 votes
For the amendment	-	25 votes

(For the motion: The Lord Provost, Councillors Arthur, Bird, Cameron, Kate Campbell, Child, Day, Dickie, Dixon, Doran, Fullerton, Gardiner, Gordon, Griffiths, Henderson, Howie, Key, Macinnes, McNeese-Mechan, McVey, Munn, Munro, Perry, Rankin, Watt, Wilson and Work.

For the amendment: Councillors Aldridge, Barrie, Bridgman, Brown, Bruce, Jim Campbell, Cook, Doggart, Douglas, Gloyer, Hutchison, Johnston, Laidlaw, Lang, McLellan, Mitchell, Mowat, Osler, Rose, Neil Ross, Rust, Smith, Webber and Whyte Young.

Abstentions: Councillors Booth, Burgess, Mary Campbell, Corbett, Graczyk, Main, Miller, and Staniforth.)

Decision

To approve the motion by Councillor Fullerton.

(Reference – report by the Chief Executive, submitted)

6 Outcome of the Statutory Consultation Process on the Proposal to Establish a New NonDenominational Primary School and Implement Catchment Changes to Address School Capacity and Accommodation Pressures in West Edinburgh

Details were provided on the outcome of the statutory consultation process undertaken on the proposal to establish a new non-denominational primary school in West Edinburgh, with associated changes to the catchment areas of existing primary and secondary schools.

Motion

- 1) To approve that the proposal to establish a new non-denominational primary school in West Edinburgh is progressed and the school catchment changes outlined in the statutory consultation paper are implemented in the November prior to the new school opening.
- 2) To approve that a P1 place at Corstorphine Primary School be guaranteed (if they wish to take it) for six years after the new school opens for children who:
 - live within the catchment area of the new primary school; and
 - are in a residence that existed in March 2020; and
 - will have an older sibling in Corstorphine Primary School at the time they would attend the school.

- moved by Councillor Perry, seconded by Councillor Dickie

Amendment

Council notes the report and agrees recommendation 1 in the report by the Executive Director for Communities and Families.

Council recognises that a limit of 6 years on a sibling guarantee may not accommodate families with more than 2 children, therefore amends recommendation 2 as follows:

Approve that a P1 place at Corstorphine Primary School be guaranteed (if they wish to take it) for children who:

- Live within the catchment area of the new primary school; and
- whose parent(s) or guardian were resident in the catchment area of the new primary school in March 2020; and

- will have an older sibling in Corstorphine Primary School at the time they would attend the school.

- moved by Councillor Young, seconded by Councillor Lang

In accordance with Standing Order 21(12), the amendment was accepted as an amendment to the motion.

Decision

To approve the following adjusted motion by Councillor Perry:

- 1) To agree that the proposal to establish a new non-denominational primary school in West Edinburgh be progressed and the school catchment changes outlined in the statutory consultation paper implemented in the November prior to the new school opening.
- 2) To recognise that a limit of 6 years on a sibling guarantee may not accommodate families with more than 2 children, therefore to agree that a P1 place at Corstorphine Primary School be guaranteed (if they wish to take it) for children who:
 - Lived within the catchment area of the new primary school; and
 - whose parent(s) or guardian were resident in the catchment area of the new primary school in March 2020; and
 - would have an older sibling in Corstorphine Primary School at the time they would attend the school.

(Reference – report by the Executive Director for Communities and Families, submitted.)

7 Outcomes of the Statutory Consultation Proposal to relocate Newcraighall Primary School to a new building in the New Brunstane Development

Details were provided on the outcome of the statutory consultation process undertaken on the proposal to relocate Newcraighall Primary School to a new building in the New Brunstane housing development area.

Decision

To agree that the proposal to relocate Newcraighall Primary School to a new building in the New Brunstane development be progressed.

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

8 Outcomes of the Statutory Consultation Proposing to Realign the Catchment Areas of Clovenstone Primary School, Sighthill Primary School and Wester Hailes Education Centre to Accommodate the Proposed Edinburgh Park and Curriemuirend Development Sites.

Details were provided on the outcome of the statutory consultation process undertaken on the proposal to realign the catchment areas of Clovenstone Primary School, Sighthill Primary School and Wester Hailes Education Centre to accommodate the proposed Edinburgh Park and Curriemuirend development sites.

Decision

To agree that the catchment boundaries of Currie Primary School, Gylemuir Primary School, Broomhouse Primary School, Sighthill Primary School, Juniper Green Primary School, Clovenstone Primary School, Forrester High School, Wester Hailes Education Centre and Currie High School be realigned as per those set out in the consultation paper.

(Reference – report by the Executive Director for Communities and Families, submitted.)

9 City Strategic Investment Fund – Powderhall Stables – referral from the Policy and Sustainability Committee

The Policy and Sustainability Committee had referred a report on the proposed allocation of up to £790,000 from the City Strategic Investment Fund to the Powderhall Stables project from 1 April 2020, subject to it securing a grant of £1.21m from the Scottish Government's Regeneration Capital Grant Fund (RCGF) to the Council for approval.

Decision

To approve allocation of up to £790,000 from the City Strategic Investment Fund to the Powderhall Stables project from 1 April 2020, subject to it securing a grant of £1.21m from the Scottish Government's Regeneration Capital Grant Fund (RCGF).

(References - Policy and Sustainability Committee 25 February 2020 (item 15); referral from the Policy and Sustainability Committee, submitted.)

10 Capital Strategy 2020-2030 – Annual Report – referral from the Finance and Resources Committee

The Finance and Resources Committee had referred a report which set out the proposed Capital Strategy for 2020-2030 to the Council for approval.

The Strategy provided a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

Decision

To approve the Capital Strategy 2020-2030 – Annual Report.

(References – Finance and Resources Committee 5 March 2020 (item 20); referral from the Finance and Resources Committee, submitted.)

11 Annual Treasury Management Strategy 2020/21 – referral from the Finance and Resources Committee

The Finance and Resources Committee had referred a report on the proposed Treasury Management Strategy for the Council for 2020/21, which comprised of an Annual Investment Strategy and a Debt Management Strategy to the Council for approval.

There was a statutory requirement for Council to approve this in advance of the new financial year.

Decision

- 1) To note the Annual Treasury Strategy 2020/21.
- 2) To refer the report to the Governance Risk and Best Value Committee for scrutiny.

(References – Finance and Resources Committee 5 March 2020 (item 15); referral from the Finance and Resources Committee, submitted.)

12 Edinburgh Living LLPs- Acquisition of Homes – referral from the Finance and Resources Committee

The Finance and Resources Committee had referred a report on the transfer of homes from the Housing Revenue Account (HRA) to Edinburgh Living LLPs to the Council for approval.

Decision

To agree:

- 1) to lend to the mid-market rent and market rent LLPs to enable them to purchase the 173 homes;
- 2) to revise the lending by up to £2m for homes already approved for purchase by the LLPs;
- 3) to provide corresponding capital advances from the Loans Fund based on a repayment profile using the funding/income method, as set out in Appendix 1 to the report by the Executive Director of Place.

(References – Finance and Resources Committee 5 March 2020 (item 16); referral from the Finance and Resources Committee, submitted.)

Declaration of Interests

Councillor Kate Campbell declared a non-financial interest in the above item as a Director of Edinburgh Living.

13 EICC Hotel and Hotel School – Business Case – referral from the Finance and Resources Committee

The Finance and Resources Committee had referred a report setting out the business case for the Council entering into a 25-year head lease on a hotel that was being developed at The Haymarket Edinburgh by Quartermile Developments Limited to the Council for for a decision on proceeding with the EICC hotel and hotel school project.

The Council had agreed to consider the content of the appendix in private due to it containing commercially sensitive information.

Motion

- 1) To note the proposed Edinburgh International Conference Centre (EICC) hotel and hotel school project as set out in the report by the Executive Director of Place and the business case.
- 2) To note that there was no new call on Council capital or revenue budgets.
- 3) To note that the project was forecast to generate sufficient income to meet all EICC Ltd capital replacement requirements as well as surpluses for redistribution to the Council in later years.

- 4) To note that delegated authority would be granted to the Chief Executive (or any such other officer as they shall sub-delegate to) to proceed with the Agreement for Head Lease, the Agreement for Sub Lease, and any other agreements and actions required to commence the project.
- 5) To note that the Strategic Delivery Agreement which would be entered into between the Council and Edinburgh International Conference Centre Limited (as referenced in the business case) would be presented to the Housing, Homelessness and Fair Work Committee for approval.
- 6) To agree that the Council support the proposed Edinburgh International Conference Centre (EICC) hotel and hotel school project as set out in the report and the Business Case.
- 7) To welcome EICC's long standing commitment to the Real Living Wage and agree that the relevant agreement between the Council and EICC include Real Living Wage, and inclusion of the Fair Hospitality Charter.

- moved by Councillor Rankin, seconded by Councillor Griffiths

Amendment 1

- 1) To note the proposed Edinburgh International Conference Centre (EICC) hotel and hotel school project as set out in the report by the Executive Director of Place and the business case.
- 2) To note that there was no new call on Council capital or revenue budgets.
- 3) To note that the project was forecast to generate sufficient income to meet all EICC Ltd capital replacement requirements as well as surpluses for redistribution to the Council in later years.
- 4) To note that delegated authority would be granted to the Chief Executive (or any such other officer as they shall sub-delegate to) to proceed with the Agreement for Head Lease, the Agreement for Sub Lease, and any other agreements and actions required to commence the project.
- 5) To note that the Strategic Delivery Agreement which would be entered into between the Council and Edinburgh International Conference Centre Limited (as referenced in the business case) would be presented to the Policy and Sustainability Committee for approval.

- moved by Councillor Smith, seconded by Councillor McLellan

Amendment 2

- 1) To thank officers for their hard work but agree to reject the hotel business case on the grounds that it committed the council to a 25-year lease of a very large hotel, without break clause, over a period in which there was a high risk that prevailing market assumptions about the scale and nature of tourism, and specifically business tourism, would no longer apply in light of the climate crisis and the council's own net zero carbon commitment.
- 2) To therefore instruct officers to work with EICC to develop alternative ways of funding capital investment in the conference centre and developing a hotel school with Edinburgh College and other operators, based on a business model which was consistent with the city's zero carbon commitment.

- moved by Councillor Corbett, seconded by Councillor Booth

Voting

First Vote

The voting was as follows:

For the Motion	-	28 votes
For Amendment 1	-	25 votes
For Amendment 2	-	7 votes

(For the Motion: The Lord Provost, Councillors Arthur, Bird, Cameron, Kate Campbell, Child, Day, Dickie, Dixon, Doran, Fullerton, Gardiner, Gordon, Graczyk, Griffiths, Henderson, Howie, Key, Macinnes, McNeese-Mechan, McVey, Munn, Munro, Perry, Rankin, Watt, Wilson and Work.

For Amendment 1: Councillors Aldridge, Barrie, Bridgman, Brown, Bruce, Jim Campbell, Cook, Duggart, Douglas, Gloyer, Hutchison, Johnston, Laidlaw, Lang, McLellan, Mitchell, Mowat, Osler, Rose, Neil Ross, Rust, Smith, Webber, Whyte and Young.

For Amendment 2: Councillors Booth, Burgess, Mary Campbell, Corbett, Main, Miller and Staniforth.)

There being no overall majority, Amendment 2 fell and a second vote was taken between the Motion and Amendment 1.

Second Vote

The voting was as follows:

For the Motion	-	28 votes
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For Amendment 1 - 25 votes

(For the Motion: The Lord Provost, Councillors Arthur, Bird, Cameron, Kate Campbell, Child, Day, Dickie, Dixon, Doran, Fullerton, Gardiner, Gordon, Graczyk, Griffiths, Henderson, Howie, Key, Macinnes, McNeese-Mechan, McVey, Munn, Munro, Perry, Rankin, Watt, Wilson and Work.

For Amendment 1: Councillors Aldridge, Barrie, Bridgman, Brown, Bruce, Jim Campbell, Cook, Doggart, Douglas, Gloyer, Hutchison, Johnston, Laidlaw, Lang, McLellan, Mitchell, Mowat, Osler, Rose, Neil Ross, Rust, Smith, Webber, Whyte and Young.

Abstentions: Councillors Booth, Burgess, Mary Campbell, Corbett, Main, Miller and Staniforth.)

Decision

To approve the motion by Councillor Rankin.

(References – Finance and Resources Committee 5 March 2020 (item 41); referral from the Finance and Resources Committee, submitted.)

Declaration of Interest

Councillors Cameron, Gordon and Smith declared a non-financial interest in the above item as Directors of the Edinburgh International Conference Centre.

14 SailGP – Motion by Councillor Jim Campbell

The following motion by Councillor Jim Campbell was submitted in terms of Standing Order 16:

“Council:

- 1) SailGP is an exciting international sailing series established by Larry Ellison and Sir Russell Coutts in 2018. The racing is fast, and close to shore, attracting considerable interest when held in other cities such as Sydney, San Francisco, New York, Marseille, Cowes and Copenhagen.
- 2) An opportunity exists to bring this to Edinburgh and the Granton Waterfront in 2021.

Council is asked to voice its support to the efforts of Edinburgh Marina to attract this spectacle.”

- moved by Councillor Jim Campbell, seconded by Councillor Laidlaw

Amendment

To delete the last line of the motion by Councillor Jim Campbell and add:

Council welcomes the opportunity to receive a proposal on SailGP and report to Culture & Communities Committee.

- moved by Councillor Wilson, seconded by Councillor McNeese-Mechan

In accordance with Standing Order 21(12), the amendment was accepted as an amendment to the motion.

Decision

To approve the following adjusted motion by Councillor Jim Campbell:

- 1) To note that SailGP was an exciting international sailing series established by Larry Ellison and Sir Russell Coutts in 2018. The racing was fast, and close to shore, attracting considerable interest when held in other cities such as Sydney, San Francisco, New York, Marseille, Cowes and Copenhagen.
- 2) An opportunity existed to bring this to Edinburgh and the Granton Waterfront in 2021.
- 3) To welcome the opportunity to receive a proposal on SailGP and report to Culture and Communities Committee.

15 Reported Service Failures Maps - Motion by Councillor Jim Campbell

The following motion by Councillor Jim Campbell was submitted in terms of Standing Order 16:

“Council:

Instructs the Chief Executive to produce a report for the Policy & Sustainability Committee in one cycle, setting out how and when Councillors and their Office support teams, will be given access to real time online mapping, displaying historic and live reports made by constituents of service failures, and the ability to report service failures in real time through the same interface.”

Motion

To approve the following adjusted motion by Councillor Jim Campbell:

Council:

Instructs the Chief Executive to add to the regular IT update report to the Finance and Resources Committee, information, setting out how and when Councillors and their Office support teams, will be given access to real time online mapping, displaying historic and live reports made by constituents of service failures, and the ability to report service failures in real time through the same interface.

- moved by Councillor Jim Campbell, seconded by Councillor Mowat

Decision

To approve the adjusted motion by Councillor Jim Campbell

16 Policy on China - Motion by Councillor Staniforth

The following motion by Councillor Staniforth was submitted in terms of Standing Order 16:

“Council:

Notes that in August 2019 the Policy and Sustainability Committee approved a report on Edinburgh’s International Activity that included twin city status with Xi’an and a memorandum of understanding with Shenzhen.

Notes that the same report gave tackling inequality as one of three key strategic themes for international activity.

Notes that since August 2019 reports of human rights in China have grown increasingly concerning. Since that time the extent of the imprisonment of the minority Uighur population has become clear and during that time the attempt to suppress democracy in Hong Kong was global news.

Resolves that in light of these concerns Edinburgh’s relationship with Chinese cities should be reviewed with an emphasis on how those relationships can best serve the city’s aim of tackling inequality and how our city’s position on the world stage can be used to promote the value of human rights.

Resolves that a report covering the above review should come before Policy and Sustainability Committee within two cycles.”

- moved by Councillor Staniforth, seconded by Councillor Burgess

Amendment 1

To delete last paragraph of the motion by Councillor Staniforth and replace with:

“Notes the issues in the motion will be considered within the Edinburgh International Activity Strategy’s Annual Review in two cycles”.

- moved by Councillor McVey, seconded by Councillor Day

Amendment 2

To delete paragraphs 2, 3 and 4 of the motion by Councillor Staniforth and replace with:

- 1) Notes reports of human rights and freedom of expression restrictions have become a source of increasing international concern, including
 - a) the extent of imprisonment and other restrictions on the Uighur population;
 - b) repeated reports of the persecution of adherents to the Falun Gong way of life;
 - c) continued restrictions or persecution of the substantial Christian community in China;
 - d) attempts to suppress democracy in Hong Kong.
- 2) Notes the significant Chinese community in Edinburgh, including the large number of students (estimated over 3000).
- 3) Notes the presence of a flagship Confucius Institute embedded in Edinburgh University, one of at least 29 such institutions in the UK.
- 4) Notes concerns which have been raised that Confucius Institutes may be a means of soft power and propaganda, limiting freedom of expression and academic opinion here.
- 5) Notes the August 2019 report’s five principles to guide and prioritise future international engagement of agreed at Policy and Sustainability in August 2019, namely:
 - a) Supports an identified key theme that benefits the city;
 - b) Supports identified challenges and opportunities for the city;
 - c) Leads to improving investment, economic growth and improved knowledge and learning exchange;

- d) Is delivered in partnership to ensure high impact and value for money;
 - e) Is aligned to the international priority work of key partners.
- 6) Notes international engagement should support at least one of three strategic themes, namely:
- a) Sustainability/transition to a low carbon economy;
 - b) Tackling inequality;
 - c) Promoting Edinburgh or Scotland on the world stage.
- 7) Notes the view expressed in the August 2019 report that the Council's approach to international relations needs to be refreshed to ensure it remains fit for purpose.
- 8) Resolves, that in the light of the concerns listed above, that a review of the Council's engagement with Chinese state and other organisations be conducted to ensure such engagement remains appropriate and fit for purpose.

- moved by Councillor Rose, seconded by Councillor Jim Campbell

In accordance with Standing Order 21(12), Amendments 1 and 2 were accepted as amendments to the motion.

Decision

To approve the following adjusted motion by Councillor Staniforth:

- 1) To note that in August 2019 the Policy and Sustainability Committee approved a report on Edinburgh's International Activity that included twin city status with Xi'an and a memorandum of understanding with Shenzhen.
- 2) To note that reports of human rights and freedom of expression restrictions had become a source of increasing international concern, including
 - a) the extent of imprisonment and other restrictions on the Uighur population;
 - b) repeated reports of the persecution of adherents to the Falun Gong way of life;
 - c) continued restrictions or persecution of the substantial Christian community in China;
 - d) attempts to suppress democracy in Hong Kong.

- 3) To note the significant Chinese community in Edinburgh, including the large number of students (estimated over 3000).
- 4) To note the presence of a flagship Confucius Institute embedded in Edinburgh University, one of at least 29 such institutions in the UK.
- 5) To note the concerns which had been raised that Confucius Institutes may be a means of soft power and propaganda, limiting freedom of expression and academic opinion here.
- 6) To note the August 2019 report's five principles to guide and prioritise future international engagement of agreed at Policy and Sustainability in August 2019, namely :
 - a) Supports an identified key theme that benefits the city;
 - b) Supports identified challenges and opportunities for the city;
 - c) Leads to improving investment, economic growth and improved knowledge and learning exchange;
 - d) Is delivered in partnership to ensure high impact and value for money;
 - e) Is aligned to the international priority work of key partners.
- 7) To note that international engagement should support at least one of three strategic themes, namely:
 - a) Sustainability/transition to a low carbon economy;
 - b) Tackling inequality;
 - c) Promoting Edinburgh or Scotland on the world stage.
- 8) To note the view expressed in the August 2019 report that the Council's approach to international relations needed to be refreshed to ensure it remained fit for purpose.
- 9) To resolve, that in the light of the concerns listed above, that a review of the Council's engagement with Chinese state and other organisations be conducted to ensure such engagement remained appropriate and fit for purpose.
- 10) To note the issues in the motion would be considered within the Edinburgh International Activity Strategy's Annual Review in two cycles.

17 20th Anniversary of the Edinburgh BioDiversity Partnership - Motion by the Lord Provost

The following motion by the Lord Provost was submitted in terms of Standing Order 16:

“Council notes that:

- a) In order to improve collective action across to protect the City’s natural environment across our localities, in 2000, the Edinburgh Biodiversity Partnership (EBP) was formed and produced Edinburgh’s inaugural joint Biodiversity Action Plan.
- b) The Partnership, comprises input from 40 partners across the City, including voluntary groups, volunteer groups, and friends of greenspace groups.
- c) The work of EBP is coordinated and facilitated by the Council’s Planning Service located in the Place Directorate.
- d) In 2016, the EBP produced the Edinburgh Biodiversity Action Plan 2016-2018. In 2016 and 2017, the Partnership produced annual progress reports, detailing substantial progress achieved in delivering outcomes.
- e) In celebration of twenty years of continuing operation, the Partnership plan a series of events throughout 2020. In acknowledging the positive sustainability impacts of the Edinburgh Biodiversity Partnership, Council requests that the Lord Provost, marks the 20th Anniversary in an appropriate way.”

- moved by the Lord Provost, seconded by Councillor Griffiths

Decision

To approve the motion by the Lord Provost

18 20th Anniversary of the International Womens Club Edinburgh - Motion by the Lord Provost

The following motion by the Lord Provost was submitted in terms of Standing Order 16:

“Council notes that:

- a) The International Women's Club Edinburgh (IWCE) was founded on 11th April 2000.

- b) IWCE runs a programme of social, cultural and welfare activities in Edinburgh and the surrounding regions. The Club is open to women of international background and experience, or who have an interest in international issues.
- c) The mission of the Club is to expand upon the rich tapestry of nationalities and cultures of its members, and in doing so, promote cultural awareness, social networking, philanthropic endeavours, women's issues, and to assist those new to the City (and to the Club) in their appreciation of Scotland.
- d) Membership is open to all women, including those out-with Scotland, and those who are interested in the objectives of the International Women's Club Edinburgh, and are willing to contribute time and effort to its activities.
- e) Reflecting Edinburgh's multicultural community, IWCE currently has around 170 members comprising over 21 different nationalities.
- f) The Club gathers on a monthly basis, with a number of supplementary tours and activities throughout the year. In acknowledging the work of the Club in supporting the international profile of the City and in welcoming a broad range of women of diverse heritage to the City, Council requests that the Lord Provost, marks the contribution of the Club in an appropriate way."

- moved by the Lord Provost, seconded by Councillor Griffiths

Decision

To approve the motion by the Lord Provost

19 Commercial Sponsorship of Civic Reception - Motion by Councillor Neil Ross

The following motion by Councillor Neil Ross was submitted in terms of Standing Order 16:

““Council:

Notes the value of civic receptions as an appropriate way to recognise the achievements of local community organisations and to welcome visiting groups to our city.

Appreciates the dedication and personal commitment of the Lord and Lady Provost and City Officers to ensuring that civic receptions run smoothly and reflect well on the city within a very limited budget.

Recognises that commercial sponsors have occasionally played a role in the success of civic receptions.

Recognises that some local businesses have existing relationships with community groups and may wish to participate in marking special events. Similarly, local businesses may have an interest in supporting the city's welcome to visiting groups.

Instructs officers to investigate the potential for commercial sponsorship of some civic receptions, taking into account previous policy decisions on the suitability of sponsors, and to propose an approach to facilitate this for consideration by the Policy and Sustainability Committee."

Decision

To note that Councillor Neil Ross had withdrawn his motion.

20 Fire at Liberton Primary School - Motion by Councillor Cameron

The following motion by Councillor Cameron was submitted in terms of Standing Order 16:

"Council formally express its gratitude to everyone who responded so swiftly to the Liberton Primary School Fire; all parties involved in drawing up and implementing arrangements to ensure that the disruption to Liberton Primary School pupils' learning is minimised; and to pupils, parents and staff for their forbearance and cooperation with these interim arrangements.

Council welcomes John Swinney, Cabinet Secretary for Education, comments expressing his concern about the recent fire at Liberton Primary School; and pledging Scottish Government support to the City of Edinburgh Council.

Council requests that the Convener of Education, Children and Families write to the Cabinet Secretary to welcome and follow-up this offer of support."

- moved by Councillor Cameron, seconded by Councillor Macinnes

Decision

To approve the motion by Councillor Cameron.

Appendix 1

(As referred to in Act of Council No 3 of 12 March 2020)

QUESTION NO 1

By Councillor Miller for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 12 March 2020

Question

- (1) Could the Convener please list the streets where road maintenance was carried out during
- a) 2018,
 - b) 2019, and
 - c) 2020 to date

Answer

- (1) Please see tables 1 and 2 below with details of capital renewals in 2018/19 and 2019/20.

Question

- (2) Could the Convenor identify from this list:
- a) streets which already had pavement widths in line with Street Design Guidance
 - b) streets which had their pavements generally widened as part of this maintenance in order to meet the minimum widths specified on the Council's Street Design Guidance
 - c) streets with pavements which remain below the minimum widths specified by the Street Design Guidance

Answer

- (2)** (a) The designers consider the Edinburgh Street Design Guidance (ESDG) as part of every scheme and will always attempt to incorporate elements within their projects. However, footway widths form only one part of the wider remit of the ESDG and are not currently recorded separately.
- (b) In general, the ESDG will only be applied in a small number of cases for locations that have been identified for surface enhancement using surface treatments, such as slurry sealing and surface dressing.
- (c) The current GIS records do not contain accurate records of the pavements which do not meet the minimum width as set out in the ESDG.

It is intended to capture footway widths as part of the footway network condition surveys in future.

Table 1: 2018/19 Capital Renewals

Location	Type	Method
Burgess Road	Carriageway	Resurfacing
A7 Bridges Corridor	Carriageway	Resurfacing
Lanark Road	Carriageway	Resurfacing
Boswall Loan	Carriageway	Resurfacing
Ferniehill Place	Carriageway	Resurfacing
Dreghorn Drive	Carriageway	Resurfacing
Oxgangs Farm Avenue	Carriageway	Resurfacing
Albert Street	Carriageway	Resurfacing
Willowbrae Road	Carriageway	Resurfacing
Rosebery Avenue	Carriageway	Resurfacing
Craigentenny Road/Wakefield Avenue	Carriageway	Resurfacing
Gorgie Road	Carriageway	Resurfacing
Queen Street	Carriageway	Resurfacing
Marionville Road	Carriageway	Resurfacing
Chrichton Street	Carriageway	Resurfacing
Gorgie Road	Carriageway	Resurfacing
Station Terrace	Carriageway	Resurfacing
Duddingston Crescent	Carriageway	Resurfacing
Craigleith Junction (Queensferry Road)	Carriageway	Resurfacing
Newliston Road	Carriageway	Resurfacing
Brighton Place (Phases 1A to 4)	Carriageway	Setts Renewal
Broughton Road	Carriageway	Strengthening
Wester Hill	Carriageway	Strengthening
A702 Home Street to Bruntsfield Place	Carriageway	Strengthening
Bankhead Avenue	Carriageway	Strengthening
Lothian Road	Carriageway	Strengthening
East Barnton Avenue	Carriageway	Strengthening
Road	Carriageway	Surface Dressing
Echline Terrace	Carriageway	Surface Dressing
Gogarloch Syke	Carriageway	Surface Dressing
Gordon Loan	Carriageway	Surface Dressing
Forthview Road	Carriageway	Surface Dressing
Granton Park Avenue	Carriageway	Surface Dressing
Pirniefield Place	Carriageway	Surface Dressing
Northfield Circus	Carriageway	Surface Dressing
Hay Avenue	Carriageway	Surface Dressing
Mortonhall Park Drive	Carriageway	Surface Dressing
Pentland View	Carriageway	Surface Dressing
Colmestone Gate	Carriageway	Surface Dressing
Camus Avenue	Carriageway	Surface Dressing
Caiystane Terrace	Carriageway	Surface Dressing
Caiystane Avenue	Carriageway	Surface Dressing
East Caiystane Road	Carriageway	Surface Dressing

Location	Type	Method
Fairmile Avenue	Carriageway	Surface Dressing
Pentland Road	Carriageway	Surface Dressing
Kirkgate	Carriageway	Surface Dressing
Kingsknowe Terrace	Carriageway	Surface Dressing
Caiyside	Carriageway	Surface Dressing
Auchingane	Carriageway	Surface Dressing
Caiystane Avenue	Carriageway	Surface Dressing
Fishwives Causeway	Carriageway	Surface Dressing
Caiyside	Carriageway	Surface Dressing
Auchingane	Carriageway	Surface Dressing
Leadervale Road	Carriageway	Micro-Asphalt
Clackmae Road	Carriageway	Micro-Asphalt
Mounthooly Loan	Carriageway	Micro-Asphalt
Caiystane Crescent	Carriageway	Micro-Asphalt
Pentland Avenue	Carriageway	Micro-Asphalt
Baberton Mains Loan	Carriageway	Micro-Asphalt
Dumbryden Road	Carriageway	Micro-Asphalt
Broomhouse Avenue	Carriageway	Micro-Asphalt
New Mart Road	Carriageway	Micro-Asphalt
Caledonian Crescent	Carriageway	Micro-Asphalt
Pentland Avenue Remedial Work	Carriageway	Micro-Asphalt
Kingsknowe Terrace	Carriageway	Micro-Asphalt
Bankhead Drive	Carriageway	Micro-Asphalt
Orchard Place	Carriageway	Micro-Asphalt
Columba Road	Carriageway	Micro-Asphalt
Silverknowes Drive	Carriageway	Micro-Asphalt
Society Road	Carriageway	Micro-Asphalt
Leven Terrace	Carriageway	Micro-Asphalt
Kings Haugh	Carriageway	Micro-Asphalt
Paisley Crescent	Carriageway	Micro-Asphalt
Cambusnethan Street	Carriageway	Micro-Asphalt
Restalrig Square	Carriageway	Micro-Asphalt
Hillwood Rise	Carriageway	Micro-Asphalt
Russell Road	Carriageway	Micro-Asphalt
Murrayfield Road	Carriageway	Micro-Asphalt
Pleasance	Carriageway	Micro-Asphalt
Mountcastle Drive South	Carriageway	Micro-Asphalt
Duddingston Road	Carriageway	Micro-Asphalt
Northfield Broadway	Carriageway	Micro-Asphalt
Restalrig Road S	Carriageway	Micro-Asphalt
Bankhead Broadway	Carriageway	Micro-Asphalt
Harrison Road	Carriageway	Micro-Asphalt
Broomhouse Bank	Carriageway	Micro-Asphalt
Mansfield Rd	Carriageway	Retread

Location	Type	Method
Glenbrook Road	Carriageway	Retread
Haughead Rd	Carriageway	Retread
Buteland Rd	Carriageway	Retread
Boswall Terrace	Footway	Resurfacing
Learmonth Avenue	Footway	Resurfacing
Gorgie Road	Footway	Resurfacing
Ryehill Terrace	Footway	Resurfacing
Hermitage Place and Vanburgh Place	Footway	Resurfacing
Wardlaw Place	Footway	Resurfacing
Main Street, Ratho	Footway	Resurfacing
Reid Terrace	Footway	Resurfacing
George Square	Footway	Flags

Table 2: 2019/20 Capital Renewals

Location	Type	Method
Southfield Place	Carriageway	Resurfacing
Craigentiny Road	Carriageway	Strengthening
Wakefield Avenue	Carriageway	Strengthening
Duddingston Crescent	Carriageway	Resurfacing
Oswald Road	Carriageway	Resurfacing
Lower Granton Road	Carriageway	Resurfacing
Orchard Brae Gardens	Carriageway	Resurfacing
East Crosscauseway	Carriageway	Strengthening
Bryce Road	Carriageway	Resurfacing
Brighton Place	Carriageway	Carriageway Setts
Rose Street (40%)	Carriageway	Carriageway Setts
Alemoor Crescent	Carriageway	Surface Dressing
Auchingane	Carriageway	Surface Dressing
Broomhouse Place North	Carriageway	Surface Dressing
Broomhouse Street South	Carriageway	Surface Dressing
Brunstane Bank	Carriageway	Surface Dressing
Brunstane Crescent	Carriageway	Surface Dressing
Caiyside	Carriageway	Surface Dressing
Carlowrie Castle Access	Carriageway	Surface Dressing
Chesser Loan	Carriageway	Surface Dressing
Corbiehill Avenue	Carriageway	Surface Dressing
Dumbeg Park	Carriageway	Surface Dressing
Gilmerton Dykes Drive	Carriageway	Surface Dressing
Gilmerton Dykes Grove	Carriageway	Surface Dressing
Glenogle Road	Carriageway	Surface Dressing
Gordon Road	Carriageway	Surface Dressing
Lennox Row	Carriageway	Surface Dressing
Mountcastle Bank	Carriageway	Surface Dressing
Niddrie Marischal Road	Carriageway	Surface Dressing
Prospect Bank Road	Carriageway	Surface Dressing
Ravelston House Park	Carriageway	Surface Dressing
Restalrig Circus	Carriageway	Surface Dressing
Robb's Loan	Carriageway	Surface Dressing
Saughton Mains Drive	Carriageway	Surface Dressing
Saughton Park	Carriageway	Surface Dressing
Silverknowes Gardens	Carriageway	Surface Dressing
Silverknowes Grove	Carriageway	Surface Dressing
Southhouse Avenue	Carriageway	Surface Dressing
Southhouse Loan	Carriageway	Surface Dressing
South Scotstoun	Carriageway	Surface Dressing
Stenhouse Gardens	Carriageway	Surface Dressing
Stenhouse Gardens North	Carriageway	Surface Dressing
West Caiystane Road	Carriageway	Surface Dressing

Location	Type	Method
Allan Park Gardens	Carriageway	Micro-Asphalt
Almond Grove	Carriageway	Micro-Asphalt
Bonaly Brae	Carriageway	Micro-Asphalt
Braepark Road	Carriageway	Micro-Asphalt
Braid Road	Carriageway	Micro-Asphalt
Buckstone Loan East	Carriageway	Micro-Asphalt
Craigentinny Avenue	Carriageway	Micro-Asphalt
Cumnor Crescent	Carriageway	Micro-Asphalt
Echline Park	Carriageway	Micro-Asphalt
Inchkeith Avenue	Carriageway	Micro-Asphalt
Kaimes Road	Carriageway	Micro-Asphalt
Leadervale Road	Carriageway	Micro-Asphalt
Clackmae Grove	Carriageway	Micro-Asphalt
Main Street	Carriageway	Micro-Asphalt
Manse Road	Carriageway	Micro-Asphalt
Orchard Terrace	Carriageway	Micro-Asphalt
Ochil Court	Carriageway	Micro-Asphalt
Primrose Gardens	Carriageway	Micro-Asphalt
Queens Bay Crescent	Carriageway	Micro-Asphalt
Redford Bank	Carriageway	Micro-Asphalt
Redford Neuk	Carriageway	Micro-Asphalt
Redford Place	Carriageway	Micro-Asphalt
Restalrig Square	Carriageway	Micro-Asphalt
Silverknowes Road East	Carriageway	Micro-Asphalt
Silverknowes Southway	Carriageway	Micro-Asphalt
Silverknowes View	Carriageway	Micro-Asphalt
Southhouse Road	Carriageway	Micro-Asphalt
South Morton Street	Carriageway	Micro-Asphalt
Stewart Clark Avenue	Carriageway	Micro-Asphalt
Strachan Road	Carriageway	Micro-Asphalt
Swanston View	Carriageway	Micro-Asphalt
Sydney Park	Carriageway	Micro-Asphalt
Winton Drive	Carriageway	Micro-Asphalt
Zetland Place	Carriageway	Micro-Asphalt
West Craigie Farm Road	Carriageway	Retread
Kirkgate	Carriageway	Retread
Kirkgate	Carriageway	Retread
Cockburnhill Road	Carriageway	Retread
Harlaw Road	Carriageway	Retread
Abercromby Place	Carriageway	Resurfacing
North Leith Sands	Carriageway	Resurfacing
Albany Street	Carriageway	Resurfacing
Ocean Drive	Carriageway	Resurfacing
East London Street	Carriageway	Resurfacing

Location	Type	Method
Annandale Street	Carriageway	Resurfacing
Great Junction Street	Carriageway	Resurfacing
Dalmeny Street	Carriageway	Sett Overlay
Hopetoun Street	Carriageway	Resurfacing
Gordon Street	Carriageway	Resurfacing
McDonald Road	Carriageway	Resurfacing
Pilrig Street	Carriageway	Resurfacing
Duncan Place	Carriageway	Resurfacing
Broughton Street	Carriageway	Resurfacing
Bonnington Road	Carriageway	Resurfacing
Easter Road	Carriageway	Resurfacing
Newhaven Road	Carriageway	Resurfacing
Broughton Road	Carriageway	Resurfacing
East Hermitage Place Junction	Carriageway	Resurfacing
Portland Place/Lindsay Road	Carriageway	Resurfacing
Links Place	Carriageway	Resurfacing
Commercial Street	Carriageway	Resurfacing
Academy Street	Carriageway	Sett Overlay
Duddingston Crescent	Footway	Resurfacing
East Crosscauseway	Footway	Resurfacing
Orchard Brae Gardens	Footway	Resurfacing
Dalgety Avenue	Footway	Resurfacing
Waverley Park	Footway	Resurfacing
Rose Street (40%)	Footway	Flags
Gogar Station Road	Footway	Slurry Seal
Dudley Avenue	Footway	Slurry Seal
Dudley Crescent	Footway	Slurry Seal
Dudley Grove	Footway	Slurry Seal
Dudley Terrace	Footway	Slurry Seal
Dudley Gardens	Footway	Slurry Seal
Riversdale Crescent	Footway	Slurry Seal
Riversdale Road	Footway	Slurry Seal
Morningside Drive	Footway	Slurry Seal
Braid Farm Road	Footway	Slurry Seal
Braid Hills Road	Footway	Slurry Seal
Northfield Grove	Footway	Slurry Seal
Northfield Drive	Footway	Slurry Seal
Glenallan Drive	Footway	Slurry Seal
Marmion Crescent	Footway	Slurry Seal
Hazeldean Terrace	Footway	Slurry Seal
Durward Grove	Footway	Slurry Seal
Milton Cresnet	Footway	Slurry Seal
Milton Gardens North	Footway	Slurry Seal
Milton Gardens South	Footway	Slurry Seal

Location	Type	Method
Magdalene Avenue	Footway	Slurry Seal
Magdalene Drive	Footway	Slurry Seal
Milton Road	Footway	Slurry Seal
Craigmillar Castle Gardens	Footway	Slurry Seal
Castleview Avenue	Footway	Slurry Seal
Murieston Crescent	Footway	Slurry Seal
Murieston Terrace	Footway	Slurry Seal
Murieston Place	Footway	Slurry Seal
Murieston Road	Footway	Slurry Seal
Murieston Lane	Footway	Slurry Seal
Caledonian Place	Footway	Slurry Seal
Caledonian Road	Footway	Slurry Seal
Caledonian Crescent	Footway	Slurry Seal
Orwell Terrace	Footway	Slurry Seal
Orwell Place	Footway	Slurry Seal
Craigmount Terrace	Footway	Slurry Seal
Craigs Gardens	Footway	Slurry Seal
Craigs Loan	Footway	Slurry Seal
Craigs Crescent	Footway	Slurry Seal
Craigs Avenue	Footway	Slurry Seal
Craigs Grove	Footway	Slurry Seal
Clermiston Drive	Footway	Slurry Seal
Drum Brae Drive	Footway	Slurry Seal
Parkgrove Terrace	Footway	Slurry Seal
Traquair Park East	Footway	Slurry Seal
Traquair Park West	Footway	Slurry Seal
Pinkhill	Footway	Slurry Seal
Sighthill Loan	Footway	Slurry Seal
Broomhouse Court	Footway	Slurry Seal
Whitson Road	Footway	Slurry Seal
Comiston View	Footway	Slurry Seal
Comiston Grove	Footway	Slurry Seal
Comiston Springs Avenue	Footway	Slurry Seal
Parkhead Drive	Footway	Slurry Seal
Parkhead Crescent	Footway	Slurry Seal
Sighthill Drive	Footway	Slurry Seal
Murrayburn Approach	Footway	Slurry Seal

QUESTION NO 2

**By Councillor Rust for answer by the
Convener of the Finance and
Resources Committee at a meeting
of the Council on 12 March 2020**

Question **(1)** Pentland View Close Support Unit/ Comiston Farmhouse was closed in January 2015 and “for sale” boards were subsequently put up that year. As of today’s date the property remains in Council ownership. What is the status of the “current sale”?

Answer **(1)** The property remains under offer, subject to planning permission being received for the proposed residential development. The developer decided to withdraw the initial application and has submitted revised proposals to reflect feedback from Planning Officers.

Question **(2)** Please detail costs incurred by the Council to date since the closure and initial marketing in 2015, including:

- (a) officer time in Estates, Planning, Housing (HRA) and other service areas;
- (b) all legal fees;
- (c) all estate agency/marketing fees;
- (d) buildings insurance;
- (e) securing the building and grounds;
- (f) any other internal or external upkeep costs;
- (g) third party costs met; and
- (h) any other costs.

Answer

- (2) a) The disposal forms part of normal business for officers in Estates, Planning and Housing and therefore a specific time/cost allocation has not been recorded.
- b) This matter was largely dealt with by internal Council Solicitors. External legal support in relation to a review of the sale process cost £8044.00.
- c) Estates agency fees for disposal are £15,000 for the current disposal. As the property was marketed as a residential property, external agents were used to ensure maximum exposure e.g. through ESPC.
- d) As the property is vacant, it forms part of the overall Council cover on vacant buildings.
- e) £15,700.
- f) £300 (on ground maintenance).
- g) None.
- h) None.

Supplementary Question

Thank you Lord Provost and I thank the Convener for the answer. In relation to answer one and the submission of the revised proposals, if that is the case could he please advise when they were submitted and when they will appear on the Planning Portal because as of yesterday evening residents said nothing had appeared, thank you.

Supplementary Answer

Thank you Councillor Rust for the question. I'm afraid I don't have that information to hand but I will be happy to provide it after the meeting.

QUESTION NO 3

**By Councillor Rust for answer by the
Convener of the Transport and
Environment Committee at a meeting
of the Council on 12 March 2020**

Question (1) How many complaints / concerns have been received by the Council in respect of the installation and operation of new LED street lighting?

Answer (1) 206 complaints have been received.

Question (2) How many of these complaints/ concerns have been in connection with household alarm/intruder/safety/lighting systems?

Answer (2) 43 complaints have been in relation to security alarms.

Question (3) What checks were undertaken or experience gathered from other local authorities prior to award of contract/successful tendering in connection with such systems?

Answer (3) The Council worked with CGI to prepare all of the required tendering information. As part of the scoring of tenders, site visits were made to other local authorities where similar projects were nearing completion or were complete. Once a preferred bidder was selected, the system was tested to ensure that it work, was compatible with the Council's ICT systems and provided an appropriate level of security.

Question (4) What is the contractual position where householders have experienced costs in endeavouring to rectify issues with system conflict?

Answer (4) The street lighting central management system (CMS) is operating within permitted free-to-air bandwidths, and in accordance with the rules of doing so. Therefore, the Council and the Contractor do not consider there to be a systems conflict. However, the CMS provider is currently working with local alarm companies to investigate the root cause of alarm events.

**Supplementary
Question**

Thank you Lord Provost and I thank the Convener for her answers. In relation to answer 3, just to clarify, was disruption to households specifically investigated and knowledge acquired taken into account in that assessment which was made?

**Supplementary
Answer**

Thank you Councillor Rust for your supplementary. I can't give you a precise answer at the moment, I will investigate it and come back to you.

QUESTION NO 4

**By Councillor Jim Campbell for
answer by the Convener of the
Housing, Homelessness and Fair
Work Committee at a meeting of the
Council on 12 March 2020**

Question

The Convener will be aware that the previous Directors of Marketing Edinburgh explicitly pointed out that Marketing Edinburgh had sufficient funds to meet all obligations on their resignation.

Can the Convener confirm Marketing Edinburgh has continuously been able to cover all its obligations, including any cost associated with an orderly decision to cease trading, since the previous board resigned en-masse?

Answer

The Board of Marketing Edinburgh has undertaken a comprehensive review of the financial position of Marketing Edinburgh both in year and for future years. A report on this was considered in private by Finance and Resources Committee on 5 March 2020. The Board have developed a proposition for future service delivery in 2020/21 and a detailed report on this will be presented to Housing, Homelessness and Fair Work Committee later in the year.

**Supplementary
Question**

Thank you Lord Provost and I thank the Convener for her answer. Can the Convener explain why, given that the Board of Marketing Edinburgh on 31 October 2019 had a cash flow statement commissioned comprising looking at the cash flow position outlook invoices, paybacks, debtors and recoverable

Lord Provost

Excuse me Councillor Campbell, your supplementary has to be in relation to the answer given by the Convener, I think you're going to new ground there.

**Supplementary
Question**

Okay, so can the Convener confirm if Marketing Edinburgh remains financially viable?

**Supplementary
Answer**

Thank you very much for your question Councillor Campbell. As stated in the answer, there was a report so Finance and Resources Committee last week, it was on the B agenda which is where it was appropriate to be and councillors were able to ask questions. If Councillor Campbell would like some further information, I'm sure a briefing can be arranged for him. There will be a report to the Housing Homelessness and Fair Work Committee in due course and also Councillor Campbell did have the opportunity to be on the board as did any member of the Conservative Group but they chose not to take that opportunity.

QUESTION NO 5

By Councillor Mowat for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 12 March 2020

Question (1) What is the current process followed for moving or removing a bus stop?

Answer (1) Bus stops can be moved or removed for a number of reasons, including to facilitate new developments, installation of new road infrastructure or due to safety or accessibility concerns. Normally works that require a new road layout that impacts bus stop positioning will include details of this on drawings and this will be included in any associated consultation. It is also normal practise to attach information in a shelter or to a bus stop pole in advance advising of the plan to remove, the date when it is expected to happen and the location of the replacement, or nearest alternative.

Currently a Bus Stop Working Party, comprising representatives from Police Scotland, Lothian Buses, and the Council's transport team carry out, where required, site visits to consider requests for removals or relocations.

Although there is no statutory requirement to consult, if the bus stop is to be moved, the property owner/occupier adjacent to the new location will be informed. This is often objected to and if the objection cannot be removed through discussion, or alternative location agreed, a Committee report will be presented.

A proposal to pilot a new methodology for reviewing bus stop provision will be presented to Transport and Environment Committee on 20 March 2020.

Question (2) Could the Convener provide a table of the number of bus stops moved or removed in each ward over the past year and the rationale for this

Answer

- (2) The table below shows the location of bus stops which have been moved or removed over the past year, with the reason for doing so.

Stop Location/ Ward	Date relocated/remov ed	Reason
Lower Granton Road / Forth Ward	July 2019	To facilitate installation of Toucan crossing
Bingham Avenue / Portobello & Craigmillar Ward	June 2019	To improve disabled access
York Place / City Centre Ward	June 2019 and February 2020	As a result of the redesign of public realm / road layout
Bankhead Avenue / Sighthill & Gorgie Ward	April 2019	New road infrastructure

**Supplementary
Question**

Thank you Lord Provost and I thank the Convener for her answer. Could she confirm that the report proposing the new methodology will be presented to the Committee on 20th March and if this is not the case, what plans are there to review what consultation is carried out when changing a bus stop.

**Supplementary
Answer**

Thank you for the supplementary. I can confirm that I am going to pull the report from the March 20th special Transport and Environment Committee session because I feel that there is a need for a greater degree of understanding around the consultation process. We've already put in place some expanded consultation around accessibility issues and I want to come back to Committee with a much fuller understanding of what we're actually asking of the City. It should be remembered that the

proposal in that report is actually for a pilot project, an evidence gathering pilot project, I still think however that it's important we get it right at the very beginning, hence the reason for the delay and our desire to work more closely with officers to ensure that that consultation process is correct when we do bring it forward.

QUESTION NO 6

By Councillor Mowat for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 12 March 2020

Question

What monitoring is being carried out of the new road layout at Picardy Place to ensure that it is performing as expected and that congestion isn't being created by the new layout and that traffic is not choosing to avoid it?

Answer

As with all junctions across the city, this junction is monitored on an ongoing basis from the Traffic Control Centre, which is co-located in the Lothian Buses Control Room at their Annandale Street depot.

The junction also has good coverage on the Council's Public Space CCTV system and this is used to monitor traffic conditions, while direct feedback on any delays to public transport is received from Lothian Buses.

Since commissioning, adjustments have been made to traffic signal timings to manage traffic flows. This has helped conditions on Leith Street during the morning peak travel period.

There is no specific monitoring of traffic avoiding the junction. However, monitoring of traffic signals on alternative routes have not shown increases in demand (which would suggest significant re-routing to avoid Picardy Place is not occurring).

Supplementary Question

Thank you Lord Provost, I thank the Convener for her response. Could you confirm whether there's any storage of the real time data that is being captured during the monitoring and whether comparison of the model junction performance and actual real life performance has or will be undertaken, thank you.

Comments by Councillor Macinnes

I have to apologise but I actually missed the second half of that question because I couldn't hear it, if I could ask you to repeat it please, my apologies.

**Councillor
Mowat**

Can you confirm whether there's any storage of the real time data that is being captured during the monitoring and whether a comparison of the modelled junction performance and actual real life performance has or will be undertaken?

**Supplementary
Answer**

Thank you for your supplementary. I cannot confirm that directly myself at this point, but I will do so, thank you.

QUESTION NO 7

**By Councillor Rust for answer by the
Leader of the Council at a meeting of
the Council on 12 March 2020**

Question

What steps are taken, and by whom, to check the content of webcasts of Council and Committee meetings prior to their uploading on to the online webcast library on the council website to ensure that they are a complete and accurate record of the meeting which took place?

Answer

Council officers are responsible for recording and uploading video files to the online webcast library from the encoder based at the City Chambers.

The Council records over 350 hours of committee meetings per annum and to comprehensively check the accuracy of webcasts would require an officer to physically watch all 350 hours. In addition, the Council does not have the capability to make changes to video files during or after the recording process.

In order to edit or amend the content must be sent to the external provider for processing.

In a very limited number of cases videos suffer disruption when being uploaded, source files are retained on the encoder so they can be uploaded again. As a result, and with consideration of the use of staff resources and the small risk of error, the Council does not check the webcasts of its meetings.

QUESTION NO 8

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 12 March 2020

In August 2018, there was an in-principle decision to install a new speed table on Rosshill Terrace near Dalmeny Station. This followed the deputation of the Dalmeny Station Residents' Association to the Transport & Environment Committee in October 2017.

Council officials initially offered to carry out the work "in the first weeks" of the 2019 school summer holidays. This was then delayed until autumn 2019 and then to spring 2020.

Question

Can the Convener of Transport and Environment provide clarity on when the speed table will be installed?

Answer

The timetable for installation of a raised table near the Dalmeny Station as an addition to the existing traffic calming features is provided below.

Project update:

Phase	Update Nov 19	Update March 20
Detailed design	January 2020	March 2020
Tender/Works package	February 2020	April 2020
Road Closure Notification	TBA	Mid April 2020 (3 Months notice)
Installation	Spring 2020	Summer 2020

**Supplementary
Question**

Thank you very much and thank you to the Convener for the answer, this is information that some of us have been chasing for some time so it's good to get clarity on the timetable going forward. I am conscious that the initial promise to the community here was that the speed table would be put in place in the first few weeks of the 2019 school summer holidays, has the Convener been given any explanation on that basis as to why the detailed design work is only happening now?

**Supplementary
Answer**

Thank you for your supplementary. My apologies I was distracted by something at that particular point when I rose to answer your question. I don't have a specific reason for you at the moment but again I'll bring it back to you when I can. I would note however, that while I recognise the fact that you are saying that you have had difficulty in getting the answers on that particular question from officers, this is a highly specific ward issue related here and I would have suggested that perhaps you could have come directly to me before bringing it to full Council in order for me to try and effect that answer for you, I think that would have been quite helpful and indeed my door remains open to anybody who has any ward specific issues that they're not finding it easy to resolve, I'm more than happy to help with them before they turn up at full Council, thank you.

QUESTION NO 9

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 12 March 2020

In May 2019, the then Almond Neighbourhood Partnership agree to allocate NEP funding from 2018/19 and 2019/20 for a new pedestrian crossing on Bo'ness Road in Queensferry.

Question

Can the Convener of Transport and Environment clarify when the new crossing will be installed?

Answer

The timetable for installation is provided below. The installation has been timed to coincide with the summer school holidays:

Phase	Update March 2020
Detailed design completion	April 2020
Tender/Works package	May 2020
Installation	Summer School Holiday 2020

Comments by Councillor Lang

Thank you again for the information that's been provided. The power of the Council question Lord Provost is of course that you get an answer within just a few days of tabling it, I have no supplementary, thank you.

Comment by the Lord Provost

Whilst I accept that point Councillor Lang, I think the point the Convener was making was that the best use of officer time might be to go to the Convener first and if you don't get a suitable answer then I would agree, full Council, but I would encourage all members to use Conveners and Vice-Conveners to try and assist in Ward issues because the offer is there from all Conveners and Vice Conveners to do so.

QUESTION NO 10

By Councillor Whyte for answer by the Convener of the Housing, Homelessness and Fair Work Committee at a meeting of the Council on 12 March 2020

Social and Affordable Homes Project - 1 Linksvie House, 26 Tolbooth Wynd and associated areas at Kirkgate, Giles Street and Coatfield Lane, Leith

Question (1) Can the Convener explain, given coalition Commitment 1 to “Deliver a programme to build at least 10,000 social and affordable homes over the next 5 years” why the above project has stalled with a number of Council properties lying empty for a number of years?

Answer (1) In January 2016 the Health, Social Care and Housing Committee approved demolition and commencement of the rehousing process for 21 homes which would allow new homes to be delivered as the “Coatfield Lane” project. The rehousing process included buying back of five privately owned homes. A Business Bulletin update to Housing & Economy Committee in November 2017 advised that “subject to conclusion of all buy backs and the required statutory consents and approvals, this project should commence on site in 2019”.

Buyback of homes has taken longer than originally anticipated with the final purchase concluded in summer 2019. Following a procurement process, a company has been awarded the contract for the demolition of empty flats with works expected to commence on site in early Spring.

Archaeological investigation will take place after the demolition is complete and, as the findings may have an impact on the final design and layout of the new development, the Housing Service via their agent has requested that the Planning application be placed on hold. Local members received an updated briefing on the project in February and we will be engaging with local residents throughout the next stages of the regeneration.

Question

- (2) What impact does this failure to deliver by the Council on a site in its ownership and control have on the Commitment and on the Council's ability to provide tenancies to reduce homelessness through a Housing First approach or other means?

The following information may assist the Convener in assessing progress to date on this matter:

- A project team was formed to consider the options for the area and undertake consultation in 2014;
- Twelve of the Council owned properties have been empty since at least late 2015;
- Approval to redevelop and end tenancies and garage leases was agreed at her Committee's predecessor Committee in January 2016;
- The business bulletin to Committee on 2 November 2017 expected commencement on site in 2019;
- A planning application was lodged by the Council's agents on 28 September 2018 with an expected determination date of 27 November 2018 but this remains outstanding seventeen months later;
- The properties remain empty, are deteriorating and rather than improving the area leave it blighted with what resembles an abandoned site.

Answer

- (2) The status of the Coatfield Lane project (32 new homes) is not impacting on the overall pace and delivery of the Council led affordable housing programme. The Council currently has 700 new affordable homes under construction as part of mixed tenure developments with over 2,000 affordable homes in design and development.

The Council is on track to approve 10,000 new affordable homes through it's own housing building programme, RSLs and developers, with 1900 homes complete or currently under construction. It is anticipated that more than 1,700 new affordable homes will be approved for site start by the end of the current financial year. This is the highest number of affordable homes ever approved for site start in Edinburgh.

The status of the Coatfield Lane project is not impacting on the delivery of the Council's homeless strategy. Around 70% of available Council homes are let to homeless households as permanent housing (the highest of any local authority). The Council has also increased the provision of temporary accommodation. As of 4 February 2020, forty new Housing First tenancies have been created, with a further fifty-one service users identified and receiving support to access housing. Work is ongoing with RSLs and support providers to meet the 275 tenancies target by 31 March 2021.

**Supplementary
Question**

Thank you Lord Provost. The rather blasé answers from the Convener seem to show little care for the people living around the area of Coatfield Lane given that we're talking about process of development here that started some six years ago and remains without planning permission or a shovel in the ground. So can the Convener perhaps tell us Lord Provost, why she is in denial that this impacts on homelessness and her targets when many of the sites and a plan to meet her targets are small sites like this one, and the failure to deliver in six years on 32 homes hardly gives us confidence that she's going to deliver 10,000 homes in five years which she says is on target but actually there's only 1,900 in process to be built in three years so 10,000 and five years seems rather a stretch.

**Supplementary
Answer**

Thank you very much for your question Councillor Whyte. So, the reason that this site is particularly complex is of course because the Council had to buy back the homes, that's homes that were sold under right to buy, a disastrous Conservative policy that has been incredibly damaging and has seen the number of social homes in this city absolutely plummet, so thank you very much for raising that. I would assume that Councillor Whyte would join me in welcoming the move by the SNP Scottish Government to end right to buy and therefore protect affordable housing and social homes for the future and also we want to thank him for raising concerns around blockages to the delivery of affordable homes, but I would say, you know the one of the potentially worse blockages would have been the Conservative manifesto commitment to axe the 25% affordable housing policy on brownfield sites, and would he also join me in welcoming the fact that the coalition is consulting on increasing that to 35% through the City Plan.

**Comments by
Councillor
Whyte**

Lord Provost, under Standing Order 21(8), can I correct a factual inaccuracy in something Councillor Kate Campbell has just said.

**Comments by
the Lord
Provost**

I've taken advice from the clerk, we both have the same view that the comments made were against a political party not an individual - 21(8) is specifically against individual Councillors.

QUESTION NO 11

By Councillor McLellan for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 12 March 2020

Question (1) The total cost of all council consultation and legal advice and representation in the Judicial Review sought by Nuveen Real Estate of planning permission granted to the Dunard Concert Hall.

Answer (1) The total external costs of the judicial review and mediation processes are £27,950.

Question (2) The total cost to date of all council consultation and legal advice and representation in its request for a Judicial Review of the Scottish Government decision to grant planning permission on appeal for the Edinburgh Marina.

Answer (2) The total external costs of the judicial review and appeal work are £26,147.

Question (3) The total cost, over the last five years, of all council consultation and legal advice and representation in the Cameron House case.

Answer (3) The Cameron House Community Centre construction case was dealt with in reports to Education, Children and Families Committee in 2014 and Governance Risk and Best Value Committee in 2015. The key staff involved at the time have now left the Council but it is not understood that any external legal advice was sought in relation to this matter and accordingly external legal spend in relation to this matter was zero.

Question (4) How many live cases the Council is currently pursuing through the courts and tribunals system?

Answer (4) The Council is currently pursuing the following number of cases through the courts and tribunals system:

Childcare – 41

Debt recovery (sequestration) – 12

Debt recovery (Sundry) - 75

Adults with Incapacity – 53

Planning enforcement – 1

ASBOs/evictions/Banning Orders – 13

Total: 195

It should be noted that this number will fluctuate as matters are progressed, commenced and settled.

Question (5) What is the total bill for external legal advice and representation for court hearings and tribunals in each of the past five financial years?

Answer (5) 2014/15 – approximately £697k

2015/16 - approximately £636k

2016/17 - approximately £664k

2017/18 - approximately £452k

2018/19 - approximately £607k

These figures are best estimates as invoices are not always broken down and such work may be subsumed into eg a larger project fee. To fully extrapolate this detail would involve a significant amount of resource.

It should be noted that these figures also include where CEC has been mandated by court to pay third party fees and therefore has no option but to do so. This also includes costs for hearings where only certain persons (eg Advocates) can appear.

**Supplementary
Question**

Thanks very much and thanks for the answer. Just relating to question 3, there is a significant ongoing court process relating to a member of staff and their associate who works at Cameron House, so can the Convener tell the chamber how much in total this has cost to date including the cost of any related consultation and external investigatory work, and if he can't, will he pledge that a full report on the financial impact on the Council from the current proceedings will be brought to his committee?

**Supplementary
Answer**

Thank you Lord Provost. What we've done is to answer the question as put and it does not include consideration of the case that you mentioned. If you would like further information on that and I would be happy to provide it, I am not prepared to commit to report at this stage. Once we have provided that information we can take that matter forward.

QUESTION NO 12

By Councillor Main for answer by the Leader of the Council at a meeting of the Council on 12 March 2020

Question (1) What formal processes and procedures are used by officers in the Council to ensure that impact assessments are included as part of the development of change, strategies and policy work and reporting to committees timeously for decision making?

Answer (1) Directors or Heads of Service are responsible for deciding whether an Integrated Impact Assessment (IIA) is required, and for ensuring they are carried out as appropriate and follow CEC guidance.

- Service areas nominate a staff member/members as an Equality Diversity and Rights Advisor (EDRAs), whose role it is to support the IIA process within their service area.
- Strategy and Communications provide the Council's IIA guidance and design and deliver training for EDRAs; this is done in partnership with NHS Lothian and EIJB to secure consistency of approach.
- Strategy and Communications provide regular IIA training to these advisors on both the Council's IIA process and a range of equality and diversity issues.
- IIA findings and/or recommendations are then reflected within Committee reports as appropriate.

An internal audit of the Council's Policy Management Framework has recently been completed and is scheduled to be reported to GRBV Committee on May 5th 2020. It makes a number of recommendations for improvements to the IIA process, particularly in relation to ensuring web-site content and links are up to date. These are currently being actioned, due for completion by the start of April 2020.

Question (2) In the current projects developing major strategies across the Council, how many impact assessments have been included for each project, and at what stages of the process have these been carried out and when?

Answer (2) A review of the most recent major strategies developed across the Council shows the following:

Council Change Strategy: Planning for Change and Delivering Services 2020/23 – The Council’s Change Strategy and budget proposals were considered by Finance and Resources Committee on 14 February 2020. All budget proposals were subject to an initial relevance and proportionality assessment by the relevant Head of Service and those requiring a formal Integrated Impact Assessment were subject to an IIA. As well as individual IIAs being carried out, a cumulative integrated impact assessment was undertaken, which considers the sum of smaller impacts identified by individual IIAs and assesses their effect when taken together. A cumulative impact assessment report was provided to the Committee along with the Change Strategy and budget proposals.

Choices for City Plan 2030 – A consultation draft was submitted to the Planning Committee on 22 January. The report noted an IIA had been undertaken and published as a background document. This details that an initial IIA workshop was held on 1 February 2019 to consider an early version of Choices, with this being followed by a second workshop on 22 October 2019 to assess the final Choices document. Equalities information will be gathered during consultation and used to inform future developments.

City Mobility Plan – A consultation draft was submitted to the Transport and Environment Committee on 16 January 2020. The report noted that a draft IIA had been prepared and made available as a background paper. The draft IIA will be reviewed and amended as required in light of intelligence gathered through the consultation. Intelligence, including equalities information, gathered through the Choices 2030 consultation will also help inform this process.

**Supplementary
Question**

Thank you Lord Provost and I thank the Leader for his answer. I am somewhat disappointed that there is not more information in particular about how I'm we comply with our duties in providing impact assessments and making them public but I'm very pleased to see that there is going to be a report going to the Governance, Risk and Best Value Committee on some aspects of impact assessments that we do in the Council. I wonder if I could ask that the Leader would ensure that the formal processes and procedures that we follow are laid out as a briefing note in advance of that so that councillors on the Committee can understand how it is that we currently conduct our impact assessments.

**Supplementary
Answer**

Thank you very much Lord Provost. I am more than happy to ask officers to make sure members briefings are made available both in written form and made directly available to groups if necessary in advance of that report going in May.

QUESTION NO 13

By Councillor Booth for answer by the Convener of the Regulatory Committee at a meeting of the Council on 12 March 2020

Question

Please can the Convener identify the number of complaints against:

- a) taxi drivers, and
- b) PHC drivers from cyclists in each of the last 12 quarters?

Answer

The tables below show the complaints recorded where the customer has advised that they are a cyclist.

TAXI											
2017				2018				2019			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2	4	2	2	3	12	7	10	6	2	0	0

PHC											
2017				2018				2019			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	4	4	0	0	3	0	1	2	0	2	0

QUESTION NO 14

By Councillor Burgess for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 12 March 2020

Question

Whether it is possible for Council employees to elect to have their council pension contributions paid into an ethical pension fund of their choice rather than the Council's arms-length fund

Answer

Employees of City of Edinburgh Council, and all other Scottish Local Authorities, are entitled to join the Local Government Pension Scheme (LGPS), a defined benefit pension scheme operating under statute. New employees of the Council are automatically enrolled in the Lothian Pension Fund (LPF) and contributions are paid by their employer to the Fund to meet the cost of the benefits that accrue with the employee's eligible service.

Employees are able to decide to withdraw from the LGPS at any time and both the Council, as their employer, and their own contributions to their pension administered by LPF would then cease to be paid. Individuals choosing to opt out of the LGPS are then free to invest their own contribution component at their discretion, outside of the LGPS and without the involvement of the LPF.

For those employees of the Council that choose to withdraw from the LGPS there is no compensatory benefit for the employer contribution that the Council makes if they continue as a member of the scheme. Therefore, this sum is not able to be redirected by the employee, the LPF or the Council.

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Minutes

Housing, Homelessness and Fair Work Committee

10.00am, Monday 20 January 2020

Present

Councillors Kate Campbell (Convener), Watt (Vice-Convener), Booth, Jim Campbell, Key, Lang, McLellan, Miller, Munro, Whyte and Work.

1. Minutes

Decision

To approve the minute of the Housing, Homelessness and Fair Work Committee of 31 October 2019 as a correct record.

2. Work Programme

The Housing, Homelessness and Fair Work Committee Work Programme for January 2020 was presented.

Decision

To note the Work Programme.

(Reference – Work Programme, submitted.)

3. Housing, Homelessness and Fair Work Committee Rolling Actions Log

The Housing, Homelessness and Fair Work Committee Rolling Actions Log for January 2020 was presented.

Decision

- 1) To agree to close the following actions:
 - Action 1(3 & 4) – Marketing Edinburgh Service Level Agreement
 - Action 4 – Private Sector Leasing Scheme - Update
 - Action 6 – Street Change Glasgow
 - Action 7 – EICC – Presentation by Marshall Dallas, Chief Executive and Les Florence, Finance and Administration, EICC

- Action 16(1) – Internal Audit – Homelessness Services
 - Action 17 – Deputation – Original Edinburgh
 - Action 18(2) – Original Edinburgh – Old Town Business Improvement District; Proposal and Ballot
- 2) To note that the following action would be transferred to the Policy and Sustainability Committee:
- Action 8 - Edinburgh Economy Strategy – Annual Progress Report
- 3) To otherwise note the remaining outstanding actions.
(Reference – Rolling Actions Log, submitted.)

4. Housing, Homelessness and Fair Work Committee Business Bulletin

The Housing, Homelessness and Fair Work Committee Business Bulletin for January 2020 was presented.

Decision

To note the Business Bulletin.

(Reference – Business Bulletin, submitted.)

Declaration of Interests

Councillors Kate Campbell and Watt declared a non-financial interest in the above item as Directors of Edinburgh Living.

5. Support for Build to Rent

On 31 October 2019, the Housing, Homelessness and Fair Work Committee approved the Strategic Housing Investment Plan (SHIP) 2020/25. The SHIP outlined a programme over the next five years which would deliver nearly 9,500 affordable homes across the city. A funding shortfall of £71.8 million over the next five years was highlighted, should grant levels remain static.

Following engagement with the Build to Rent (BTR) sector, a potential pipeline of around 6,000 BTR homes had been identified. This pipeline had the potential to generate investment of around £900 million in the local economy. The investment would support the delivery of Council commitments, including delivery of 20,000 affordable homes.

Decision

- 1) To note the outcome of engagement with the BTR sector and that a pipeline of over 6,000 homes had been identified to address housing demand and support the economic growth of the city.
- 2) To agree the approach to securing affordable housing in BTR developments.

- 3) To agree that the Convener would write to the Chancellor with regards to the gap in Edinburgh between the Local Housing Allowance and the 30th percentile.
- 4) To agree to refer the report to the Planning Committee for information.

(References – Housing, Homelessness and Fair Work Committee, 31 October 2019 (item 7); report by the Executive Director of Place, submitted.)

6. Housing Revenue Account (HRA) Budget Strategy (2020-2030)

The Housing Revenue Account (HRA) Budget Strategy to deliver £2.5 billion investment in building and improving Council homes was set out in order to deliver Council commitments on affordable housing and net zero carbon by 2030. Capital investment would be accompanied by improvements in how housing services were delivered to increase customer satisfaction. The strategy was aimed at reducing tenants' cost of living, with below inflation rent increases and service charges frozen for the fifth year in a row.

Decision

- 1) To note the outcome of the annual budget consultation.
- 2) To note the proposed £2.5 billion ten-year investment programme to deliver Council commitments, including 10,000 new affordable homes.
- 3) To note that the cost of achieving net zero carbon in Council housing by 2030 had been built into the business plan.
- 4) To note the risks to the delivery of the HRA budget strategy set out at paragraph 4.31 of the report and the mitigating actions.

(References – Housing, Homelessness and Fair Work Committee, 29 August 2019 (item 7); report by the Executive Director of Place, submitted.)

7. Tenant Participation and Community Engagement

Approval was sought for an updated Tenant Participation Strategy (TPS). Improvements made by the Edinburgh Tenants' Federation (ETF) to strengthen the service and participation role they provide were summarised, which would occur through a Service Level Agreement (SLA) currently funded until 31 March 2020, that supported the delivery of the TPS objectives.

Agreement was also sought for the ETF to be funded for a further two years from 1 April 2020 to 31 March 2022, subject to ongoing review and progress against the delivery of key outputs, outcomes and improvement actions. These would be set out in the SLA and will be monitored and reviewed on a six-monthly basis.

Decision

- 1) To approve the new Tenant Participation Strategy 2020/2023.

- 2) To agree to fund the ETF for a further two years, on a maximum standstill budget of £241,083 per annum, subject to ongoing review and progress against the delivery of key outputs, outcomes and improvement actions.
- 3) To agree to circulate the annual ETF report.

(References – Housing and Economy Committee, 30 August 2018 (item 10); report by the Executive Director of Place, submitted.)

8. The EDI Group – Update Report

An update was provided on the progress of the transition strategy for the EDI Group Limited, which aimed to close the group and its subsidiary companies and bring their projects and assets into the Council.

Decision

- 1) To note the report.
- 2) To agree that an updated copy of the chart at Appendix 2 which showed the delays in the projected timeline would be circulated.
- 3) To refer the report to the Governance, Risk and Best Value Committee for consideration.

(References – Housing and Economy Committee, 6 June 2019 (item 8); report by the Executive Director of Place, submitted.)

Declaration of Interests

Councillors Kate Campbell and Whyte declared a non-financial interest in the above item as Directors of the EDI Group.

9. Investment in Town Centres – Strategic Statement

A proposed strategic statement for investment in town centres and local centres in Edinburgh was set out. It was proposed that a schedule of key projects setting out the priority for investment in each town and local centre would be prepared. An update on funds for investment in town centres was also provided.

Motion

- 1) To agree the strategic statement concerning investment in town centres and local centres.
- 2) To agree that the Council would prepare a schedule of key projects in town and local centres as a resource to inform future investment following the consultation process set out in the report.
- 3) To agree to discharge the motion of 6 June 2019 regarding the strategic statement.
- 4) To agree to circulate a briefing note on the criteria that classified a local centre and a town centre.

- 5) To agree that officers would engage with ward councillors within two months on the list of potential projects.

- moved by Councillor Kate Campbell, seconded by Councillor Watt

Amendment

- 1) To agree the strategic statement concerning investment in town centres and local centres, subject to the replacement of 'contribute to inclusive growth' with 'contribute to delivery of the Economic Strategy'.
 - 2) To agree that the Council would prepare a schedule of key projects in town and local centres as a resource to inform future investment following the consultation process set out in the report including the option to purchase empty units when the case for purchase was sufficiently strong.
 - 3) To agree to discharge the motion of 6 June 2019 regarding the strategic statement.
 - 4) To agree to circulate a briefing note on the criteria that classified a local centre and a town centre.
 - 5) To agree that officers would engage with ward councillors within two months on the list of potential projects.
- moved by Councillor Miller, seconded by Councillor Booth

In terms of Standing Order 21(11), the amendment was accepted as an addendum to the motion by Councillor Kate Campbell.

Decision

- 1) To agree the strategic statement concerning investment in town centres and local centres, subject to the replacement of 'contribute to inclusive growth' with 'contribute to delivery of the Economic Strategy'.
- 2) To agree that the Council would prepare a schedule of key projects in town and local centres as a resource to inform future investment following the consultation process set out in the report including the option to purchase empty units when the case for purchase was sufficiently strong.
- 3) To agree to discharge the motion of 6 June 2019 regarding the strategic statement.
- 4) To agree to circulate a briefing note on the criteria that classified a local centre and a town centre.
- 5) To agree that officers would engage with ward councillors within two months on the list of potential projects.

(References – Housing and Economy Committee, 6 June 2019 (item 12); report by the Executive Director of Place, submitted.)

10. Scottish Government funded 'No One Left Behind' Employability – Small Grants Awards

Information was provided on the small grants process to award funding to deliver early intervention employability provision for young people at risk of becoming Not in Education, Employment or Training (NEET) – formerly called Activity Agreements.

Approval was sought to award small grants for a newly specified service, which met the parameters of the Scottish Government's No One Left (NOLB) Behind funding and the needs of vulnerable young people who required additional support to secure a positive destination, to begin in April 2020

Decision

- 1) To note the robust application process, including support for applicants and scoring mechanisms, for small grants to deliver Scottish Government's NOLB Strategic Skills Pipeline Stage 1 Employability Provision for young people.
- 2) To agree to approve the Review Group's recommendation to award a total of five grants (four localities plus the city centre) to commence delivery in April 2020.
- 3) To agree that the list of Place Development Efficiencies, as part of the approved savings, would be circulated.

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

11. Business Improvement Districts

The arrangements for establishing Business Improvement Districts (BIDs) were summarised. Where the Council was an eligible voter, the report made recommendations on what the process should be to exercise this responsibility.

Decision

- 1) To note the legislation in place for the creation of BIDS.
- 2) To note that the Council would also sometimes be an eligible voter in the area in which BIDs were proposed.
- 3) To note the criteria used to determine the outcome of a BID ballot.
- 4) To agree to delegate the responsibility for the Council's vote(s) to the Executive Director of Place, in consultation of the Convener and Vice Convener of Housing, Homelessness and Fair Work, the Convener and Vice Convener of Finance and Resources and the appropriate ward Councillors.
- 5) To agree to a further report on the procedure for any future ballot.

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

Declaration of Interests

Councillor Kate Campbell declared a non-financial interest in the above item as a Director of Essential Edinburgh.

12. Housing Sustainability

Across the Council's existing and new build housing estate significant investment had been made in both building homes to very high energy efficiency standard and retrofitting existing homes to improve their energy performance and help to tackle fuel poverty. Higher standards, as applied to social housing, needed to be applied across the wider domestic sector, with the right incentives in place, if carbon emissions were to fall as sharply as was required by the net zero carbon target of 2030.

Decision

- 1) To note that the domestic sector was responsible for around 35% of overall emissions with Council housing responsible for less than 2% of emissions.
- 2) To note that the significant investment in improving the energy efficiency of existing Council homes, coupled with the decarbonisation of the grid, had resulted in a 65% reduction in carbon emissions since 2005.
- 3) To note the approach to achieving net zero carbon in Council Homes and that progress would be reported as part of the Housing Revenue Account (HRA) Business Plan.
- 4) To note the range of innovative energy programmes and projects underway to reduce emissions across the city, tackle fuel poverty and overcome mixed tenure ownership barriers.
- 5) To agree to refer the report to Policy and Sustainability Committee on 25 February 2020.

(References – Housing and Economy Committee, 6 June 2019 (items 6 and 10); report by the Executive Director of Place, submitted.)

13. Sustainability – Carbon Neutral Economy

On 25 October 2019 the Policy and Sustainability Committee agreed to set a target of 2030 for achieving net zero carbon for the city of Edinburgh.

Supporting Edinburgh's transition to a low carbon economy had been identified as a good growth step in the Economy Strategy. There was now increased emphasis on this objective and on ensuring that the other good growth steps were delivered in a way that is compatible with the net zero target. However, it was important that the economic and social outcomes of Economy Strategy were not lost but instead achieved as part of a move to a carbon neutral economy.

Motion

- 1) To note the programme of work currently underway to deliver sustainability improvements.
 - 2) To agree the new priorities identified at the Member/Officer Workshop on 27 November 2019 and to note that these would be further developed.
 - 3) To agree that progress against the sustainability objective should be set out within the Economy Strategy Annual Update reports.
- moved by Councillor Kate Campbell, seconded by Councillor Watt

Amendment

- 1) To note the programme of work currently underway to deliver sustainability improvements.
 - 2) To agree the new priorities identified at the Member/Officer Workshop on 27 November 2019 and to note that these would be further developed including:
 - Strengthening the priorities to 'net zero' in place of 'low' carbon where solutions existed to enable net zero carbon to be achieved.
 - Identifying any additional emerging priorities to be included as the plans proceed.
 - Ensuring that associated and indirect carbon impacts were taken into account.
 - Identifying economic priorities/opportunities for carbon capture, in order to align with the council target of net zero rather than absolute zero carbon.
 - 3) To agree that progress against the sustainability objective should be set out within the Economy Strategy Annual Update reports.
- moved by Councillor Miller, seconded by Councillor Booth

In terms of Standing Order 21(11), the amendment was accepted as an addendum to the motion by Councillor Kate Campbell.

Decision

- 1) To note the programme of work currently underway to deliver sustainability improvements.
- 2) To agree the new priorities identified at the Member/Officer Workshop on 27 November 2019 and to note that these would be further developed including:
 - Strengthening the priorities to 'net zero' in place of 'low' carbon where solutions existed to enable net zero carbon to be achieved.
 - Identifying any additional emerging priorities to be included as the plans proceed.
 - Ensuring that associated and indirect carbon impacts were taken into account.
 - Identifying economic priorities/opportunities for carbon capture, in order to align with the council target of net zero rather than absolute zero carbon.

- 3) To agree that progress against the sustainability objective should be set out within the Economy Strategy Annual Update reports.

(References – Policy and Sustainability Committee 25 October 2019 (item 1); report by the Executive Director of Place, submitted.)

14. Consultation on the Replacement of European Structural Funds in Scotland Post EU-Exit

Decision

To note that this item had been withdrawn from the agenda.

15. Advice Services Accreditation

An update was provided on the Council's Advice Services preparation for being accredited against The Scottish National Standards for Information and Advice Providers. Assessment for accreditation through audit functions were provided by the Scottish Legal Aid Board (SLAB).

Decision

- 1) To note the Council's request to be accredited to The Scottish National Standards for Information and Advice Providers.
- 2) To agree that a briefing note would be circulated on the timeline for the SLAB audit once the timeline was available.

(Reference – report by the Executive Director for Communities and Families, submitted.)

Declaration of Interests

Councillor Lang declared a financial interest in the above item as an employee of the Edinburgh Law Society of Scotland, left the room and took no part in the discussion.

16. Marketing Edinburgh Update

An update was provided on Marketing Edinburgh, following the resignation of the Board in early November 2019 and the subsequent appointment of Councillors Kate Campbell, Claire Miller and Mandy Watt to the Board. Details were provided of the service activities carried out by Marketing Edinburgh, the recent move to co-locate with Edinburgh Chamber of Commerce in the George Street offices and the Board's efforts to consider sustainable financial solutions for the priority areas of film and convention.

Decision

To note the report.

(References – Housing and Economy Committee, 6 June 2019 (item 11); Housing, Homelessness and Fair Work Committee, 31 October 2019 (item 16); report by the Executive Director of Place, submitted.)

Declaration of Interests

Councillors Kate Campbell, Miller and Watt declared a non-financial interest in the above item as Directors of Marketing Edinburgh.

17. Housing Service Improvement Plan: Update

An update was provided on the work being taken forward as part of the Housing Service Improvement Plan (HSIP). The measures set out in the improvement plan aimed to significantly improve customer satisfaction, operating performance and reduce costs.

Decision

- 1) To note progress made with the HSIP and that the programme was projected to exceed the first-year savings target.
- 2) To agree to receive an update report in six months.
- 3) To agree to provide more detailed metrics in the next report in six months' time.

(References – Housing and Economy Committee, 6 June 2019 (item 10); report by the Executive Director of Place, submitted.)

18. Place Directorate – Revenue Monitoring 2019/20 – Half Year Report

The projected month six revenue monitoring position for the Place Directorate Housing Revenue Account (HRA) and General Fund (GF) elements was set out, based on analysis of actual expenditure and income to the end of September 2019, and projections for the remainder of the financial year.

Decision

- 1) To note the balanced budget forecast position in respect of the HRA revenue budget.
- 2) To note that the Place Directorate GF was currently projecting a potential budget pressure of £5.615m for 2019/20.
- 3) To note that the Executive Director of Place was continuing to progress implementation of measures to reduce the potential budget pressures with £3.518m of planned measures identified to be implemented before the financial year end. These would reduce the general fund budget pressure to £2.097m. Further measures were being identified to mitigate the potential budget pressure if possible.

- 4) To note that progress would be reported to the Finance and Resources Committee on 23 January 2020 and to the meeting of this committee on 19 March 2020.

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

19. Homelessness and Housing Support - Revenue Monitoring 2019/20 – Month Seven Position

The projected month seven revenue monitoring position for the Homelessness and Housing Support service was set out, based on analysis of actual expenditure and income to the end of October 2019, and expenditure and income projections for the remainder of the financial year.

Decision

- 1) To note an overall net residual budget pressure of £4.5m for Communities and Families, as reported to the Education, Children and Families Committee.
- 2) To note that this pressure included a net residual budget pressure of £0.8m for the Homelessness and Housing Support service, which remained at month seven.
- 3) To note that approved savings and operational efficiencies in 2019/20 totalled £0.295m, with £0.175m on track to be delivered in full and £0.120m assessed as amber, which was not expected to be fully delivered until 2020/21.
- 4) To note that the Executive Director of Communities and Families was taking measures to reduce budget pressures and that progress would be reported to the Finance and Resources Committee on 23 January 2020.

(Reference – report by the Executive Director for Communities and Families, submitted.)

20. Rapid Access Accommodation and Link Working

An update was provided on the delivery of rapid access accommodation for rough sleepers and the development of the link worker role.

Decision

- 1) To note the update on the delivery of rapid access accommodation and the development on the link worker role.
- 2) To note that case studies were being developed by the service area and would be circulated to members on completion.

(Reference – report by the Executive Director for Communities and Families, submitted.)

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Minutes

Culture and Communities Committee

10.00am, Tuesday 28 January 2020

Present

Councillors Wilson (Convener), McNeese-Mechan (Vice-Convener), Brown, Fullarton (substituting for Ian Campbell), Doggart, Doran, Key for items 1 to 7 (substituting for Councillor Howie), Mitchell, Osler, Rae and Staniforth.

1. Motion by Councillor Rae – Bingham Cup

a) Deputation - Caledonian Thebans Rugby

Munro Stevenson from Caledonian Thebans Rugby gave a deputation in relation to a motion by Councillor Rae regarding the Bingham Cup.

The following points were raised during the deputation:

- Thebans Rugby were a member of the international federation of gay and inclusive rugby clubs (IGR) which was established around the turn of the millennium. Since then the organisation had grown and had 85 full members internationally with 22 affiliated bodies. The biggest bloc of clubs was in the UK.
- The international federation of gay and inclusive rugby clubs was the representative body to world rugby on Lesbian Gay Bisexual and Transgender (LGBT) issues and see the running of the Bingham Cup and management of the Bingham Cup bid process.
- There was no formal process from IGR about the bid process for the Bingham Cup, this was expected at a future date. In October 2019 Thebans Rugby announced that they were going to bid for the Bingham Cup. In May or June 2020 Thebans Rugby would be expected to submit their bid submission including their tournament and festival details. This would be followed by a revision period where the IGR trustees ensured the bid met all the criteria and if any changes were required this would be sent back to Thebans Rugby.
- The Deputation would present their bid at the IGR AGM in Ottawa in August 2020. Clubs would then vote, and Thebans Rugby would know by October or November 2020 if they had achieved the bid to secure hosting the tournament.
- Thebans Rugby were preparing for 3600 participants at the 2022 Bingham Cup. This would require a minimum of 12 rugby pitches to play.
- Sites for the tournament were set on Inverleith Park and the surrounding rugby clubs.
- The preferred dates were 24 June to 3 July 2022 and Local Authority support was essential in the criteria of the bid.
- Finals day for the tournament would be held at BT Murrayfield, which would promote the event to a wider audience.

b) Motion by Councillor Rae - Bingham Cup

The following motion by Councillor Rae was submitted in terms of Standing Order 16:

“Committee

- 1) Note the launch on Friday 25 October of the Bingham Cup 2022 bid, facilitated by the Caledonian Thebans RFC, which aimed to bring the biggest world's LGBT-inclusive rugby tournament to Edinburgh in 2022.
- 2) Note the Bingham Cup enjoyed participation from over 100 city-based teams from across the world.
- 3) Recognise the immense and wide-ranging benefits that hosting this global inclusive sporting event would bring to our City.
- 4) Acknowledge the input that was required from stakeholders across the City to facilitate the success of the bid.
- 5) Request that the Council formed a Steering Group, inviting key stakeholders including Scottish Rugby and the Bingham Cup Bid Committee to participate, with the objective of bringing the Bingham Cup 2022 to Edinburgh.”

- moved by Councillor Rae, seconded by Councillor Staniforth.”

Decision

To approve the motion by Councillor Rae.

2. The Quaich Outline Business Case

a) Deputation - Community Councils

A deputation was heard from Carol Nimmo, Samuel Piacentini, Isabel Thom and Simon Holledge from New Town Community Council, Broughton Community Council, West End Community Council and Tollcross Community Council in relation to a report on the Quaich Outline Business Case.

The following points were raised during by the deputation:

- That a population of 43,000 residents were represented across the four community councils.
- That there was widespread concern about the increasing commercialisation of public spaces which was demonstrated in public meetings and online. 850 people had attended a recent meeting that was hosted by the Cockburn Association entitled “City for Sale”.
- That the four community councils had submitted a joint statement along with the Cockburn Association which had broadly supported the goals of the Quaich project in terms of its commitment to green spaces and tranquillity, the improvement of the replacement of the Ross bandstand and improved access for all.
- That larger events or noise pollution from more events connected with the development that was proposed was unwelcome.
- That the developed of the welcome centre was questionable, as the overall quantum of development when considered in tandem with the Ross Bandstand was considered disproportionate in scale.

- That the character and integrity of the Gardens as a result of the developments could comprise Princes Street Gardens as they would clutter and obscure the Gardens.
- That a modest and incremental approach to development in the gardens was favoured.
- That the Outline Business Case presented required more detail to indicate whether the scheme would generate enough income and that clarifying the benchmarks to which assessments that were presented in the Business Case was required.
- If the Business Case was approved, clarity was required on who would oversee the business plan in terms of a reporting structure.
- That it was not clear where overall accountability lay for the project between Cultural Venues or Parks and Greenspace division of the Council.
- To note that catering and concession fees would be a greater source of income than the events which were planned to take place in the garden.
- That there were concerns that if more major events took place, this would lead to a loss of garden and a worry that common good land would be for profit rather than for the citizens of Edinburgh.

b) Deputation - Cockburn Association

A deputation was heard from Terry Levinthal in his capacity as Director of the Cockburn Association in relation to a report on the Quaich Business Case and the Public Spaces Management Plan (item 3 refers).

The following points were raised during deputation:

- That the outline business plan following completion of the Ross Development and the handing over of the asset back to the Council and the arrangements that would exist thereof, was what motivated the Cockburn Association to bring forward this deputation.
- That the Cockburn Association considered the lack of spending in the garden over the years as regrettable.
- That they were looking for the Council to offer a five, ten- and twenty-year plan for the management of the gardens as without it, the goal to make the project revenue neutral would not, in their opinion, be considered possible.
- That approving the Quaich outline business Case at this stage could prejudice the consultation that would follow for the development of a single public spaces protocol, which the Cockburn Association welcomed and were looking forward to participating in.
- That the Outline Business Case did not contain a sufficiently developed risk assessment.
- That there was a risk that if the Business Case was not financially viable, there may be a reliance on more events to generate income to offset the financial losses which was not welcome.
- That consideration to accordance with ISO 2121 was missing from the Business Case.

- That they felt that full financial information was not yet available and that it was considered premature for Elected Members to be making a determination on matters at this stage.
- That it was regrettable that the Outline Business Case document had not been available previously via the Stakeholder forum for the project.
- A more rigorous in-depth plan was requested.

c) Report by the Executive Director of Place

The current Ross Bandstand played Ross Development Trust was established as Scottish Charitable Incorporated Organisation and entered into a Development Agreement with the Council. Through the dedication, effort and fundraising support of the Quaich Trust, the Council and City had the opportunity to enhance the City Centre and West Princes Street Gardens through a revitalised public space. The Quaich Project was intended to make the Gardens accessible to all through a new lift, access slopes and customer facilities to comply with Disability Discrimination Act requirements.

Decision

- 1) To welcome the work that had been carried out to date by the Quaich Project and to support the intention to improve West Princes Street Gardens.
- 2) To agree to request that the Director of Place would provide a more detailed report to committee within one cycle setting out the assumptions in the business case that was presented.
- 3) To note that Councillor Osler had declared that she would recuse herself from the determination on matters pertaining to the Planning Application for the Quaich Project which would be considered by the Development Management Subcommittee of the Council.

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

3. Development of a Public Space Management Plan

Progress made with reviewing the Edinburgh Parks Events Manifesto (EPEM) and Public Spaces Protocol (PSP) to ensure that the approach to the management of public spaces in the city was co-ordinated and that simplified, transparent processes were in place to support the use of these spaces, was presented.

Motion

- 1) To note the initial findings of a review of the (EPEM) and the Public Spaces Protocol (PSP).
- 2) To note that it was intended to use these findings, alongside the motions from Committee and Council to develop a single Public Space Management Plan (PSMP) to be supported by a single set of processes, criteria and procedures when applications were received in the future.
- 3) To approve the principles for the PSMP as follows:
 - a) Parks, public spaces and our streets were critically important for supporting residents and businesses, as well as providing public health, social, economic

- and environmental benefits. The use of these spaces for events must not undermine this primary purpose;
- b) Many public spaces which were desirable for events and activities are in close proximity to residential areas and the impact on residents should be considered in determining the suitability of any requests for events or activities, as well as additional controls that should be put in place if the request was approved.
 - c) Edinburgh was a world festival city. Animating public spaces was an important feature of that status. However, impact on the city must always be a factor in decision making processes, and appropriate mitigations should be agreed in advance;
 - d) The long term protection of the city's public space assets was paramount. Issues such as reinstatement must be taken into account and planned for when public spaces were utilised.
 - e) The amount of utilisation of parks and public spaces was broadly currently appropriate, and neither significant reduction or expansion was justified;
 - f) Events were an important source of income to help in the maintenance of parks and open spaces. Community events in these spaces should be encouraged and competitive rates should be set in the case of commercial events where other criteria for use had been met;
 - g) Geographic dispersal was important in the decision-making process, trying to ensure events are distributed appropriately across the city, whilst recognising that every location had site specific issues;
 - h) Events, attractions and concessions must be good quality, well managed, in line with regulatory requirements (e.g. noise, licensing etc), and legally applicable enforcement arrangements should be set out to ensure that citizens can have confidence that breaches of these regulatory requirements are properly enforced, either through legal powers or contractual penalties;
 - i) Simplicity and transparency were important in policy and practise. Ambiguity should be removed.
 - j) Controls should be put in place to ensure that any events or activities do not adversely impact on the local environment or our natural assets. These controls should cover issues such as energy generation (particularly use of petrol or diesel generators and identification of hardwired power supplies where possible), noise pollution, litter, damage to trees, obstruction of footways, nuisance parking and damage to road surfaces or street furniture.
- 4) To note that it was intended to present the draft PSMP to Committee in March 2020, with consultation to begin in April 2020 and the final document would be presented to Committee in June 2020 for approval.

Moved by Councillor Wilson, seconded by Councillor McNeese-Mechan

Amendment

- 1) To note the initial findings of a review of the Edinburgh Parks Events Manifesto (EPEM) and the Public Spaces Protocol (PSP).

- 2) To note that it was intended to use these findings, alongside the motions from Committee and Council to develop a single Public Space Management Plan (PSMP) to be supported by a single set of processes, criteria and procedures when applications were received in the future.
- 3) To approve the principles for the PSMP as follows:
 - a) Parks, public spaces and our streets were critically important for supporting residents and businesses, as well as providing public health, social, economic and environmental benefits. The use of these spaces for events must not undermine this primary purpose;
 - b) Many public spaces which were desirable for events and activities are in close proximity to residential areas and the impact on residents should be considered in determining the suitability of any requests for events or activities, as well as additional controls that should be put in place if the request was approved.
 - c) Edinburgh was a world festival city. Animating public spaces was an important feature of that status. However, impact on the city must always be a factor in decision making processes, and appropriate mitigations should be agreed in advance;
 - d) The long term protection of the city's public space assets was paramount. Issues such as reinstatement must be taken into account and planned for when public spaces were utilised.
 - e) The amount of utilisation of parks and public spaces was broadly currently appropriate, and neither significant reduction or expansion was justified;
 - f) Events were an important source of income to help in the maintenance of parks and open spaces. Community events in these spaces should be encouraged and competitive rates should be set in the case of commercial events where other criteria for use had been met;
 - g) Geographic dispersal was important in the decision-making process, trying to ensure events are distributed appropriately across the city, whilst recognising that every location had site specific issues;
 - h) Events, attractions and concessions must be good quality, well managed, in line with regulatory requirements (e.g. noise, licensing etc), and legally applicable enforcement arrangements should be set out to ensure that citizens can have confidence that breaches of these regulatory requirements are properly enforced, either through legal powers or contractual penalties;
 - i) Simplicity and transparency were important in policy and practise. Ambiguity should be removed.
 - j) Controls should be put in place to ensure that any events or activities do not adversely impact on the local environment or our natural assets. These controls should cover issues such as energy generation (particularly use of petrol or diesel generators and identification of hardwired power supplies where possible), noise pollution, litter, damage to trees, obstruction of footways, nuisance parking and damage to road surfaces or street furniture, with the inclusion of effective measure that could be adopted to control the amplification of sound in public spaces when appropriate.

- 4) To note that it was intended to present the draft PSMP to Committee in March 2020, with consultation to begin in April 2020 and the final document would be presented to Committee in June 2020 for approval.

moved by Councillor Osler, seconded by Councillor Staniforth

In accordance with Standing Order 21(11), the amendment was accepted as an addendum to the motion.

Decision

- 1) To note the initial findings of a review of the Edinburgh Parks Events Manifesto (EPEM) and the Public Spaces Protocol (PSP).
- 2) To note that it was intended to use these findings, alongside the motions from Committee and Council to develop a single Public Space Management Plan (PSMP) to be supported by a single set of processes, criteria and procedures when applications were received in the future.
- 3) To approve the principles for the PSMP as follows:
 - a) Parks, public spaces and our streets were critically important for supporting residents and businesses, as well as providing public health, social, economic and environmental benefits. The use of these spaces for events must not undermine this primary purpose;
 - b) Many public spaces which were desirable for events and activities are in close proximity to residential areas and the impact on residents should be considered in determining the suitability of any requests for events or activities, as well as additional controls that should be put in place if the request was approved.
 - c) Edinburgh was a world festival city. Animating public spaces was an important feature of that status. However, impact on the city must always be a factor in decision making processes, and appropriate mitigations should be agreed in advance;
 - d) The long term protection of the city's public space assets was paramount. Issues such as reinstatement must be taken into account and planned for when public spaces were utilised.
 - e) The amount of utilisation of parks and public spaces was broadly currently appropriate, and neither significant reduction or expansion was justified;
 - f) Events were an important source of income to help in the maintenance of parks and open spaces. Community events in these spaces should be encouraged and competitive rates should be set in the case of commercial events where other criteria for use had been met;
 - g) Geographic dispersal was important in the decision-making process, trying to ensure events are distributed appropriately across the city, whilst recognising that every location had site specific issues;
 - h) Events, attractions and concessions must be good quality, well managed, in line with regulatory requirements (e.g. noise, licensing etc), and legally applicable enforcement arrangements should be set out to ensure that citizens can have confidence that breaches of these regulatory requirements are properly enforced, either through legal powers or contractual penalties;

- i) Simplicity and transparency were important in policy and practise. Ambiguity should be removed.
 - j) Controls should be put in place to ensure that any events or activities do not adversely impact on the local environment or our natural assets. These controls should cover issues such as energy generation (particularly use of petrol or diesel generators and identification of hardwired power supplies where possible), noise pollution, litter, damage to trees, obstruction of footways, nuisance parking and damage to road surfaces or street furniture, with the inclusion of effective measure that could be adopted to control the amplification of sound in public spaces when appropriate.
- 4) To note that it was intended to present the draft PSMP to Committee in March 2020, with consultation to begin in April 2020 and the final document would be presented to Committee in June 2020 for approval.

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

4. Minutes

Decision

To approve the minute of the Culture and Communities Committee of 12 November 2019 as a correct record.

5. Work Programme

The Culture and Communities Committee Work Programme was presented.

Decision

To note the Work Programme.

(Reference – Work Programme, submitted.)

6. Rolling Actions Log

The Culture and Communities Committee Rolling Actions Log was presented.

Decision

- 1) To approve the closure of:

Action 2 - Sport and Outdoor Learning

Action 7 – Physical Activity and Sport Strategy: An Interim Progress Report

Action 10 – Partnership Agreement with Police Scotland 2019-2020

Action 22 – Proposal for a Conscientious Objectors memorial in West Princes Street Gardens

- 2) To otherwise note the remaining outstanding actions.

(Reference – Rolling Actions Log, submitted.)

5. Business Bulletin

The Culture and Communities Committee Business Bulletin was presented.

Decision

- 1) To note the information set out in the Business Bulletin.

- 2) Circulate information concerning Dowies Weir Mill to the Friends of The River Almond Walkway Group and Ward Councillors.

(Reference – Culture and Communities Committee Business Bulletin, submitted.)

6. Site Proposals and Options for Edinburgh's Christmas 2020

An update was provided on the amended motion by Councillor Staniforth to the 12 November 2019 meeting of the Culture and Communities Committee, to provide a report within one Committee cycle on proposals and options for Christmas 2020.

Decision

- 1) To note the site options explored and conclusions reached for Edinburgh's Christmas 2020.
- 2) To note that, as previously agreed, public consultation on the future delivery of Winter Festivals and associated events would be undertaken during 2020, and a reviewed events model for winter would be implemented in late 2022.
- 3) To agree to continue to look at Waterloo Place as part of Edinburgh's Christmas.
- 4) To note that Executive Director of Place to assess the contract that was in place and ascertain whether amendments were required to reflect the Council's advertising policy.

(Reference – Culture and Communities Committee, 10 September 2019 (item 9); report by the Executive Director of Place, submitted.)

7. Police Partnership Performance and Activity Report: 1 July 2019 to 30 September 2019

In June 2019 the Culture and Communities Committee agreed a refreshed Partnership Agreement between the City of Edinburgh Council and the Edinburgh Division of Police Scotland in respect of community policing and requested a detailed qualitative and quantitative progress report from the Edinburgh Divisional Commander for Police Scotland, on a quarterly basis. The Performance and Activity report for the period from 1 July to 30 September 2019 was presented by Police Scotland.

Decision

To note the progress report from the Edinburgh Divisional Commander for Police Scotland covering the Period 1 July to 30 September 2019.

(Reference – Culture and Communities Committee, 18 June 2019 (item 5); report by the Executive Director for Communities and Families, submitted.)

8. Draft Allotment Regulations – Public Consultation

A draft of the allotment regulations was presented to Committee for approval to progress to public consultation.

Decision

To approve the attached draft allotment regulations for public consultation.

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

9. Festival and Events Core Programme 2020/21

An update was provided on the recommended core programme of festivals and events for 2020/21

Decision

- 1) To approve in principle the following proposed allocations towards sport events from the Events budget:
 - i) £40,000 towards the European Junior Diving Championships;
 - ii) £30,000 towards the Women’s Tour of Scotland;
 - iii) £5,000 towards the Scottish Diving Championships;
 - iv) £5,000 towards the Scottish Short Course Swimming Championships;
 - v) £10,000 towards the UK Beach Volleyball Tour;
 - vi) £10,000 towards the Edinburgh International Swimming Meet;
 - vii) £50,000 towards the HSBC UK Let’s Ride Edinburgh;
 - viii) £30,000 towards the BUCS Cross Country Championships and Edinburgh Winter Run;
 - ix) £8,000 towards a Pro-Team netball tournament.
- 2) To approve a contribution of £100,000 towards a proposed project to light the Granton Gasometer for a minimum of two years, and a project launch event in partnership with Edinburgh College.
- 3) To approve the Edinburgh Summer Sessions programme in West Princes Street Gardens for 2020 at the same level as 2019, being nine concerts.
- 4) To note the continued in principle commitment to the following events from the Events budget:
 - i) £5,000 towards Armed Forces Day from the 2020/21 financial year;
 - ii) £10,000 towards the Edinburgh Award;
 - iii) £8,000 towards the Remembrance Day Service.

(Reference – Culture and Communities Committee, 29 January 2019 (item12); report by the Executive Director of Place, submitted.)

10. Edinburgh: Million Tree City

Details were provided of the policy that directed the Council’s tree protection, planting and care activities. The report presented the latest data on Edinburgh’s tree resource, their number and estimated social and environmental benefits, as well as mechanisms put in place to encourage public support for trees in the city

Motion

- 1) To agree to recognise the value that urban trees played in addressing the Climate Emergency contributing to meet the Council’s ambitious target of being net carbon neutral by 2030 and global biodiversity losses.
- 2) To note the Council’s existing commitments to tree protection, planting and management and the increase in tree numbers attributable to the positive implementation of policy actions, development planning, and partnership working
- 3) To agree to support the ambition for Edinburgh to be a “Million Tree City” by 2030, ensuring continuing investment in measures to protect, plant and actively manage the city’s trees and woodlands, aligning with the timeline of Scotland’s Forest Strategy.

- 4) To agree to support the establishment of an Edinburgh 'Million Tree Forum' to bring together principal stakeholders so that the city could set an updated vision for trees in the city, could better communicate its tree values, plant trees more quickly, and collectively help to look after those already in its care.
 - 5) To support further i-Tree Eco surveys of Edinburgh's tree canopy cover and the ecosystem service benefits that its urban forest generates, communicating tree number and tree location data on an ongoing basis.
 - 6) To give consideration to using the environmental policies within the City Plan to progress the million-tree aspiration.
 - 7) To refer this report to Transport and Environment Committee.
- moved by Councillor Wilson, seconded by Councillor McNeese-Mechan.

Amendment

- 1) To recognise the value that urban trees played in addressing the Climate Emergency contributing: to meeting the Council's ambitious target of being net carbon neutral by 2030; and ongoing global biodiversity losses.
- 2) To note the Council's existing commitments to tree protection, planting and management and the increase in tree numbers attributable to the positive implementation of policy actions, development planning, and partnership working
- 3) To agree to support the ambition for Edinburgh to be a "Million Tree City" by 2030, ensuring continuing investment in measures to protect, plant and actively manage the city's trees and woodlands, aligning with the timeline of Scotland's Forest Strategy.
- 4) To agree to support the establishment of an Edinburgh 'Million Tree Forum' to bring together principal stakeholders so that the city can set an updated vision for trees in the city, can better communicate its tree values, plant trees more quickly, and collectively help look after those already in its care.
- 5) To support further i-Tree Eco surveys of Edinburgh's tree canopy cover and the ecosystem service benefits that its urban forest generates, communicating tree number and tree location data on an ongoing basis.
- 6) To give consideration to using the environmental policies within the City Plan to progress the million-tree aspiration.
- 7) To refer this report to Transport and Environment Committee.
- 8) To request that a report on tree numbers was brought to the Culture and Communities Committee on an annual basis which would include the following:
 - a) Number of trees planted (by species)
 - b) Number of trees lost (by species)

Thereby giving an understanding of how many trees were currently in Edinburgh and how close the Council was to achieving the aspiration of being a Million Tree City.

- moved by Councillor Osler, seconded by Councillor Mitchell

In accordance with Standing Order 21(11), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor Osler:

- 1) To recognise the value that urban trees play in addressing the Climate Emergency contributing: to meeting the Council's ambitious target of being net carbon neutral by 2030; and ongoing global biodiversity losses.
- 2) To note the Council's existing commitments to tree protection, planting and management and the increase in tree numbers attributable to the positive implementation of policy actions, development planning, and partnership working
- 3) To support the ambition for Edinburgh to be a "Million Tree City" by 2030, ensuring continuing investment in measures to protect, plant and actively manage the city's trees and woodlands, aligning with the timeline of Scotland's Forest Strategy.
- 4) To support the establishment of an Edinburgh 'Million Tree Forum' to bring together principal stakeholders so that the city can set an updated vision for trees in the city, can better communicate its tree values, plant trees more quickly, and collectively help look after those already in its care.
- 5) To support further i-Tree Eco surveys of Edinburgh's tree canopy cover and the ecosystem service benefits that its urban forest generates, communicating tree number and tree location data on an ongoing basis.
- 6) To give consideration to using the environmental policies within the City Plan to progress the million-tree aspiration.
- 7) To refer this report to Transport and Environment Committee.
- 8) To request that a report on tree numbers was brought to the Culture and Communities Committee on an annual basis which would include the following:
 - a) Number of trees planted (by species)
 - b) Number of trees lost (by species)

thereby giving an understanding of how many trees were currently in Edinburgh and how close the Council was to achieving the aspiration of being a Million Tree City.

(References – Policy and Sustainability Committee, 25 October 2019 (item 1 and 3); report by the Executive Director of Place, submitted.)

11. Referral from the Governance, Risk and Best Value Committee, Internal Audit – Localities Operating Model

The Governance, Risk and Best Value Committee on 13 August 2019 considered a report by the Chief Internal Auditor, Internal Audit Annual Opinion for the year ended 31 March, which detailed the outcome of the audits carried out as part of the Council's 2018/19 Internal Audit annual plan and the status of open Internal Audit findings as at 31 March 2019. The Governance, Risk and Best Value Committee referred the Localities Operating Model Audit to the Culture and Communities Committee for review and scrutiny.

Decision

To note the report.

(References – Governance, Risk and Best Value Committee, 13 August 2019 (item 7), referral from the Governance, Risk and Best Value Committee, submitted.)

12. VISER – Visually Impaired Supporters Enjoying Rugby - Motion by Councillor Brown

The following motion by Councillor Staniforth was submitted in terms of Standing Order 16:

- “1) To acknowledge the partnership between Edinburgh Rugby, BATs Rugby and the Royal Blind School to develop a braille ‘rugby pitch’ which allows people who are visually impaired to follow a rugby match via guided finger movement together with the aid of audio commentary.
- 2) To congratulate all involved in the project, including pupils from the Trinity Academy who volunteered trialling out the braille rugby board at recent Edinburgh Rugby fixtures at Murrayfield.
- 3) To recognise that the partnership is currently in discussion with companies to design and produce a 3D braille rugby pitch to enhance the experience further and increase further participation.
- 4) To note that the partnership is also keen to explore funding opportunities to further roll out the concept, and to hear from anyone interested in being part of this unique project.”

Decision

To agree to continue consideration of the motion to the next Culture and Communities Committee on 24 March 2020.

13. Winter Festival Consultation - Motion by Councillor Osler

The following motion by Councillor Osler was submitted in terms of Standing Order 16:

- “1) Committee notes the commitment to consult the public on the Edinburgh Winter Festival Programme which should follow the completion of the current contract with Underbelly.
 - 2) Committee agrees to establish a short-term working group, including representatives of all Council political groups to reflect the views of all the community to help shape the content of that Consultation.”
- moved by Councillor Osler, seconded by Councillor Mitchell.

Motion

To approve the motion by Councillor Osler.

- moved by Councillor Osler, seconded by Councillor Mitchell.

Amendment

To accept paragraph 1 of Councillor Osler’s Motion, delete paragraph 2, and add new paragraphs:

- 1) Committee requests formation of an All-Party Oversight Group on Festivals, to include elected members of all political groups and to enable them to seek views from key stakeholders including representatives of local communities.
- 2) Committee further recommends that if approved, this decision be included as part of the February report due on Winter Festivals to the Policy and Sustainability Committee.
- 3) The proposed All Party Group should follow the model set by existing APOGs and be focused on the planning of the major summer and winter festivals. This can then be used to help shape the design and content of the consultation on Winter Festivals.

- moved by Councillor Wilson, seconded by Councillor McNeese-Mechan.

In accordance with Standing Order 21(11), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor Osler:

- 1) Committee notes the commitment to consult the public on the Edinburgh Winter Festival programme which should follow the completion of the current contract with Underbelly in 2021/22.
- 2) Committee requests formation of an All-Party Oversight Group on Festivals, to include elected members of all political groups and to enable them to seek views from key stakeholders including representatives of local communities.
- 3) Committee further recommends that if approved, this decision be included as part of the February report due on Winter Festivals to the Policy and Sustainability Committee.
- 4) The proposed All Party Group should follow the model set by existing APOGs and be focused on the planning of the major summer and winter festivals. This can then be used to help shape the design and content of the consultation on Winter Festivals.

Minutes

Transport and Environment Committee

10.00am, Thursday 27 February 2020

Present

Councillors Macinnes (Convener), Doran (Vice-Convener), Arthur, Bird, Cook, Corbett, Douglas, Key, Lang, Miller and Webber (substituting for Councillor Smith).

1. Public Transport Priority Action Plan - Bus Stop Spacing Review Trial

Decision

To continue this item to the Transport and Environment Committee meeting of 20 March 2020.

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

2. Motion by Councillor Miller – Bike buses

a) Deputation – Blackford Safe Routes

The deputation advised that Blackford Safe Routes were a community group who ran 'bike buses' to school which allowed large groups of children to cycle safely to school on routes that would otherwise be dangerous.

The deputation acknowledged the support already given from the Council and asked that, as other community groups grew and tried to support the idea of bike buses, the Council would be able to commit to the same support already received.

b) Motion by Councillor Miller

The following motion by Councillor Miller was submitted in terms of Standing Order 16:

“Committee:

1. Thanked parents and other volunteers for creating and regularly organising “bike buses” for pupils to travel to school together safely, and commends the approach which is helping young people of all ages and abilities to cycle to school
2. Recognised the significant volunteer time and effort required to organise one bike bus per month, both on the day and in preparation, and thanked volunteers at Sciennes Primary School and Blackford Safe Routes for their work to create a guide to setting up and running a bike bus which enabled more schools to offer a bike bus¹

3. Noted the significant challenges still remaining, for example offering more frequent bike buses, increasing the number of routes to schools and the number of schools offering a bike bus
4. Agreed to consult with bike bus volunteers and pupils on challenges they have identified and to bring back an update to Committee in two cycles on actions to support and enable bike buses to school

1 <https://www.cycling.scot/mediaLibrary/other/english/5539.pdf>"

- moved by Councillor Miller, seconded by Councillor Corbett

Decision

To approve the motion by Councillor Miller.

3. Approach to Extension of 20 mph Speed Limits

Details were presented of a proposed approach to undertaking a review of the potential to extend Edinburgh's current 20mph network. The report outlined a consultation process that sought views on levels of support for extending the network and for identifying further streets for inclusion. Clarification of the criteria for the installation of additional physical traffic calming measures, previously set out in a report to this Committee on 11 October 2019 was also provided.

Motion

- 1) To approve the proposed approach to the extension of 20mph speed limits in Edinburgh as set out in the report.
- 2) To discharge the action to provide a broader, clearer and more quantifiable set of criteria for the installation of additional physical traffic calming measures, contained within a Liberal Democrat Motion approved by this Committee on 11 October 2019.
- 3) To note that the Edinburgh Street Design Guidance specified that the default design speed for new streets is 20mph.

- moved by Councillor Macinnes, seconded by Councillor Doran

Amendment 1

- 1) To note the proposed approach to the extension of 20mph speed limits in Edinburgh set out in the report and agreed to receive:
 - a) additional details on the survey questions to be asked of residents by the external consultants
 - b) clarity around the next steps should a majority of respondent's favour retention of a 30mph limit on a particular street(s)
 - c) consideration of inclusion of a mechanism to suggest existing 20mph streets that may be considered for return to 30mph.

This information should be reported back to Committee in one cycle

- 2) To discharge the action to provide a broader, clearer and more quantifiable set of criteria for the installation of additional physical traffic calming measures,

contained within a Liberal Democrat Motion approved by this Committee on 11 October 2019.

- 3) To note that the Edinburgh Street Design Guidance specified that the default design speed for new streets was 20mph.

- moved by Councillor Cook, seconded by Councillor Douglas

Amendment 2

- 1) To approve the proposed approach to the extension of 20mph speed limits in Edinburgh as set out in the report.
- 2) To discharge the action to provide a broader, clearer and more quantifiable set of criteria for the installation of additional physical traffic calming measures, contained within a Liberal Democrat Motion approved by this Committee on 11 October 2019.
- 3) To note that the Edinburgh Street Design Guidance specified that the default design speed for new streets was 20mph.
- 4) To note that the Road Safety Foundation in developing its star rating system for use in urban areas and therefore agreed to consider reviewing the criteria set out in 4.11 and 4.12 of the report when this work was complete.

- moved by Councillor Lang, seconded by Councillor Webber

In accordance with Standing Order 21(12), paragraph 4 was accepted as an addendum to the motion.

Voting

For the motion (as adjusted) - 8 votes
For the amendment - 3 votes

(For the Motion (as adjusted): Councillors Arthur, Bird, Corbett, Doran, Key, Lang, Macinnes and Miller

For Amendment 1: Councillors Cook, Douglas and Webber)

Decision

To approve the following adjusted motion by Councillor Macinnes:

- 1) To approve the proposed approach to the extension of 20mph speed limits in Edinburgh as set out in this report.
- 2) To discharge the action to provide a broader, clearer and more quantifiable set of criteria for the installation of additional physical traffic calming measures, contained within a Liberal Democrat Motion approved by this Committee on 11 October 2019.
- 3) To note that the Edinburgh Street Design Guidance specified that the default design speed for new streets was 20mph.
- 4) To note that the Road Safety Foundation in developing its star rating system for use in urban areas and therefore agreed to consider reviewing the criteria set out in 4.11 and 4.12 of the report when this work was complete.

(References – Transport and Environment Committee on 11 October 2019 (item 8); report by the Executive Director of Place, submitted)

4. 40mph Speed Limit Review

Locations recommended for a speed limit reduction from 40mph to 30mph, following an investigation into all roads with a 40mph speed limit in the Council's network to determine the potential for reduction to 30mph, as outlined in the Council's Local Transport Strategy (LTS) Policies Safe 5 and Safe 6, were presented.

Motion

- 1) To note the data gathered to inform the 40mph Speed Limit Review.
- 2) To approve the commencement of the statutory processes for the Traffic Regulation Orders (TRO) necessary to reduce the speed limit from 40mph to 30mph at the locations identified within the report.
- 3) To note the locations where retaining the current 40mph speed limit was recommended.
- 4) To agree to email Councillors when the TRO went live.
- moved by Councillor Macinnes, seconded by Councillor Doran

Amendment

- 1) To note the content of the report.
- 2) To consider that evidence, rather than subjective political judgement, should decide speed limits on city roads.
- 3) To consider that - in the vast majority of included streets - the evidence on median and 85th percentile speeds failed to justify the proposed speed reductions.
- 4) To agree that finite officer time and resources be best directed at addressing only those streets with a significant number of recorded accidents in the past three years, with a revised report brought back to Committee in one cycle.
- 5) To agree to email Councillors when the TRO went live.
- moved by Councillor Cook, seconded by Councillor Webber

Voting

For the motion - 8 votes
For the amendment - 3 votes

(For the Motion: Councillors Arthur, Bird, Corbett, Doran, Key, Lang, Macinnes and Miller)

For the amendment: Councillors Cook, Douglas and Webber)

Decision

To approve the motion by Councillor Macinnes.

(References – Transport and Environment Committee on 11 October 2019 (item 5); report by the Executive Director of Place, submitted)

5. Progress in Implementing the Integrated Weed Control Programme

a) Deputation – Pesticide Free Balerno

The deputation requested that no further application of Glyphosate in Balerno in 2018 and a petition was accepted. In 2019, safe alternatives were used, and the deputation noted they were grateful.

The deputation wanted to support the Council in trialling safe and sustainable alternatives in their community.

b) Report by the Executive Director or Place

An update was provided on the control of weed growth across the city's public roads, parks, hard-standing areas and other Council maintained open spaces. The update highlighted that: although the introduction of quad bike applications had significantly improved herbicide application efficiency, unhelpful weather conditions impacted on 2019 operations; alternative methods continued to be deployed or trialled; and trial of the Foamstream system could be piloted in Balerno during 2021 should resources allow.

Motion

- 1) To note progress in implementing the Integrated Weed Control Programme.
- 2) To consider trialling a Foamstream weed control system in Balerno, or other location, for spring/summer 2021, subject to allocated funding.
- 3) To note that in the interim period, weeds in Balerno would need to be treated in the same manner as the rest of the city's streets, roads and other hard-standing features.

- moved by Councillor Macinnes, seconded by Councillor Doran

Amendment

- 1) To note progress in implementing the Integrated Weed Control Programme.
- 2) To agree to trialling a Foamstream weed control system in Balerno, or other location, for spring/summer 2021, subject to allocated funding.
- 3) To note that in the interim period, weeds in Balerno would need to be treated in the same manner as the rest of the city's streets, roads and other hard-standing features.

- moved by Councillor Webber, seconded by Councillor Corbett

In accordance with Standing Order 21(12), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Macinnes:

- 1) To note progress in implementing the Integrated Weed Control Programme.

- 2) To agree to trialling a Foamstream weed control system in Balerno, or other location, for spring/summer 2021, subject to allocated funding.
- 3) To note that in the interim period, weeds in Balerno would need to be treated in the same manner as the rest of the city's streets, roads and other hard-standing features.

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

6. Deputation - Award of Contracts for Supported Bus Services

The Committee agreed to hear a deputation by The Village Green in relation to the Award of Contracts for Supported Bus Services.

The deputation was not permitted to stay for consideration of the report which was considered in private.

The deputation highlighted the following:

- The deputation was speaking on behalf of the Balerno, Currie and Juniper Green areas where the no 63 bus service would serve. The deputation was from the board of a community interest group called The Village Green.
- The area was currently serviced by the Lothian Bus 44 route which provided a daily service from the area in to Edinburgh.
- The 45 bus provided a service from Currie via Bruntsfield to the City Centre but only during the day and not at the weekend.
- Subsidised services to Livingston and the Gyle were discontinued in April 2016.
- The deputation was looking towards public transport to provide a solution to the daily congestion issues in their community. Heriot Watt University used their area as a test case to model and analyse their traffic problems and to try to identify potential solutions. The extension of the no 63 bus was one of those solutions.
- In order to assess the strength and potential usage of the 63 bus, the deputation conducted an online survey. Over 400 responses were received.
- The deputation summarised their survey findings. Currently, 74% of respondents used their car as their primary method of transport with 51% citing the reason for not using public transport was due to no available route for their destination.
- St John's hospital was the closest hospital referral option in the community. The no 63 bus would provide a much-improved connective link via the park and ride.
- In summary, 25% of respondents to the deputation's survey advised they would use the 63 bus daily, 41% weekly and 26% fortnightly.

The deputation requested that the Committee considered the points raised by them and approve the extension of the no 63 bus to Currie and Balerno.

7. Proposed Sustainable Urban Drainage maintenance arrangements with Scottish Water

Scottish Water was proposing a change to the maintenance of Sustainable Urban Drainage Systems (SUDs) under the Sewerage (Scotland) Act 1968. All Scottish councils were invited to agree to work under principles in a Memorandum of

Understanding which would require a (section 7) agreement to be signed for each SUDs system/site. The memorandum agreed a split between above ground and below ground maintenance for shared (roads and public) water that enters SUDs.

Decision

- 1) To agree to support the principle of and agreed to the Memorandum of Understanding (MOU) with Scottish Water.
- 2) To agree the signing and implementation of subsequent individual agreements for the joint maintenance of surface water drainage systems in new developments (section 7 agreements).

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

8. Minutes

Decision

- 1) To approve the minute of the Transport and Environment Committee of 5 December 2019 as a correct record.
- 2) To approve the minute of the Transport and Environment Committee of 16 January 2020 as a correct record.

9. Transport and Environment Committee Work Programme

The Transport and Environment Committee Work Programme was presented.

Decision

To note the Work Programme.

(Reference – Work Programme, submitted.)

10. Transport and Environment Committee Rolling Actions Log

The Transport and Environment Committee Rolling Actions Log for February 2020 was presented.

Decision

- 1) To agree to close the following actions:
 - Action 3 - Motion by Councillor Hutchison – Kirkliston Congestion Journey (to Council)
 - Action 4 - Bustracker and Bus Station Information System – Future Strategy
 - Action 7 - 'A' Boards and Other Temporary On-street Advertising Structures
 - Action 8 - Petition for a Park and Ride Site at Lothianburn – Follow Up Report
 - Action 9 – Decriminalised Traffic and Parking Enforcement in Edinburgh

- Action 14(1) – Proposed Increase in Scale of Rollout and Amendment to Contract for On-Street Secure Cycle Parking
 - Action 16 – Transport Asset Management Plan (TAMP)
 - Action 17 - Decriminalised Traffic and Parking Enforcement (Update)
 - Action 25 - Motion by Councillor Mowat – Parking on Gilmore Place
 - Action 27 - Objections to Traffic Regulation Order TRO/15/48 Proposed Parking Restrictions at Barnton Avenue West
 - Action 29(1&2) – Tackling Air Pollution – Low Emission Zones
 - Action 33 - Communal Bin Enhancement Update
 - Action 37 - Motion by Councillor Neil Ross – Amplification of Sound in Public Spaces
 - Action 38 - Motion by Councillor Mowat – Summertime Streets Programme
 - Action 41(1) - Strategic Review of Parking – Review Results for Areas 4 and 5 and Proposed Implementation Strategy
 - Action 42 - Emergency Motion by Councillor Macinnes – Summer Festival Advertising
 - Action 43(3) - Motion by Councillor Rae – Greening the Fringe
 - Action 44 - Transport and Environment Committee Business Bulletin
 - Action 45(3, 5 & 6) - Evaluation of the 20mph Speed Limit Roll Out
- 2) To agree that Action 23 - Motion by Councillor Miller – Tollcross Primary School Road Safety Improvements - would remain open.
 - 3) To otherwise note the outstanding actions.
- (Reference – Rolling Actions Log, submitted.)

11. Transport and Environment Committee Business Bulletin

The Transport and Environment Committee Business Bulletin for February 2020 was presented.

Decision

- 1) To agree details would be provided on the budget allocation for Summertime Streets this year, the model of partnership working between the Council and the Police to ensure the approach was fully integrated and who the key stakeholders were that were mentioned in the Business bulletin.
- 2) To agree that details would be circulated to Ward Members and all Community Councils regarding the Water of Leith litter picks.
- 3) To otherwise note the Business Bulletin.

(Reference – Business Bulletin, submitted.)

Declaration of Interest

Councillor Bird declared a non-financial interest in the above item as a Board Member of Changeworks

12. Edinburgh Low Emission Zone - regulations and guidance consultation response and programme update

Information in relation to the Council's response to the consultation on regulations and guidance was provided. An update on the program for implementing Low Emission Zones (LEZ) using a Traffic Regulation Condition (TRC) and the LEZ regulatory regime was also provided.

Decision

- 1) To agree the attached response to Transport Scotland's consultation on Regulations and Guidance.
- 2) To note the programme from Transport Scotland was for the national Low Emission Zones (LEZ) regulations and guidance to be in effect late in 2020 and the related programme for LEZ development and implementation, as set out in the report.
- 3) To agree that to ensure Edinburgh maintained progress to implement LEZ controls, a proposal was developed to the Traffic Commissioner for Scotland to introduce and enforce LEZs through a Traffic Regulation Condition (TRC) for bus services operating in Edinburgh.
- 4) To note that Edinburgh's LEZ development remained focussed on delivering a comprehensive and ambitious scheme using the national regulations, when available.
- 5) To note that Committee would receive further reports in May 2020 on TRC proposals, and in September 2020 with revised LEZ scheme.
- 6) To agree that officers would provide an interim briefing partway through the development process and any questions would be sent to the Convener.
- 7) To agree that the Action Plan on air quality would be updated and to agree that details of the contents of the report would be embedded in the update.

(References – Transport and Environment Committee on 16 May 2019 (item 11); report by the Executive Director of Place, submitted)

13. Communal Bin Enhancement Update

A progress update on the Communal Bin Review project and the governance arrangements was provided.

Decision

- 1) To note the report.
- 2) To approve the parameters and criteria detailed in Appendix 1 of the report
- 3) To approve the proposed phasing and timeline detailed in Appendix 2 of the report.

- 4) To approve wheeled communal bins as the preferred container type as detailed in Appendix 3 of the report.

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

Declaration of Interest

Councillor Bird declared a non-financial interest in this item as a Board member of Changeworks.

14. Carbon Impact of Waste

In response to a motion by Councillor Burgess, the links between the Council's waste management strategy and carbon management were set out. The report dealt only with waste managed by or for the Council.

Motion

To note the contents of the report and in particular note that the Council's waste and cleansing services were designed in line with best practice and that the carbon impact of Edinburgh's household waste was lower than the Scottish average.

- moved by Councillor Macinnes, seconded by Councillor Doran

Amendment

- 1) To note the contents of the report and in particular note that the Council's waste and cleansing services were designed in line with best practice and that the carbon impact of Edinburgh's household waste was lower than the Scottish average.
- 2) To note that the city council had committed to achieving net zero carbon by 2030 and, on current trends, the waste service was not well-aligned with that target nor the Capital Coalition commitment to achieve 60% recycling by 2022.
- 3) To therefore refer the report to the Policy and Sustainability Committee for consideration within the next update on the Sustainability Programme Short Window Improvement Plan.

- moved by Councillor Corbett, seconded by Councillor Miller

In accordance with Standing Order 21(12), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Macinnes:

- 1) To note the contents of the report.
- 2) To note that the Council's waste and cleansing services were designed in line with best practice and that the carbon impact of Edinburgh's household waste was lower than the Scottish average.
- 3) To note that the city council has committed to achieving net zero carbon by 2030 and, on current trends, the waste service was not well-aligned with that target nor the Capital Coalition commitment to achieve 60% recycling by 2022.

- 4) To therefore refer the report to the Policy and Sustainability Committee for consideration within the next update on the Sustainability Programme Short Window Improvement Plan.

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

Declaration of Interest

Councillor Bird declared a non-financial interest in this item as a Board Member of Changeworks.

15. Household Waste Recycling Centres: Commercial Waste Policy and Reopening Braehead Recycling Centre

The Waste and Cleansing service acknowledged the effect unauthorised commercial waste deposits had on queues and costs at Household Waste Recycling Centres (HWRC). The service was seeking to alleviate this through strengthening current policies regarding commercial access, reopen the Braehead HWRC to provide more options for Edinburgh residents, and to introduce a permit based system for commercial style vehicle access in the future.

Decision

- 1) To approve the immediate changes to the Council's policy on restricting the illegal deposit of commercial waste at Household Waste Recycling Centres.
- 2) To approve an investigation into the reopening of Braehead Recycling Centre during the 2021/22 financial year to increase service to Edinburgh residents and relieve usage at Sighthill with a report with officer recommendations on the subject being provided to the Transport and Environment Committee during 2020/21.
- 3) To approve the principle of introduction of a permit scheme for vans and other commercial style vehicles using the Household Waste Recycling Centres (HWRC).

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

16. A720 Sheriffhall Roundabout Scheme - Response to Draft Orders and Environmental Statement

Committee were notified of the Council's formal response to the published draft Orders as part of the statutory process to grade-separate Sheriffhall Roundabout on the A720 Edinburgh City Bypass. The response aligns with local and national policies and was compiled on feedback from the relevant service areas.

Decision

- 1) To note the Council's response to the draft Orders and Environmental Statement published as part of proposals to grade-separate the Sheriffhall Roundabout on the A720. The response was approved by the Executive Director of Place in consultation with the Convener and Vice Convener of Transport and Environment Committee prior to submission.

- 2) To agree that updates would be provided as and when appropriate/when possible.

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

17. Delivering the Local Transport Strategy 2014-2019: Parking Action Plan

An update was provided on the progress made in delivering upon the 44 actions contained within the Council's Parking Action Plan.

The update reflected the outcome of the legal process to introduce changes based upon actions contained within the Parking Action Plan, most notable of which were the introduction of Sunday parking restrictions and the rollout of shared-use parking places.

Motion

- 1) To note the progress made on delivering the actions contained within the Parking Action Plan.
- 2) To note the content of the objections received in response to the recent advertising of the Parking Action Plan traffic order (reference TRO19/29), as detailed in Appendix 1 and the Council's responses as detailed in Appendix 2 of the report.
- 3) To approve the making of traffic order 19/29, subject to the amendments listed in Appendix 3 of the report.
- 4) To approve the withdrawal of physical permits and their replacement with a system of electronic permits as outlined in Appendix 4 of the report.

- moved by Councillor Macinnes, seconded by Councillor Doran

Amendment

- 1) To note that 91 percent of respondents were against the proposals detailed in the Parking Action Plan Traffic Order (TRO 19/29).
- 2) To agree to uphold the objections received and proceed no further with the order.
- 3) To consider that the significant scale of opposition to this order demonstrated how completely out of touch the administration was with Edinburgh residents.
- 4) To agree for a fully revised Action Plan to be placed before Committee for consideration which took cognisance of the public response to TRO 19/29, including on the issue of Sunday Parking charges.

- moved by Councillor Cook, seconded by Councillor Douglas

Voting

For the motion - 8 votes
For the amendment - 3 votes

(For the Motion: Councillors Arthur, Bird, Corbett, Doran, Key, Lang, Macinnes and Miller)

For the amendment: Councillors Cook, Douglas and Webber)

Decision

To approve the motion by Macinnes.

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

18. Edinburgh: Million Tree City – referral from the Culture and Communities Committee

The Culture and Communities Committee had referred a report on 28 January 2020 to the Transport and Environment Committee for noting.

Decision

- 1) To note the report.
- 2) To note that details of the meeting between the partners would be forwarded to members of the Committee.

(References – Culture and Communities Committee, 28 January 2020 (item 10); referral from the Culture and Communities Committee, submitted.)

19. Choices for City Plan 2030 - referral from the Planning Committee

The Planning Committee had referred a report on 22 January to the Transport and Environment Committee for noting.

Decision

To note the report.

(References – Planning Committee, 22 January 2020 (item 1); referral from the Planning Committee, submitted.)

20. Motion by Councillor Lang - Lothian Buses

The following motion by Councillor Kevin Lang was submitted in terms of Standing Order 16:

- “1) Committee recognised the critical role of Lothian Buses in providing high quality public transport across the city, thereby helping the Council to reduce congestion, improve air quality and help Edinburgh become carbon neutral by 2030.
- 2) Committee believed that, as a publicly owned company, Lothian Buses should:
 - a) operate in as open and transparent a manner as possible.
 - b) be open to having its performance and decision making scrutinised by elected councillors.
 - c) have an opportunity to highlight how the Council can better support its operations.

- 2) Committee therefore agrees:
 - a) that the Convener invite the managing director and chair of Lothian Buses to give a presentation to the committee at a future meeting, with an opportunity for committee members to ask questions.
 - b) that such an agenda item should become an annual part of the committee's work-plan"

- moved by Councillor Lang, seconded by Councillor Arthur

Decision

To approve the motion by Councillor Kevin Lang

Declaration of Interests

Councillor Macinnes declared a non-financial interest in the above item as Chair of Transport for Edinburgh.

Councillors Doran and Miller declared a non-financial interest in the above item as a Director of Transport for Edinburgh.

21. Emergency motion by Councillor Cook – Resignation of Lothian Buses Managing Director

The Convener ruled that the following item, notice of which had been given at the start of the meeting, be considered as a matter of urgency to allow the Committee to give early consideration to the matter, in accordance with Standing Order 21.3(d).

The following motion by Councillor Nick Cook was submitted in terms of Standing Order 16(2):

- “1. Committee noted that Lothian Managing Director, Richard Hall, was due to formally tender his resignation to the company board on 5th March.
2. Committee thanked Mr Hall for his four years of service to Edinburgh's publicly owned bus company, during which time Lothian has seen significant geographic expansion of the business in addition to sustained growth in customer numbers, revenues and profit which had allowed for continued reinvestment in services to the benefit of Edinburgh's citizens and economy.
3. Committee wished Mr Hall the very best for the future and looks forward to a successful, constructive and accountable relationship with his successor”

- moved by Councillor Cook, seconded by Councillor Douglas

Decision

To approve the motion by Councillor Nick Cook.

22. Award of Contracts for Supported Bus Services

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 8 and 9 of Part 1 of Schedule 7(A) of the Act.

Following approval by Committee in June 2018 of a Framework Agreement for the Supply of Supported Bus Services, the results of a tendering process undertaken to procure new fully subsidised bus services and the measures taken to deliver service improvements within the overall context of the existing budget allocation were provided.

Decision

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

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

Declaration of Interests

Councillors Macinnes declared a non-financial interest in this item as Chair of Transport for Edinburgh.

Councillors Doran and Miller declared a non-financial interest in this item as a Director of Transport for Edinburgh.

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Minutes

Education, Children and Families Committee

10.00am, Tuesday 3 March 2020

Present:

Councillors Perry (Convener), Dickie (Vice-Convener), Bird, Burgess, Mary Campbell, Griffiths, Key, Laidlaw, Rust, Webber and Young.

Religious Representatives

Fiona Beveridge, Monsignor Anthony Duffy and Rabbi David Rose.

Parent Representative

Alexander Ramage

1. Children and Young People's Participation

(a) Presentation from Pupils from Wester Hailes Education Centre (WHEC)

Pupils from WHEC provided members with an update on the Classroom Partnership initiative. WHEC prided itself on positive relationships and the Project gave pupils a voice and created a climate of respect in the classroom. The Partnership ethos was underpinned by respect for the child.

The pupils worked with staff and shared expectations and feedback which contributed to the effective working of the Partnership.

The impact of the Classroom Partnership had been positive. The pupils felt that their views were being heard and the number of pupils removed from class had decreased.

(b) Report by the Executive Director for Communities and Families

Progress was set out in relation to children and young people's participation and key examples were highlighted from across the city where children and young people had made a difference in terms of their own experience, their schools and communities, and the city as a whole.

Key issues that children and young people had raised across a range of participation activities were highlighted in the report.

Decision

- 1) To note the progress with participation work in several interlinked contexts and against the top five priorities identified by children and young people.
- 2) To agree the next steps outlined in section 5 of the report by the Executive Director for Communities and Families.

- 3) To request a further report in March 2021.

(References – Education, Children and Families of 21 May 2019 (item 6), (item 12) and (item 18); 8 October 2019 (item 8); report by the Executive Director for Communities and Families, submitted)

2. Motion by Councillor Laidlaw – Thistle Foundation Children’s Wellbeing Project

(a) Deputation – Thistle Foundation

The deputation outlined the background to the project and their current and future plans. The project was a charity based in Craigmillar and had a relationship with the local schools and were now in their third year of their first children wellbeing project. The project helped children build resilience, encouraged peer support, helped them explore what worked for them and reinforced learning. Some schools were already incorporating some of the children’s ideas for behaviour management. They hoped to get funding and despite some issues relating to charitable status, they were confident that they could continue with this work.

(b) Motion by Councillor Laidlaw

The following motion by Councillor Laidlaw was submitted in terms of Standing Order 16:

“Committee:

“Notes:

- 1) The success of the Children’s Wellbeing Projects piloted by the Thistle Foundation - the Craigmillar based charity supporting the well-being of individuals with long-term conditions - that has supported children at Brunstane and Castlevie Primary Schools to better manage their worries, cope with difficult emotions and best respond to change.
- 2) That following a pilot in 2018, the 2018/19 project extended the work from a programme of six standalone sessions to working with children across the school year, with children at Castlevie aged between 8-10 years and those at Brunstane 6-8 years.

Recognises:

- 1) That the schools involved have an above average number of children with additional support needs and catchments that fall within SIMD areas 1 and 2.
- 2) That the best way to prevent Adverse Childhood Experiences is through preventative action with Health and Wellbeing with the project supporting the requirement in the Curriculum for Excellence to support ‘mental, emotional, social and physical wellbeing’.

Asks:

- 1) Officers to review the results of the projects to date and assess how these principles and partnership working could be applied in other schools across the North East and beyond.”
- moved by Councillor Laidlaw, seconded by Councillor Webber.

Decision

To approve the motion by Councillor Laidlaw.

3. Early Years Admissions Policy

(a) Deputation - National Day Nurseries Association (Edinburgh) and Colinton Nurseries Ltd.

The deputation indicated that National Day Nurseries Association provided 41% of nursery provision in Edinburgh and were committed to the 1140 hours approach but remained concerned about funding. The independent review should take place immediately to avoid children being adversely affected.

The deputation stated that the provision of high quality care was dependent both upon Government funding and being able to raise rates. There were additional costs which were not funded by the new rates. If sufficient funding was not provided there could be a decrease in the level of care.

They sought for the funding to be increased, but until the review was complete, they should be allowed to top up the hourly rate by charging parents and that the contract length should be increased to three years.

(b) Report by the Executive Director for Communities and Families

The Committee had previously approved the need to review the Early Years Admissions Policy as part of the move towards universal entitlement to 1140 hours from August 2020. The Policy took into account cross boundary protocols to prioritise Edinburgh’s children and the criteria within the Funding Follows the Child – National Standard for funded providers.

Information was provided on the changes that had been made to the Policy and the application process for funded places to support parents and carers to access high quality early learning to ensure childcare that was flexible, accessible and affordable.

Motion

To approve the revised Early Learning and Childcare Admissions Policy as set out in the appendix to the report by the Executive Director for Communities and Families.

- moved by Councillor Perry, seconded by Councillor Dickie.

Amendment

- 1) To note that in addition to local authority provision, partner providers:
 - (a) Currently provided around 40% of the 1140 hours places in Edinburgh making an invaluable contribution.
 - (b) Had serious concerns, as expressed by the National Day Nurseries Association, regarding the sustainability of future provision given that the hourly rate being paid to partner providers from August 2020 was set in 2016 and has not been increased since then.
 - (c) Sought continued thorough meaningful engagement with the Council through the Partners' Monitoring Group and other available means.
- 2) To therefore welcome the "independent review" of rates of Partner providers anticipated to start in August 2020 and request a report to the next Education, Children and Families Committee regarding the scope of this review and timescales. Timescale should be advanced to as soon as possible in light of sustainability concerns raised by Partner providers.
- 3) In advance of the review, Committee agreed that the Council ought to approach Scottish Government regarding the ability of partner providers to charge in excess of the current hourly rate pending the outcome of the review.
- 4) To request to know the amount allocated to each child (on an hourly basis) in Local Authority nurseries.

- moved by Councillor Rust, seconded by Councillor Webber.

In accordance with Standing Order 21(12), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor Perry:

- 1) To approve the revised Early Learning and Childcare Admissions Policy as set out in the appendix to the report by the Executive Director for Communities and Families.
- 2) To note that in addition to local authority provision, partner providers:
 - (a) Currently provided around 40% of the 1140 hours places in Edinburgh making an invaluable contribution.
 - (b) Had serious concerns, as expressed by the National Day Nurseries Association, regarding the sustainability of future provision given that the hourly rate being paid to partner providers from August 2020 was set in 2016 and had not been increased since then.

- (c) Sought continued thorough meaningful engagement with the Council through the Partners' Monitoring Group and other available means.
- 3) To welcome the "independent review" of rates of Partner providers anticipated to start in August 2020 and request a report to the next Education, Children and Families Committee regarding the scope of this review and timescales. Timescale should be advanced to as soon as possible in light of sustainability concerns raised by Partner providers.
- 4) In advance of the review, to agree that the Council ought to approach the Scottish Government regarding the ability of partner providers to charge in excess of the current hourly rate pending the outcome of the review.
- 5) To request to know the amount allocated to each child (on an hourly basis) in Local Authority nurseries.

(References – Education, Children and Families Committee October 2019 (item 13); report by the Executive Director for Communities and Families, submitted).

4. 2020/2023 Communities and Families Grants to Third Parties Programme

(a) Deputation - Joint Deputation from Multi Cultural Family Base, Sikh Sanjog and Intercultural Youth Scotland on behalf of BAME Children and Families in Edinburgh

The deputation advised they provided support and helped young people to integrate who were not accessing mainstream organisations. Closing this organisation would be contrary to Council and EVOC recommendations.

The deputation stated that cutting funding would force choices to be made which could have adverse long-term consequences, perpetuate racial inequality, lead to mental health problems and prevent diversity.

Only 1% of the funding was allocated to ethnic minorities, but they made up 16% of the population. Additionally, there were significant barriers to minorities that prevented them from accessing mainstream services.

They asked why an Equalities Impact Assessment report was not available and what did it say about the impact on BAME children of closing services such as theirs.

(b) Joint Deputation from Goodtrees Neighbourhood Centre, Valley Park Community Centre, Gilmerton Community Centre and Gilmerton and Inch Community Council

The deputation thought that the allocation of funding for was unfair as the north of the City received 79% and the south received 21%, where there was high levels of deprivation and violence.

If adequate funding was not provided, and the centre closed, young people would be on the streets and getting into trouble. The Centre at Goodtrees helped build confidence, therefore, all young people in need should have this opportunity.

It was unfair for young people because their community centre was not receiving funding. Goodtrees made some young people's move to Scotland much easier and provided learning and safety. Goodtrees helped young people in the Inch as there were high levels of violence in this area.

Councillor Lezley Marion Cameron indicated he full support for the project and that she was proud of the people in Goodtrees. It was necessary to provide adequate funding to all these worthy projects, as children deserved a safe place to learn and develop.

(c) Deputation – Stepping Stones, One Parent Families Scotland and Men in Childcare

The deputation indicated that only 17% of the grants programme had been recommended for agencies working in early years. Losing this funding would mean closure, which would mean a loss of investment as once these services were lost, it would be difficult to get them going again. Moreover, some bodies had been recommended for two grants and this was unfair.

Not many organisations catered for single fathers, however, the lone fathers project helped to support them in caring for their children.

Without Stepping Stones, some young mothers would not have been able to cope. The project also provided vital support to parents with disabled children.

They asked that the Committee should defer the decision on grant funding, to get a more comprehensive fuller assessment of the impact it would have.

(d) Deputation – Space and Broomhouse Hub

The deputation indicated that the southwest locality of Edinburgh had been badly affected by the proposed awards. Only 6.8% was being allocated to south west Edinburgh, even though there were very high levels of poverty and diversity. Over 50% of funding was allocated to city wide groups, but there were specific local issues to be addressed. They provided a range of services and worked extensively with young people, families and volunteers and would struggle to provide this service and raise more funding if there was a reduction in funding.

The deputation asked for there to be an impact assessment and external review to be involved against commission's findings. The assessment process was flawed and there should be further dialogue to ensure fairness.

(e) Deputation – Craigmillar Books for Babies and The Venchie

The deputation were concerned about the lack of investment in Craigmillar which would have a negative long-term impact. There was insufficient emphasis on early years, which was crucial to a child's development. They needed at least a partial award in order to generate match funding. Craigmillar only met two of the five funding priorities and they were concerned about the message this gave to the community.

Venchie was a well-established project and provided a range of services such as a breakfast club, help with schools routes and holiday provision. 500 family homes were being built and services should not be cut. Cuts would mean removing services. It should be asked what was the Council's vision for an area that would soon be thriving.

Only 16% of funding went to this area. They helped with mental health, drugs and alcohol abuse. Children made positive connections when they come to their clubs. They had "stretched" existing funding and the crime rates had gone down. With the new housing and a lack of funding, this good work would be undone, and the Council would have wasted investment.

They welcomed the motion and would ask that consideration given to priorities, more emphasis put on early years, and that a short life working group be established.

(f) Deputation - Kindred

The deputation indicated that they supported families with complex needs including those with life limiting conditions, patients in the hospital for sick children and children with mental health problems. The project no longer had regular funding and it was necessary to ensure that the correct decisions were made, to ensure that children did not end up in crisis. Kindred had overcome financial difficulties before and would still support families, but it would be easier if they received adequate funding and could operate better if they could work with the statutory services.

(g) Deputation – Pilmeny Youth Centre

The deputation indicated that they were disappointed at not receiving funding, however, their priority was to keep the centre open. There were very high levels of deprivation and population density in this area. They provided good value for money in the delivery of services and should have met the criteria set by the Council. This was the first time they had been unsuccessful in securing funding and had received no feedback on the reasons for this.

They sought Council support in the transition period and would ask the Council to provide a resource to help them identify organisations to which they could apply for funding.

(h) Deputation – Health Opportunities Team

The deputation welcomed the motion by the Coalition and thought that the funding should be extended until a final decision was made. They were concerned about the lack of funding for the south of the city, which put at risk grant funded services, destroyed existing of trust and put young people put at risk. Additionally, they relied on Council funding to generate more funding. They were working with children with emotional and mental difficulties in an area of high deprivation.

The Risk Impact Report not been considered by the Committee. However, ending funding would negatively impact on many young people who had suicidal tendencies and were receiving therapy, and vulnerable women, who were given a safe haven in their drop-in centres. Their service was highly effective, however, small charities like this one found it hard to get funding.

They would like to share the effectiveness of their approach to providing services with other organisations.

They sought for a different type of assessment for funding be considered.

(i) Deputation – Home Start Edinburgh West and South West

The Dedutation were aware that this was an oversubscribed fund and they welcomed the proposal to defer the decision on funding allocation. Their service was based upon early years provision. The funding cuts could mean a loss of services, the need to identify alternative provision for families, and the ability of their service to continue without core funding

(j) Report by the Executive Director for Communities and Families

Details were provided of the background, how the new programme was delivered and the recommended awards under the new three-year grants programme.

Motion

To continue consideration of the report and:

- 1) To instruct the Executive Director for Communities and Families to provide the following information:
 - (a) A breakdown in the percentage of the funding going into areas of high deprivation.
 - (b) A mapping of the funding provision across the city.
 - (c) A breakdown in percentage of the vulnerable groups being funded.
 - (d) List unsuccessful applicants and a list of those previously in receipt of a grant.
 - (e) What other types of practical support could be offered to unsuccessful organisations and that consideration be given to where the Council could provide leverage funding to help these organisations applying for match funding.

- 2) To consider the possibility of requesting an independent organisation to review and validate the grants recommended in the appendix to the report. The review should address the following:
 - (a) If the criteria for allocating the grants outlined in the original report and restated in paragraph 4.3 of the report by the Executive Director of Communities and Families were applied.
 - (b) The process of deciding which organisations were to be funded was carried out in an impartial manner.
 - 3) To agree to convene a short life working group to discuss the information requested above in paragraph 1 of the report and the findings of the review and report back to the Committee in one cycle.
 - 4) To agree to extend the existing funding arrangements pending the decision of the Education, Children and Families Committee in May 2020.
 - 5) To note with regret that the impact analysis had yet to be presented to Committee and to request that the full integrated impact analysis was provided to Committee ahead of any decisions being made on recommended awards and that this is widened to include information on the impact on those organisations not recommended for funding.
 - 6) To agree that details of all unsuccessful organisations be provided to Committee members on a confidential basis together with information on which of these previously received funding.
 - 7) To agree that feedback be provided to unsuccessful organisations setting out the reasons why they did not meet the required criteria.
- moved by Councillor Perry, seconded by Councillor Dickie.

Decision

To approve the motion.

(References – Education, Children and Families Committee 19 May 2015 (item 20); 06 October 2015 (item 27); 11 October 2016 (item 7); 13 December 2016 (item 9); 15 August 2017 (item 15); report by the Executive Director for Communities and Families, submitted).

Declaration of Interest

Councillor Bird declared a non-financial interest in the above item as she was a board member of Spartans Football Academy.

Councillor Dickie declared a non-financial interest in the above item as her husband was on the Board of Stepping Stones.

Councillor Key declared a non-financial interest in the above item as he was a member of Edinburgh Leisure, had a family member at The Yard and had attended the WHALE play space programme, and two other events.

5. School Roll Projections and Rising School Rolls

(a) Deputation – Educational Institute of Scotland

The deputation addressed the proposed cuts to the schools' budget and raised the following issues:

- There was pressure of rising school rolls.
- The sickness absence budget would be affected.
- Senior teachers would have to cover classes, which would stop them doing other important work.
- It might be necessary to cut some courses.
- Some schools could use some funding to poverty proof this, however, it would not be possible to mitigate these cuts
- There would be cuts to nursery school teachers.
- There were concerns about the long-term impact of introducing this in a short period of time.
- There were fears for applicants to primary school posts.
- There was a need to have a strong relationship with children.
- Quality improvement cuts meant there was now less management support.
- Engaging with issues such as closing the poverty attainment gap and tackling bullying would have to stop if the cuts went ahead.
- If these cuts went ahead, the children of this city would suffer.

They would ask if the EIS and the Council could work together to get these cuts mitigated and how could the EIS convince the Council not to make these cuts. (see item 13).

(b) Report by the Executive Director for Communities and Families

An update was provided on the progress made in taking forward the actions and implications arising from the publication of School Roll Projections in December 2019. The actions included investigation of schools with projections showing significant accommodation pressures.

Investigation of the figures for Buckstone and Boroughmuir identified an anomaly that caused both school's projections to be overstated. Revised projections that make adjustments to counter this anomaly were included as Appendices 1 and 2 of the report by the Executive Director for Communities and Families.

Motion

- 1) To note the report.
 - 2) To agree that the Council website would be updated with the projections included in the appendices.
- moved by Councillor Perry, seconded by Councillor Dickie.

Amendment

- 1) To request that outcomes of initial Working Group meetings at Gracemount, Firrhill and Craigroyston High Schools would be provided to members at the next Education, Children and Families Committee.
 - 2) To note the re-provision of the community centre to accommodate the future rising roles at Ratho Primary School had been unable to gain support locally as a solution. Alternatives should be fully scoped out, presented to the community and brought to the Committee to consider.
- moved by Councillor Rust, seconded by Councillor Webber.

In accordance with Standing Order 21(12), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor Perry:

- 1) To note the report.
- 2) To agree that the Council website would be updated with the projections included in the appendices.
- 3) To request that the outcomes of initial Working Group meetings at Gracemount, Firrhill and Craigroyston High Schools would be provided to members at the next sitting of the Education, Children and Families Committee.
- 4) To note the re-provision of the community centre to accommodate the future rising roles at Ratho Primary School had been unable to gain support locally as a solution. Alternatives should be fully scoped out, presented to the community and brought to the Committee to consider.

(Reference – Education, Children and Families Committee 11 December 2018 (item 12) and 21 May 2019 (item 7); report by the Executive Director for Communities and Families, submitted)

Declaration of Interest

Alex Ramage declared a non-financial interest in the above item as his son attended Liberton High School.

Councillor Key declared a non-financial interest in the above item as he had two children at Bruntsfield Primary School.

6. Minutes

Decision

To approve the minute of the Education, Children and Families Committee of 10 December 2019 as a correct record.

7. Work Programme

The Committee's work programme updated to March 2020 was presented.

Decision

To note the work programme.

(Reference – Work Programme 3 March 2020, submitted)

8. Rolling Actions Log

The Rolling Actions Log for March 2020 was presented.

Decision

- 1) To close the following actions:
 - Action 1 – Communities and Families Policy and Guidance on Sponsorship.
 - Action 6 – Towerbank Primary School – On Site Cooking of Meals. (decision 2)
 - Action 13 – Update on South East Improvement Collaborative.
 - Action 15 – Primary and Special Schools Letting Update.
 - Action 17 – Promoting Children's Rights, Equalities and Inclusion in Schools and Services.
 - Action 18 – Motion by Councillor Laidlaw – Adjustment of Christmas Holiday 2020/21 School Year.
 - Action 19 – What Kind of Edinburgh? Outcomes and Next Steps
 - Action 25 – Edinburgh Learns: Equity – Actions to Improve Outcomes for Children in Poverty.
 - Action 28 – Motion by Councillor Laidlaw – Subject Choice in Schools
 - Action 31 – Revenue Monitoring 2019/20
 - Action 33 – Primary and Special School Update – Impact of Asset Management Works Programme on Summer Holiday Bookings
 - Action 35 – Preventing and Responding to Bullying and Prejudice Amongst Children and Young People.
 - Action 38 – Edinburgh Learns Pathway Framework.
 - Action 39 – Breakfast Clubs: St Francis RC Niddrie Mill and Ferryhill Primary Schools.
- 2) To update the rolling actions log to reflect the decisions taken at this meeting.
- 3) To otherwise note the remaining outstanding actions.

(Reference – Rolling Actions Log – 3 March 2020, submitted)

9. Business Bulletin

The Business Bulletin for March 2020 was presented.

Decision

To note the Business Bulletin.

(Reference – Business Bulletin, submitted)

10. Wester Hailes Education Centre Working Group – Verbal Update

The Senior Manager (Estates and Operational Support) provided a verbal update on the Wester Hailes Education Centre Working Group.

The Working Group had received a presentation from a design consultant who had been appointed to look at different branding and various logo options for the Wester Hailes Education Centre. The school would decide which logo they wanted. In respect of the accommodation work to the sports and community block, this would be procured in various phases. The tender of the first phase would go out soon and would include the provision of a 3G pitch and some internal work to the toilets and offices. The next phase would be tendered later in the year, providing there was funding, then the rest of the refurbishment of the sports facility would begin early in 2021.

Decision

To note the update.

(References – Education, Children and Families Committee 10 December 2019 (item 12);

11. Edinburgh Community Learning and Development Partnership Plan 2018-2021

It was reported that the Community Learning and Development Partnership (CLDP) produced an Edinburgh CLD plan for 2018-2021. The CLDP was accountable to the Edinburgh Partnership for delivery of the plan and had updated the Edinburgh Partnership meeting on 18 December 2019 on progress.

Information was provided on the next steps for the work of the CLDP.

Decision

To note the progress on the Edinburgh Community Learning and Development Plan 2018 - 2021 and that the Committee would receive annual updates on progress.

(References – Education, Children and Families Committee 14 August 2018 (item 15); report by the Executive Director for Communities and Families, submitted).

12. Report to Petition: Review Changes to English as an Additional Language for Dalry Primary School

The Council had a statutory responsibility to make provision for learners who had English as an Additional Language under the Education (Additional Support for Learning) (Scotland) Act (2004 and amended 2009).

The report by the Executive Director for Communities and Families provided an overview of this strategic approach and addressed concerns raised by the parents of Dalry Primary School about the implementation of this approach in their school.

Decision

- 1) To note the ongoing work to develop a sustainable, equitable and capacity-building approach to provision for English as an Additional Language learners across all schools.
- 2) To note the ongoing work and additional resources to support Dalry Primary School to engage with this approach.
- 3) To agree to the next steps proposed at section 5 of the report.
- 4) To agree that a report was presented in March 2021 to allow sufficient time for the impact of the proposed actions at section 5 to be evaluated.

(References – Education, Children and Families Committee 10 December 2019 (item 2); report by the Executive Director for Communities and Families submitted).

13. Promoting Equality

(a) Deputation – Edinburgh Interfaith Association

The deputation were promoting equality and their association represented many different faith groups. They outlined the following issues:

- There was extensive bullying based on religion.
- High levels of islamophobia had been previously reported.
- A task group had been set up
- Sikhs were also the subject of islamophobia,
- There was a rise in anti-Semitism.
- They had the first “hate crime” resource which dealt with all prejudice and was being used extensively across Scotland.
- The use of speakers into schools helped to dispel prejudice.
- The school visits helped bring down barriers.
- They were looking at another project partners in faith.
- Some speakers of Jewish faith were going into schools.
- It was necessary to get young people involved.
- There should be discussions with the Interfaith Association.
- More resources were required to address all bullying.

These programs had to go into schools and encourage respect and for young people to adopt a zero-tolerance approach.

(The Educational Institute of Scotland also spoke as part of a deputation in relation to this item – see item 5).

(b) Report by the Executive Director for Communities and Families

It was reported that all education establishments and services recognised their legal requirement to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity between people who shared a protected characteristic and foster good relations between people who shared a protected characteristic and those who did not.

Motion

- 1) To note the progress and work underway to promote Equality across City of Edinburgh schools, in all aspects of education systems, procedures and practices.
 - 2) To agree the next steps proposed in section 5 of the report by the Executive Director for Communities and Families.
 - 3) To agree that a further report be presented in March 2021 to provide sufficient time for the impact of proposed actions at section 5 to be evaluated, with interim updates in Business Bulletins.
- moved by Councillor Perry, seconded by Councillor Dickie.

Amendment

To delete action 2 and replace with: “To agree the next steps proposed in item 5 of the report by the Executive Director for Communities and Families and report back to the next Education, Children and Families Committee on the status and outcomes of the items agreed.

- moved by Councillor Laidlaw, seconded by Councillor Rust.

In accordance with Standing Order 21(12), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor Perry:

- 1) To note the progress and work underway to promote Equality across City of Edinburgh schools, in all aspects of education systems, procedures and practices.
- 2) To agrees the next steps proposed in section 5 of the report by the Executive Director for Communities and Families and report back to the next Education, Children and Families Committee on the status and outcomes of the items agreed.
- 3) To agree that a further report be presented in March 2021 to provide sufficient time for the impact of proposed actions at section 5 to be evaluated, with interim updates in Business Bulletins.
- 4) To provide an appendix in the report back in March 2021 setting out the key asks of the organisations linked to each protected characteristic.

(References – Education, Children and Families Committee 8 October 2019 (item 1); report by the Executive Director for Communities and Families, submitted).

Declaration of Interest

Rabbi Rose declared a non-financial interest in the above item as he was Honorary Vice-President of Edinburgh Interfaith Association.

14. Community Access to Schools – Update Report

An update was provided on consultation carried out on the transfer of further areas of community access responsibility to Edinburgh Leisure. Details were given of recommendations to progress the transfer.

Decision

- 1) To approve the transfer of management of secondary school non-sport lets and primary school lets to Edinburgh Leisure in principle.
- 2) To delegate responsibility to officers to negotiate the detail of the transfer including transfer dates with Edinburgh Leisure.
- 3) To request a report back to the Committee in August providing information on the proposals agreed with the Edinburgh Leisure Board on the transfer of additional community access functions prior to their implementation; the report to also include information on access arrangements to schools for parent councils.

(References – Education, Children and Families Committee 16 August 2019 (item 14); report by the Executive Director for Communities and Families, submitted)

15. Renewal of NHS Service Level Agreements

Approval was sought for the following recommendations on funding for NHS services:

- 1) The award of three years funding to the total value of £300,000 (£100,000 per annum) for NHS services supporting enhanced integrated support for children and young people with additional support needs.
- 2) The extension of one-year funding arrangements to the value of £170,000 for NHS services supporting enhanced integrated support for children and young people in Additional Support for Learning (ASL) provisions and Throughcare and Aftercare (TCAC) services.
- 3) The extension of three months funding arrangements to the value of £330,000 for NHS CAMHS Services and delivery of Occupational Therapy and Speech and Language Therapy in mainstream and special schools' provisions.

To note that the total value of the agreed funding arrangements amounted to £790,000.

Decision

To approve the extension of Service Level Agreement contracts for children's services with the NHS, to the value of £790,000, listed at Appendix 1 of the report by the Executive Director for Communities and Families from 1 April 2020, for the periods detailed in the Appendix, subject to agreement by the Finance and Resources Committee.

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

16. Revenue Monitoring 2019/20 – Month Nine Position

Details were provided of the projected month nine revenue monitoring position for the Communities and Families Directorate, based on analysis of actual expenditure and income and expenditure and income projections for the remainder of the financial year.

The total projected full year unfunded budget pressure was currently £13.85m, partially offset by mitigations totalling £9.5m, and resulting in a net residual unfunded budget pressure of £4.8m.

Decision

- 1) To note the net residual budget pressure of £4.8m which remained at month nine.
- 2) To note that approved savings and operational efficiencies in 2019/20 totalled £4.334m, with £3.099m on track to be delivered in full; £0.200m assessed as amber, pending further detailed implementation plans and £1.035m assessed as being at risk of not being delivered.
- 3) To note that the Executive Director for Communities and Families was taking measures to reduce budget pressures.

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

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Minutes

Finance and Resources Committee

10.00am, Thursday 5 March 2020

Present

Councillors Rankin (Convener), Griffiths (Vice-Convener), Aldridge (substituting for Councillor Neil Ross), Booth, Bruce, Corbett, Dixon (substituting for Councillor Gordon), Hutchison, Johnston (items 1 to 40), Mowat (substituting for Johnston, items 41 to 43), Munn and Watt.

1. Community Centres - Condition Review and Corstorphine Community Centre

(a) Deputation by Corstorphine Community Council

The Committee agreed to hear a deputation from Corstorphine Community Council in relation to the Community Centres - Condition Review and Corstorphine Community Centre report.

The deputation highlighted the following issues:

- That the Corstorphine Community Council had been making efforts to raise funds to rebuild the community centre after it was destroyed in a fire.
- That if the community council could not obtain funding then the possibility of a community asset transfer of Westfield House would be the preferred back-up option.
- That the community council were willing to work with the City of Edinburgh Council (CEC) and had already amended plans in order to cooperate.
- That they proposed to include Corstorphine Library within this proposed community hub within Westfield House.

The deputation requested that the Committee considered giving an undertaking not to dispose of Westfield House before discussions had occurred with Corstorphine Community Council.

(b) Report by the Executive Director of Resources and the Executive Director for Communities and Families

An update was provided on the current asset condition of the Council's community centres and the estimated costs it would take to bring them to a good condition.

It also provided an update on a request from the committee for Communities and Families officers to investigate the potential of creating a community hub in Corstorphine as part of wider discussions around supporting the development of the new Corstorphine Community Centre.

Motion

To note that the UK government's budget statement would be on 11th March. This might have given rise to additional capital funding through Barnett consequentials. Council consideration of the use of any additional capital funding would include the content of this report.

- moved by Councillor Rankin, seconded by Councillor Griffiths

Amendment 1

- 1) To note the current asset condition status of the Council's community centres.
 - 2) To note the currently unfunded capital investment required to bring the Council's Community Centre Buildings to a condition 'A' (good condition) standard was estimated to be £13.6m.
 - 3) To agree that, in order to upgrade the condition of the community centres owned by the Council to a safe and satisfactory condition and to address the backlog of maintenance issues, the community centres should be added into the Asset Management Works Programme when it was renewed in 2023/24, subject to a prioritisation assessment of the outcomes and benefits that might be achieved from the investment.
 - 4) To note that Council officers had reviewed the potential for a "hub" in Corstorphine and to consider that neither option of relocating the existing Corstorphine Library into the new Corstorphine Community Centre or the Library to the Community Centre site were viable.
 - 5) To note the request from the Corstorphine Community Centre SCIO that the Council commit to taking no action to dispose of Westfield House until the SCIO had determined whether it could feasibly acquire it via a Community Asset Transfer.
 - 6) To recognise that Corstorphine Community Centre had a viable business plan to run a self-funded annual programme of activities and therefore to agree to provide funding of £750,000 in the form of a secured capital investment from the Council's unallocated General Fund. The secured capital investment would take the form of a 'golden share' in the building incorporating rights to a proportionate share of any capital proceeds in the event that the building ceased to be used as a community centre at any future time.
- moved by Councillor Hutchison, seconded by Councillor Aldridge

Amendment 2

- 1) To note the current asset condition status of the Council's community centres.
 - 2) To note the currently unfunded capital investment required to bring the Council's Community Centre Buildings to a condition 'A' (good condition) standard was estimated to be £13.6m.
 - 3) To note that Council officers had reviewed the potential for a "hub" in Corstorphine and to consider that neither option of relocating the existing Corstorphine Library into the new Corstorphine Community Centre or the Library to the Community Centre site were viable.
 - 4) To note the request from the Corstorphine Community Centre SCIO that the Council commit to taking no action to dispose of Westfield House until the SCIO had determined whether it could feasibly acquire it via a Community Asset Transfer.
 - 5) To recognise the £13.6m needed to bring community centres up to Condition A standard and that should be considered as part of the capital budget strategy in future years.
 - 6) To also, however, recognise that not all works were of equal urgency and, while condition A should be the end destination, works could be carried out to bring standards up meantime, consistent with safe building use and good property maintenance.
 - 7) To request a further report in one cycle setting out a costed priority plan of investment to tackle the most immediate investment needs subject to assessment of overall suitability, best value and ongoing considerations of service redesign.
 - 8) To note that this prioritised plan should be considered as part of the capital budget strategy post 2022; or sooner, should additional capital be allocated or capital slippage identified meantime.
- moved by Councillor Corbett, seconded by Councillor Booth

Voting

First Vote

The voting was as follows:

For the Motion	-	5 votes
For Amendment 1	-	4 votes
For Amendment 2	-	2 votes

(For the Motion: Councillors Dixon, Griffiths, Munn, Rankin and Watt.

For Amendment 1: Councillors Aldridge, Bruce, Hutchison and Johnston.

For Amendment 2: Councillors Booth and Corbett.)

There being no overall majority, Amendment 2 fell and a second vote was taken between the Motion and Amendment 1.

Second Vote

The voting was as follows:

For the Motion	-	5 votes
For Amendment 1	-	4 votes

(For the Motion: Councillors Dixon, Griffiths, Munn, Rankin and Watt.

For Amendment 1: Councillors Aldridge, Bruce, Hutchison and Johnston.

Abstentions: Councillors Corbett and Booth.)

Decision

To approve the motion by Councillor Rankin.

2. Deputation – Edinburgh World Heritage

The Committee agreed to hear a deputation from Corstorphine Community Council in relation to item 42 of this minute – Tron Kirk, Edinburgh.

The deputation highlighted the following issues:

- Edinburgh World Heritage (EWH) was a long-term partner of the CEC set up to preserve sites of Edinburgh's heritage.
- That the aim of EWH was for the Tron Kirk to be a significant heritage landmark between the Old Town and the New Town of Edinburgh and would meet the following four objectives:
 - Engaging people of all backgrounds with Edinburgh's heritage.
 - Strengthening the identity of communities.
 - Transforming the local environment.
 - Conserving a beloved landmark of the city.
- That work to preserve it would be carried out through workshops, apprenticeships and volunteer work.
- That EWH proposed there would be no entry fee for the Tron Kirk.

The deputation requested that the Committee considered:

- Changes to the short-term lease for the building.
- A commitment in principle from CEC to contribute towards the 10% of the building costs.
- A contribution of 10% of the revenue subsidy that would go towards ongoing revenue and running costs once the Tron Kirk was opened to the public

The Convener advised the deputation that the report on the Tron Kirk, Edinburgh was likely to be considered in private.

3. Minutes

Decision

To approve the minute of the Finance and Resources Committee of 23 January 2020 as a correct record.

4. Work Programme

The Finance and Resources Committee Work Programme as at 5 March 2020 was submitted.

Decision

To note the Work Programme.

(Reference – Work Programme 5 March 2020, submitted.)

5. Rolling Actions Log

The Finance and Resources Committee Rolling Actions Log as at 5 March 2020 was submitted.

Decision

1) To agree to close the following actions:

Action 2 – Temporary Accommodation Off-Contract Waiver

Action 7 – Proposed New Lease, St Brides Community Centre, 10 Orwell Terrace, Edinburgh

Action 8 – Council Change Strategy: Planning for Change and Delivery Services 2019-2023

Action 9 – Capital Budget Strategy 2020-2030

Action 12 – Change and Budget Citizen Focus Groups Report

Action 14 – The Supply of Liquid Fuel

Action 15 – Revenue Monitoring 2019/20 – Month Eight Position

2) To otherwise note the remaining outstanding actions.

(Reference – Rolling Actions Log 5 March 2020, submitted.)

6. Business Bulletin

The Finance and Resources Committee Business Bulletin for March 2020 was submitted.

Decision

To note the Business Bulletin.

(Reference – Business Bulletin 5 March 2020, submitted.)

7. Asset Management Strategy Transformation Programme - Update

The Council's 2015 Asset Management Strategy (AMS) and the associated transformation programme were developed to create a credible, focused and financially sustainable delivery plan for the Council's operational and commercial property estates, as well as the in-house delivery teams within the Property and Facilities Management Division.

An update on the current position of the AMS was provided.

Decision

- 1) To note the update on the component parts of the Asset Management Strategy Programme and approve to close this programme and associated reporting arrangements.
- 2) To note the strategic direction of travel for the future associated with a Land/Asset Commission and approach and service design led programme, with a report to be submitted to Committee on this revised approach in May 2020.

(References – Finance and Resource Committee 24 September 2015 (item 2); report by the Executive Director of Resources, submitted.)

8. Asset Management Works Programme – 2019/20 Update

In January 2018, a new five-year Asset Management Works (AMW) Programme to upgrade property condition was approved, running from 2018/19 to 2022/23. This programme was designed to, first stabilise, and then upgrade the condition of the Council's operational estate to a safe and satisfactory condition and to address the backlog of maintenance issues.

An update was provided on the progress of the AMW Programme as the programme approached the second full year of delivery and provided details of the improvements achieved and their positive impact on the condition of the Council's operational estate.

Decision

- 1) To note the continuing positive impact of the Asset Management Works Programme on the Council's operational estate, by creating much improved environments for users, particularly primary schools.
- 2) To note the improvement in condition of the operational assets and the benefits it brought to the stakeholders, with an estimated 6% improvement in building condition over the past two years and that this would accelerate during 2020/21.
- 3) To note the 2019/20 spend up to end December 2019 had already exceeded the planned 2019/20 budget with a current spend of 122% against budget; and a forecast outturn of 140% by end March 2020, covered by accelerating budgets.
- 4) To note the main challenges encountered, the main risks in the future and the measures being taken to mitigate these risks.

- 5) To note the forecast additional funding beyond the current programme proposed in the Capital Budget Strategy to ensure progress could be maintained.
- 6) To agree to provide clearer before and after photos once the works had been completed.
- 7) To agree to circulate to members further information on the projects that had been done to date and on the approach to future energy efficiency projects.

(References – Finance and Resource Committee 23 January 2018 (item 4); report by the Executive Director of Resources, submitted.)

9. Extension to Existing Property Repairs and Maintenance Contract

Under Waiver of the Contract Standing Orders, approval was sought to extend the existing Property Repair and Maintenance Contracts until the completion of the procurement exercise for the re-tendering process.

Decision

- 1) To approve the proposed extension to the following contracts for a period of 6 months with the option to extend further:
 - i) Statutory Compliance and Inspection Testing of Mechanical and Electrical (planned and reactive services) and Fabric (planned services) to FES FM Ltd, Servest Ltd and Skanska Rashleigh Weatherfoil Limited with an estimated contract value of £8m per annum.
 - ii) General building repairs and maintenance to James Breck Ltd, Response Building and Maintenance Ltd and Saltire Roofing and Building Ltd, with an estimated contract value of £0.9m per annum.
 - iii) Minor works and decoration repairs and maintenance to Bell Group UK Ltd, H&J Martin Ltd and Response Building and Maintenance Ltd, with an estimated contract value of £0.5m per annum.
 - iv) Plumbing, jetting and drainage repairs and maintenance to J B Bell and Co and Response Building and Maintenance Ltd, with an estimated contract value of £0.85m per annum.
 - v) Blacksmith repairs and maintenance to Orbis Ltd, with an estimated contract value of £0.65m per annum.
 - vi) Joinery repairs and maintenance to Response Building and Maintenance Ltd, with an estimated contract value of £0.4m per annum.
 - vii) Lift and Escalator repair and maintenance to Kone Plc, Orona Limited and Consult Lift Services Ltd, with an estimated contract value of £0.4m per annum.
- 2) To note that the Contracts were previously extended until 1 April 2020 by Waiver to the Council's Contract Standing Order on 16 August 2018 following approval at Finance and Resources Committee.

- 3) To note that due to the scale and complexity of the procurement process and transformation of the delivery of Hard FM Services, this further Waiver was required to ensure that critical repairs and maintenance could continue.

(References – Finance and Resource Committee 16 August 2018 (item 20); report by the Executive Director of Resources, submitted.)

10. Workforce Dashboard – December 2019

Details were provided of workforce metrics for the core and flexible workforce, absence, transformation/redeployment, risk, and performance for December 2019, together with a comparison with the previous data reported for October 2019.

Decision

- 1) To note the workforce information contained in the dashboard.
- 2) To approve that the Annual Workforce Controls report be aligned to the Council's Financial Year, rather than Calendar Year in the future to enhance reporting consistency.

(References – Finance and Resources Committee 10 October 2019 (item 10); report by the Executive Director of Resources, submitted.)

11. Health and Safety Performance in 2019

Details were provided on the Council's health and safety performance in 2019. The focus during 2019 was to continue to deliver the Council Health and Safety Strategy and Plan for 2018-20.

Decision

- 1) To note the health and safety progress and performance in 2019.
- 2) To agree to check if the incident of the death in the care home occurred during the reporting period or if it had been omitted from the report.

(References – Finance and Resources Committee 27 March 2018 (item 13); report by the Executive Director of Resources, submitted.)

12. Sustainable Procurement Strategy 2020-2025

A new five year Sustainable Procurement Strategy for the Council was submitted for approval. The Strategy would replace the current Commercial and Procurement Strategy which would end in March 2020. The Strategy placed sustainability at the heart of the Council's procurement programme for the next five years, to ensure that the Council's considerable spending power was used to promote those economic, environmental and social outcomes that support growth, and simultaneously assist the Council in addressing the challenges that the city was facing.

Decision

- 1) To note the report.

- 2) To approve the adoption of the Sustainable Procurement Strategy which would be effective from 1 April 2020 to 31 March 2025, subject to annual review as outlined in this report.

(References – Finance and Resource Committee 15 August 2019 (item 16); report by the Executive Director of Resources, submitted.)

13. Revenue Maximisation Project Update

An update was provided on the Revenue Maximisation project work that had been undertaken since last reported to committee in 2019.

Decision

- 1) To note the update on the Revenue Maximisation project work in readiness for the 2020/21 financial year.
- 2) To delegate authority to the Executive Director of Resources, in consultation with the Convener and Vice-Convener of Finance and Resources, to appoint an appropriate partner.

(References – Finance and Resource Committee 10 October 2019 (item 9); report by the Executive Director of Resources, submitted.)

14. Capital Strategy 2020-30 – Annual Report

The proposed capital strategy was set out, which provided a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

Decision

- 1) To note the Capital Strategy, as set out in Appendix 1.
- 2) To refer to full Council for approval.
- 3) To note the potential implications of International Financial Reporting Standard (IFRS) 16 – Leases on future iterations of the Capital Strategy.
- 4) To note that the Council had set an ambitious target for Edinburgh to be a Carbon Neutral city by 2030 which would inform all future capital budget considerations.

(References – Finance and Resource Committee 14 February 2020 (item 3); report by the Executive Director of Resources, submitted.)

15. Annual Treasury Management Strategy 2020/21

The Treasury Management Strategy for the Council for 2020/21 was set out, comprising an Annual Investment Strategy and a Debt Management Strategy. There was a statutory requirement for Council to approve this in advance of the new financial year.

Decision

- 1) To note the Annual Treasury Strategy 2020/21.

- 2) To refer the report to the City of Edinburgh Council for approval of the report and the change to the Council's Treasury Management Policy Statement and subsequent remit by the City of Edinburgh Council to the Governance Risk and Best Value Committee for scrutiny.
- 3) To note the key points in the report, that:
 - The Council's total capital expenditure was forecast to be £2.104bn between 2019/20 and 2023/24 with an underlying need to borrow at 31 March 2024 forecast to be £2.310bn.
 - The Council would continue to fund its Capital Financing Requirement from temporary investment balances over the next year.
 - The Council would continue to seek opportunities to mitigate future interest rate risk with alternatives to the Public Works Loan Board (PWLB) and lock out the risk where appropriate.

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

15. Edinburgh Local Development Plan Action Programme 2020 – Financial Assessment

An update was provided on the financial implications of the infrastructure set out in the Local Development Plan Action Programme on future capital and revenue budgets, and the potential funding sources available to the Council to support this infrastructure.

Decision

- 1) To note the adopted Action Programme 2020.
- 2) To note the high-level costs implications arising from the Action Programme as set out below.
- 3) To note the progress on prioritising the delivery of infrastructure actions arising from the Local Development Plan.

(References – Planning Committee 26 February 2020 (item 3); report by the Executive Director of Place, submitted.)

16. Edinburgh Living LLPs: Acquisition of Homes 2020/21

On 1 February 2018, the City of Edinburgh Council agreed to establish two Limited Liability Partnerships (LLPs) with Scottish Futures Trust (SFT) to deliver 1,500 homes for market and mid-market rent to be let to households on low to moderate incomes.

The transfer of 327 homes to Edinburgh Living had already been approved with 150 homes now in the ownership of Edinburgh Living. The remaining 177 homes approved for transfer would be purchased by Edinburgh Living by April 2021. Approval was sought to transfer a further 173 homes to Edinburgh Living with the committee being asked to note the lending and capital advances required for Edinburgh Living to complete the purchase.

The committee was also asked to note the requirement for an increase in the level of lending and capital advances in relation to the previous approved transfers, following

an annual reconciliation of the lending approvals which were based on estimated figures. This would ensure that all costs associated with the delivery of these homes were covered by the LLP.

Decision

- 1) To agree the transfer of 173 homes constructed as part the Council's housebuilding programme, from the Housing Revenue Account (HRA), to Edinburgh Living mid-market rent and market rent LLPs in 2020/21.
- 2) To note the requirement for the Council:
 - i) To lend to the mid-market rent and market rent LLPs to enable them to purchase the 173 homes.
 - ii) To revise the lending by up to £2m for homes already approved for purchase by the LLPs.
 - iii) To provide corresponding capital advances from the Loans Fund based on a repayment profile using the funding / income method, as set out in Appendix 1.
- 3) To refer the report to Council for approval.

(References – Act of Council No 9 of 1 February 2018; report by the Executive Director of Place, submitted.)

17. Provision of Registrar Services Update

An update was provided on the provision of Registrar Services in Edinburgh and the number of registration events that took place at Leith and South Queensferry Registrar offices were outlined.

Decision

- 1) To note the review undertaken of Registration Services at both Leith and South Queensferry Registrar offices.
- 2) To approve a change to the opening hours at the Leith Registrar office, reducing service operations to; three days per week recording registration events only. It was proposed that opening days for Leith office would be Monday, Thursday and Friday noting that adjustments may need to be made due to public holidays.
- 3) To approve a change to the opening hours at South Queensferry Registrar office to four days per week for recording registration events and also conducting civil ceremonies. It was proposed that opening days would be Monday, Tuesday, Thursday and Friday with the option, depending on customer demand, for opening on Saturday and/or Sunday for ceremonies.

(References – Finance and Resource Committee 12 June 2018 (item 20); report by the Executive Director of Place, submitted.)

18. Fleet Renewal Programme

An update was provided on the fleet renewal programme and the proposed for capital investment of up to £12.563m (for up to 215 vehicles to be replaced). This would

ensure the Council's vehicle fleet was reliable, fit for purpose and contributed towards carbon reductions and improved air quality. The procurement of these vehicles would be undertaken using a number of national frameworks and was expected to commence in March 2020.

Decision

- 1) To endorse the planned fleet replacement strategy to meet key service requirements, delivering a modern fleet of vehicles which complied with the proposed Low Emission Zone (LEZ) and explored the emerging technology available for alternatively powered vehicles.
- 2) To note the proposed capital investment in the Council's vehicle fleet of up to £12.563m, as detailed in Appendix 1.
- 3) To note that investment would be funded from savings made through a review of the Council's fleet and supplemented by third party grants for electric vehicles and infrastructure.
- 4) To approve the programme of contracts within this programme (as set out in Appendix 1 to the report) and delegate responsibility to award all of the contracts to the Executive Director of Place.
- 5) To agree to circulate a briefing note to members on the impact of vehicle reduction on the mobile library service and to give assurances that changes to the service would be brought back as a report to committee.

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

19. Framework Agreement for Estates Management Services

Approval was sought to award a framework agreement to idverde for Estates Management Services. This framework, required by the Housing Service, would cover the clearance and minor works to garden areas and the provision of security measures as part of letting Council homes as well as responsive grounds maintenance and the removal of rubbish to maintain the standard and safety of the local environment for residents.

Decision

- 1) To approve the award of a single supplier framework agreement for estates management services, that included garden and estates clearance, minor works and property security services for Council homes to idverde Ltd.
- 2) To approve the commencement of the framework agreement from 1 June 2020 for a period of two years, with the option to extend for two years at 12 month intervals, until 30 May 2024, at an estimated cost of £1.8m over the four years.

(References – Finance and Resource Committee 4 December 2018 (item 20 and 21); report by the Executive Director of Place, submitted.)

20. Award of Support to Establish a Home Framework Agreement

Approval was sought to award a framework agreement to a consortium known as Gateway to Homes and Communities. This framework would provide furnishings and support commencing on 1 April 2020, for a period of five years with two optional 12-month extensions, at an estimated annual value of £220,000 and a total estimated value of £1,540,000.

Decision

- 1) To approve the award of a Framework Agreement to assist with homelessness prevention. This framework would provide furnishings and support for new tenants to establish and sustain a home, to a consortium known as Gateway to Homes and Communities. There were two consortium partners, Bethany who the Council were contracting with as lead partner and Fresh Start.
- 2) To approve the commencement of the framework on 1 April 2020, for a period of five years with two optional 12-month extensions, at a total estimated value of £1,540,000.

(Reference – report by the Executive Director for Communities and Families, submitted.)

21. Renewal of NHS Service Level Agreements

Approval was sought for the extension to funding arrangements for NHS Service Level Agreements (SLA).

Decision

To approve the extension of Service Level Agreement contracts for children's services with the NHS, to the value of £790,000, listed at Appendix 1, from 1 April 2020.

(Reference – report by the Executive Director for Communities and Families, submitted.)

22. Edinburgh PSP Phase Two Extension and Thrive Edinburgh Procurement Process

Approval was sought for the extension of the current Wellbeing Public Social Partnership (PSP) contracts until 30 September 2020, with a total value of £1,055,000.

Decision

To approve the extension of current contract agreements under the Edinburgh Wellbeing PSP Phase one for an additional six months at maximum total cost of £1,055,000. This was to support extension of the agreed procurement process with new contracts being in place by 1 October 2020.

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

23. Waiver for Extension of Managed Print Service

Approval was sought for an extension to the current Managed Print Service contract with Xerox. This would allow completion of a tender exercise, award of contract and subsequent transition to a new contract which would include the physical replacement of printing devices and associated services.

Decision

- 1) To approve a ten-month extension of the current Managed Print Service at a cost of £800,000.
- 2) To agree to circulate a briefing note on the paperless strategy.

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

24. Provision of Lunches and Refreshments for Councillors

In response to a motion by Councillor Neil Ross to Council, a decision was sought on how the cost of Council lunches and refreshments should be accounted for.

Motion

To delegate to the Executive Director of Resources to work with business managers or support staff to implement an appropriate process to cover the cost of Council lunches for Councillors and officers, including the option of appropriate contributions, and explore cross-departmental recharging with appropriate officers for catering such as the Licensing Board and Regulatory Committee.

- motion by Councillor Rankin, seconded by Councillor Griffiths

Amendment

- 1) To cease to provide free lunch at meetings of Full Council, Licensing Sub Committee and Licensing Board.
- 2) To cease to provide free refreshments in the members' lounge and to internal meetings of councillors.

- motion by Councillor Corbett, seconded by Councillor Booth

Voting

For the motion - 6 votes
For the amendment - 5 votes

(For the motion: Councillors Aldridge, Dixon, Griffiths, Munn, Rankin and Watt.

For the amendment: Councillors Booth, Bruce, Corbett, Hutchison and Johnston.)

Decision

To approve the motion by Councillor Rankin.

(References – Act of Council No 11 of 21 November 2019; report by the Executive Director of Resources, submitted.)

25. Contract Award and Procurement Programme (Period 1 July to 31 December 2019)

An update was provided on the scope of contracts awarded across the Council in the period 1 July to 31 December 2019. This provided visibility of contracts awarded by officers under delegated authority, inclusive of direct contract awards not openly tendered due to specific circumstance permitted in the relevant procurement regulations and those awarded following a waiver of the Council's Contract Standing Orders. Visibility was also provided of the forthcoming procurement programme in relation to expected higher value contracts across the Council.

Decision

- 1) To note the contents of the report and the contract awards made by officers under delegated authority.
- 2) To note that a further report would be submitted to the Committee in approximately six months' time.

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

26. Summary Report on Property Transactions concluded under Delegated Authority

The committee was advised of all lease agreements concluded in terms of the Council's Scheme of Delegation to Officers.

Decision

To note the 35 transactions detailed in the appendix to the report had been concluded in terms of the Council's Scheme of Delegation to Officers.

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

27. Port Edgar Marina, South Queensferry- Proposed Lease Variation

Port Edgar Holdings Limited (PEHL) had requested a variation to their lease of Port Edgar Marina to increase the area occupied. Approval was sought to vary the lease on the terms and conditions as set out in the report.

Decision

To approve to vary the current lease of Port Edgar Marina to Port Edgar Holdings Limited on the on the terms outlined in this 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. 65 Niddrie Mains Terrace, Edinburgh – Proposed Disposal

The property at 65 Niddrie Mains Terrace was surplus to the requirements of the service in its current state and disposal to LAR Housing Trust would create an

opportunity to deliver quality homes and support for people with learning disabilities. Approval was sought to dispose of the property to LAR Housing Trust.

Decision

To approve the disposal of 65 Niddrie Mains Terrace to LAR Housing Trust 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.)

29. 8-13 Johnston Terrace, Edinburgh - Proposed New Lease

The retail unit at 8 – 13 Johnston Terrace was currently let to GL Attractions Limited. The existing lease expired on 30 June 2020 and the tenant had requested a new 25 year lease. Approval was sought to grant a new lease to GL Attractions Limited on the terms and conditions outlined in the report.

Decision

To approve a 25 year lease to GL Attractions Limited of premises at 8 – 13 Johnston Terrace, Edinburgh, on the terms outlined in this 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. 301-303 Cowgate, Edinburgh- Proposed New Lease

The retail unit at 301 – 303 Cowgate was currently let to Crescent Print Limited. The existing lease expired on 31 March 2020 and the tenant had requested a new 15 year lease. Approval was sought to grant a new lease to Crescent Print Limited on the terms and conditions outlined in the report.

Decision

To approve a 15 year lease to Crescent Print Limited of retail premises at 301 – 303 Cowgate, Edinburgh, on the terms outlined in this 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. Leith Fort Gatehouse, North Fort Street, Edinburgh Proposed New Lease

A listed former gatehouse at the Leith Fort affordable housing development remained vacant. Port of Leith Housing Association had approached the Council to acquire the building for refurbishment to a community use. Approval was sought to grant a new lease, with an option to purchase, to Port of Leith Housing Association on the terms and conditions outlined in the report.

Decision

To approve a 20-year lease, with an option to purchase, to Port of Leith Housing Association of the former gatehouse premises at North Fort Street, Edinburgh, on the

terms outlined in this 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. 25X Lochend Road South, Edinburgh – Proposed New Lease

Lochend Football Academy currently occupied land at 25X Lochend Road South, Edinburgh. Their current lease expired in 2016 and was now running on a year to year basis. Approval was sought to grant a new 10 year lease, on the terms and conditions outlined in the report.

Decision

To approve a 10 year lease to Lochend Football Academy, 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.)

33. Former Coach House, Spylaw Park, Colinton – Community Asset Transfer

Approval was sought to dispose of the Former Coach House located at Spylaw Park, Colinton to Colinton Village Enterprise on the terms outlined in the report. The proposed sale was a Community Asset Transfer under Part Five of the Community Empowerment (Scotland) Act 2015.

Decision

To approve the disposal of the Former Coach House located at Spylaw Park, Colinton to Colinton Village Enterprise on the terms as specified in the Community Asset Transfer request report and on such other terms and conditions to be agreed by the Executive Director of Resources.

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

34. 4 Duncan Place – Community Asset Transfer

Approval was sought to dispose of part of the former Resource Centre located at 4 Duncan Place Edinburgh to the Duncan Place community group on the terms as specified in the Community Asset Transfer request which were outlined in the report. The proposed sale was a Community Asset Transfer under Part Five of the Community Empowerment (Scotland) Act 2015.

Decision

- 1) To approve the disposal of part of the former Resource Centre at 4 Duncan Place to the Duncan Place community group on the terms as specified in the Community Asset Transfer request and on such other terms and conditions to be agreed by Executive Director of Resources.
- 2) To thank officers and volunteers of the management committee for their work.

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

35. North Cairntow Gypsy/Traveller Site – Proposed Transfer to Housing Revenue Account

The Housing service had been working with the residents of the North Cairntow Gypsy/Traveller site to improve the site since 2017 and a final design had been agreed for a redevelopment of the site. Approval was sought to transfer the site from the General Fund to the Housing Revenue Account (HRA) to allow the project to form part of the 2020/21 HRA capital programme.

Decision

To approve the transfer of the site from the General Fund to the HRA to allow the improvement project to form part of the 2020/21 HRA capital programme.

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

36. Land at Meadowbank (Site C), Edinburgh – Proposed Transfer to Housing Revenue Account

On 10 March 2016, the Council approved the transfer of Sites A and B within the surplus land at Meadowbank to the Housing Revenue Account (HRA) for residential development. At that time, it was proposed that the remaining site, site C, would be placed on the open market for sale for private development.

In response to extensive community consultation, the masterplan for the wider site now proposed that site C was high density housing for rent and formed part of the Council led development. In order to progress with the delivery of new homes and to secure grant funding to support the delivery of affordable housing approval was sought to transfer Site C to the Housing Revenue Account.

Decision

To approve the transfer of land referred to as Site C Meadowbank, Edinburgh to the HRA 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.

(References – Act of Council No 11 of 10 March 2016; report by the Executive Director of Resources, submitted.)

37. Land at Howdenhall Road, Edinburgh – Proposed Transfer to Housing Revenue Account

The development of the current Howdenhall Centre created a development site following the demolition of the original facility. The site had been identified as an opportunity for inclusion in the Council's house building programme and contribute to the delivery of more affordable housing in the City. Approval was sought to transfer the development site to the Housing Revenue Account (HRA).

Decision

To approve the transfer of land at Howdenhall Road, Edinburgh to the HRA 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.)

38. Proposed Capital Spend for Compliance Works at Sholamoor and Springfield Cottages, Penicuik

The Council owned two former staff houses next to the former City of Edinburgh Council run Wellington School, near Penicuik. A third house was sold in June 2019. Both of the remaining houses did not comply with the Scottish Housing Quality Standard and were in need of essential upgrade maintenance. The houses were occupied by the tenants on Scottish Secure Tenancies.

Approval was sought to utilise part of the capital receipt, from the sale of the third house, to fund upgrade works to the other two properties.

Decision

To approve that part of the capital receipt from the sale of the former school staff house, Cockburn Cottage, could be utilised on urgent compliance works at the neighbouring Sholamoor and Springfield Cottages, Penicuik.

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

39. Award of Contracts for Supported Bus Services

On 12 June 2018 of a Framework Agreement for the Supply of Supported Bus Services was approved. The results of a tendering process undertaken to procure new fully subsidised bus services and the measures taken to deliver service improvements within the overall context of the existing budget allocation were provided.

Decision

To approve the award of four contracts for supported bus services which were undertaken as mini-competitions utilising the Supported Bus Services Framework Agreement for an initial period of two years, to commence in June 2020, with two further optional 12 month extensions:

- i) To award one contract to Edinburgh Coach Lines Ltd for fully subsidised service 13 at a cost of £219,000 annually (£876,000 for the full contract term including extensions).
- ii) To award three contracts to First Scotland East Ltd for fully subsidised service 20 at a cost of £499,200 annually (£1,996,800 for the full contract term including extensions), fully subsidised service 63 at a cost of £370,240 annually (£1,480,960 for the full contract term including extensions) and fully subsidised service 68 at a cost of £78,000 annually (£312,000 for the full contract term including extensions).

(References – Finance and Resource Committee 12 June 2020 (item 42); report by the Executive Director of Place, submitted.)

40. Extension of Contract for Blood Borne Virus (BBV) Step Up/Step Down, Care and Treatment Support Service

Approval was sought for an extension to the block contract for two years to allow adequate time for a commissioning exercise to be undertaken for this service to meet the current and future needs of people who require it. The existing service was meeting the complex needs of service users and was a unique residential service. However, with other opportunities happening elsewhere, this now provided the platform to look in depth at what was required, how it might be delivered and then how that would be commissioned.

Decision

- 1) To approve the extension of the contract from 1 April 2020 for two years for the provision of the Blood Borne Virus (BBV) Step Up/Step Down, Care and Treatment Support Service provided by Waverley Care at Milestone House. The current value of this contract was £555,977 per annum.

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

41. Edinburgh International Conference Centre hotel and hotel school – Business Case

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 8 and 9 Part 1 of Schedule 7(A) of the Act.

A business case was provided for the Council entering into a 25-year head lease on a hotel of around 365 bedrooms that is being developed at The Haymarket Edinburgh by Quartermile Developments Limited. The Council would in turn sub lease the hotel to Edinburgh International Conference Centre Limited (EICC), who would operate the hotel under a Franchise Agreement with an international hotel brand as well as operating a hotel school based in the hotel in partnership with Edinburgh College.

Members agreed to consider the content of the appendix and the decision of this item in private due to the appendix containing commercially sensitive information.

Motion

- 1) To note the proposed EICC hotel and hotel school project as set out in the report and the business case.
- 2) To note that there was no new call on Council capital or revenue budgets.
- 3) To note that the project was forecast to generate sufficient income to meet all EICC Ltd capital replacement requirements as well as surpluses for redistribution to the Council in later years.
- 4) To note that delegated authority would be granted to the Chief Executive (or any such other officer as they shall sub-delegate to) to proceed with the Agreement

for Head Lease, the Agreement for Sub Lease, and any other agreements and actions required to commence the project.

- 5) To note that the Strategic Delivery Agreement which would be entered into between the Council and Edinburgh International Conference Centre Limited (as referenced in the business case) would be presented to the Housing, Homelessness and Fair Work Committee for approval.
 - 6) To refer the report to Council for a decision on proceeding with the EICC hotel and hotel school project.
- moved by Councillor Rankin, seconded by Councillor Griffiths

Amendment

- 1) To note the hard work carried out by officers and staff at EICC in preparing a detailed business case and to thank them for that work.
 - 2) To recognise the council's commitment to achieve net zero carbon status by 2030, in the context of a shared global imperative to meet the same goal.
 - 3) To recognise that business models which rely on significant numbers of people travelling frequently internationally, especially by flying, were extremely difficult to reconcile with the imperative outlined in 1.2 of the report.
 - 4) To acknowledge that the EICC currently hosted events which attracted international audiences; however, did not consider it consistent with the city's net zero carbon ambitions to embed that assumption into future development;
 - 5) To note that the hotel business case works within a 20% reduction in occupancy and that may be considered well within "business-as-usual" norms; but that the challenge for the next 10 years and beyond was highly disruptive to business-as-usual norms.
 - 6) To therefore agree to reject the hotel business case as posing a high risk to the council over the 25 year period envisaged; and increasing council complicity with high-carbon business models.
 - 7) To instruct officers to work with EICC to develop alternative ways of funding capital investment; developing a programme of events which focused on lower-impact travel modes; and to continue to develop the idea of a hotel school with Edinburgh College and other operators.
- motion by Councillor Corbett, seconded by Councillor Booth

Voting

For the motion - 9 votes
For the amendment - 2 votes

(For the motion – Councillors Aldridge, Bruce, Dixon, Griffiths, Hutchison, Mowat, Munn, Rankin and Watt.

For the amendment – Councillors Booth and Corbett.)

Decision

To approve the motion by Councillor Rankin.

(References – Finance and Resource Committee 10 October 2019 (item 28); report by the Executive Director of Resources, submitted.)

42. Tron Kirk, Edinburgh

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 8 and 9 Part 1 of Schedule 7(A) of the Act.

An update was provided on the short-term leasing proposals for the Tron Kirk.

Decision

- 1) To note the options and agree to explore the Council's involvement in helping to fund the capital allocation of the public square improvements at Hunter Square as the project developed.
- 2) To agree that officers further work with the Old Town Projects Limited (OTP) on a revenue solution, which removed the aspect of losses already incurred and project development costs which should not be borne by the Council.
- 3) To agree to delegate to the Executive Director of Resources, in consultation with the Convener and Vice Convener of Finance and Resources, the approval of a revenue solution, using discounted rent.

(References – Finance and Resources Committee 8 February 2018 (item 12); report by the Executive Director of Resources, submitted.)

43. Marketing Edinburgh

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 8 and 9 Part 1 of Schedule 7(A) of the Act.

An update was provided on the current and future financial position of Marketing Edinburgh.

Motion

- 1) To note the work undertaken since November 2019 to clarify the financial position and financial sustainability of Marketing Edinburgh and the plans to develop a future business model for the organisation focused on convention and business tourism.
- 2) To approve the ring-fencing of funds to support Marketing Edinburgh to meet the anticipated liabilities made.
- 3) To note that Marketing Edinburgh could also require financial support for cash flow purposes through 2020/21 and agree that any additional cash requirement would be subject to separate Committee consideration.

- 4) To come back with the figure of outstanding income.
 - 5) To agree to circulate the business plan to members subject to agreement from the Board of Marketing Edinburgh.
- moved by Councillor Rankin, seconded by Councillor Griffiths

Amendment 1

- 1) To note the work undertaken since November 2019 to clarify the financial position and financial sustainability of Marketing Edinburgh and the plans to develop a future business model for the organisation focused on convention and business tourism.
 - 2) To approve the ring-fencing of funds to support Marketing Edinburgh to meet the anticipated liabilities made.
 - 3) To note that Marketing Edinburgh could also require financial support for cash flow purposes through 2020/21 and agree that any additional cash requirement would be subject to separate Committee consideration.
 - 4) To regret that over a period of years no provision appeared to have been made for wind-up costs; and that income owed to the organisation could go back some years as well.
 - 5) To agree that EICC as the main beneficiary of subvention commitments should be encouraged to absorb those commitments as detailed in paragraphs 4.11 and 6.5.2 of the report.
 - 6) To agree that the funding requirement identified in recommendation 2 should be taken from reserves, not from core revenue budgets, and that any future cash flow requirements highlighted in paragraph 6.6 of the report should be cost neutral over time.
 - 7) To come back with the figure of outstanding income.
 - 8) To agree to circulate the business plan to members subject to agreement from the Board of Marketing Edinburgh.
- moved by Councillor Corbett, seconded by Councillor Booth

Amendment 2

- 1) To note the work undertaken since November 2019 to clarify the financial position and financial sustainability of Marketing Edinburgh and the plans to develop a future business model for the organisation focused on convention and business tourism.
 - 2) To come back with the figure of outstanding income.
 - 3) To agree to circulate the business plan to members subject to agreement from the Board of Marketing Edinburgh.
- moved by Councillor Hutchison, seconded by Councillor Mowat

In accordance with Standing Order 21.12, paragraph 5 of Amendment 1 was accepted as an addendum to the motion.

Voting

First Vote

For the Motion	-	5 votes
For Amendment 1	-	3 votes
For Amendment 2	-	3 votes

(For the Motion: Councillors Dixon, Griffiths, Munn, Rankin and Watt.

For Amendment 1: Councillors Aldridge, Booth and Corbett.

For Amendment 2: Councillors Bruce, Hutchison and Mowat.)

There being no overall majority, the Convener gave his casting vote for Amendment 1. Amendment 2 fell and a second vote was taken between the Motion and Amendment 1.

Second Vote

For the Motion	-	5 votes
For Amendment 1	-	3 votes

(For the Motion: Councillors Dixon, Griffiths, Munn, Rankin and Watt.

For Amendment 1: Councillors Aldridge, Booth and Corbett.

Abstentions: Councillors Bruce, Hutchison and Mowat.)

Decision

To approve the following adjusted motion by Councillor Rankin:

- 1) To note the work undertaken since November 2019 to clarify the financial position and financial sustainability of Marketing Edinburgh and the plans to develop a future business model for the organisation focused on convention and business tourism.
- 2) To approve the ring-fencing of funds to support Marketing Edinburgh to meet the anticipated liabilities made.
- 3) To note that Marketing Edinburgh could also require financial support for cash flow purposes through 2020/21 and agree that any additional cash requirement would be subject to separate Committee consideration.
- 4) To agree that EICC as the main beneficiary of subvention commitments should be encouraged to absorb those commitments as detailed in paragraphs 4.11 and 6.5.2 of the report.
- 5) To come back with the figure of outstanding income.
- 6) To agree to circulate the business plan to members subject to agreement from the Board of Marketing Edinburgh.

(References – Housing and Economy Committee 6 June 2019 (item 11); report by the Executive Director of Resources, submitted.)

Declarations of interest

Councillor Watt declared a non-financial interest in the above item as a Director of Marketing Edinburgh.

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Minutes

Regulatory Committee

9.30am, Monday 9 March 2020

Present

Councillors Fullerton (Convener), Dixon (Vice-Convener), Arthur (items 1 to 8), Cameron (substituting for Councillor Rose, items 2(e) to 8), Howie, Mitchell, Rae, Rose and Neil Ross.

1. Minutes

Decision

To approve the minute of the Regulatory Committee of 9 January 2020 as a correct record.

2. Deputations

(a) Deputation – Unite the Union Edinburgh Cab Branch (in relation to items 3, 4 and 5)

The deputation highlighted the following issues:

- That they were disappointed by the length of time it had taken to produce the report on Private Hire Car Overprovision and that no independent survey had been commissioned.
- That there was an oversaturation of private hire cars in the city, leading to pollution and congestion.
- That the numbers of private hire cars were limiting the ability for taxi drivers to engage in market competition.
- That there was no dedicated enforcement of private hire car drivers which the deputation felt was required.
- That taxi drivers were losing money due to being unable to reclaim the full costs of pick-up and drop-off charges at Edinburgh Airport.

The deputation requested that the Committee considered:

- Providing a 24 hour enforcement service.
- An independent overprovision study to be undertaken.
- Appointing the taxi rank at St Andrew Square.
- Re-examining the road markings at taxi ranks.

(b) Deputation – Central Taxis (in relation to items 3 and 4)

The deputation highlighted the following issues:

- That the figures in the report did not match the figures experienced by the trade.
- That the proportion of private hire cars in relation to taxis was lower than many of the comparative cities
- That many individuals relied on access provided by taxis and that the overprovision of private hire cars was endangering this service.
- That the taxi and private hire car licence fees could pay for an independent overprovision study to be carried out.

The deputation requested that the Committee considered undertaking an independent overprovision study.

(c) Deputation – City Cabs (in relation to item 3)

The deputation highlighted the following issues:

- That they were disappointed that an overprovision survey had not yet been carried out.
- That there were too many private hire cars operating in the city resulting in difficulties during peak times.
- That the majority of the taxi trade were not part of the decrement card scheme for airport pick-ups and drop-offs as this required signing up to stringent conditions enforced by Edinburgh Airport.

The deputation requested that the Committee considered undertaking an independent overprovision study and allowing taxi and private hire car drivers to be able to reclaim the full minimum cost of the airport pick-up and drop-off fees.

(d) Deputation – Edinburgh Private Hire Drivers (in relation to item 3)

The deputation highlighted the following issues:

- That there were concerns regarding taxi drivers being consulted on private hire overprovision when private hire car drivers were not consulted when the consultation on capping taxi numbers took place.
- That the claim there were too many private hire cars was unsubstantiated.
- That the number of private hire cars in Edinburgh has grown because the demand for them had grown.
- That the private hire trade provided a reliable, affordable and prompt service.
- That restricting the number of private hire licences would interfere with market competition and restrict growth.

The deputation requested that the Committee considered that any overprovision survey should be fair and fact based.

(e) Deputation – Private Hire Car Association (in relation to item 3)

The deputation highlighted the following issues:

- That the perception of overprovision had resulted from a portion the taxi trade having concerns regarding competition in the market.
- That the focus of previous discussions around overprovision had been on illegal pick-ups but that the report on Taxi and Private Hire Car Enforcement and Complaints Update considered in January evidenced this was more of a problem of public perception.
- That the number of private hire vehicles in Edinburgh was a result of demand.
- That the private hire car trade would continue to react to consumer demand.
- That part time drivers should not be viewed as detrimental to the trade.

The deputation requested that the Committee considered undertaking an independent overprovision study.

(f) Deputation – Uber Scotland (in relation to item 3)

The deputation highlighted the following issues:

- That the ease of booking private hire cars through online applications had increased demand for the service.
- That the affordability of the private hire car service in conjunction with Edinburgh's public transport system provided a viable alternative to the need to own a car.
- That restricting the number of private hire cars would affect market competition and limit residents and tourists.
- That private hire cars served the most deprived areas of the city where there was limited public transport.

The deputation requested that the Committee considered:

- Not restricting the number of private hire cars in Edinburgh.
- That any restriction on numbers would need to account for the demand of private hires at peak times.
- Seeking the views of other key stakeholders outwith the taxi and private hire car trade.

3. Private Hire Car Overprovision

In response to a motion by Councillor Rae, the necessary steps required to consider, develop and implement an overprovision policy for Private Hire Cars (PHCs) were outlined. Detail on the proposed framework in which such a policy should be agreed was also provided.

Decision

- 1) To note the content of the motion passed by full Council on 24 October 2019 in relation to capping Private Hire Car Licences and to discharge the outstanding remit.
- 2) To instruct officers to undertake the actions as detailed in section 5 of the report:
 - Officers would undertake necessary actions to appoint an appropriately experienced and skilled external consultant to undertake the required research and analysis work on taxi demand and assessment of PHC overprovision. A full equalities impact assessment would be required with regard to any recommendations that the consultant submitted to the Council.
 - In addition, officers would continue to engage directly with relevant stakeholders.
 - Upon conclusion of any research and analysis completed by an appointed contractor, officers would present the collected data and any supporting information to the committee.
 - It was intended to undertake consultation with a wider group, including making the results of the research and any recommendations brought forward by officers, available for public consultation.

(References – Act of Council No .1 of 24 October 2019; report by the Executive Director of Place, submitted)

4. Review of Taxi Fare Structure – Outcome of Consultation

Jacobs was engaged to carry out initial work on the review of the current taxi fare scales and the Jacobs report, together with details of further consultation undertaken with the taxi trade, was presented to the Regulatory Committee on 9 January 2020. The committee agreed on proposed revised taxi fare scales for public consultation.

In line with statutory requirements the proposed taxi fare scales had been advertised and representations had been received.

Motion

- 1) To note the content of the report and that the Council's further statutory duties had been met in relation to consultation.
 - 2) To consider the representations received during the statutory public consultation period, as attached at Appendix 3 of the report.
 - 3) To agree to fix the taxi fare scales as set out at Appendix 2 of the report with an effective date of 7 April 2020.
 - 4) To instruct the Executive Director of Place to carry out the statutory notification procedures in relation to the revised taxi fare scales as fixed by the committee.
- moved by Councillor Fullerton, seconded by Councillor Dixon

Amendment 1

- 1) To note the content of the report and that the Council's further statutory duties had been met in relation to consultation.
 - 2) To consider the representations received during the statutory public consultation period, as attached at Appendix 3 of the report.
 - 3) To note that the Airport Pickup fee was to be increased to £3.90 in line with the decrement card 2020 rate and the Pickup Zone charge was currently a minimum of £5.00. Therefore to amend the Airport Pickup fee on the proposed taxi fare card to the actual amount charged at the exit gate subject to a maximum of £5.00.
 - 4) To agree to fix the taxi fare scales as set out at Appendix 2 of the report as amended with an effective date of 7 April 2020.
 - 5) To instruct the Executive Director of Place to carry out the statutory notification procedures in relation to the revised taxi fare scales as fixed by the committee.
- moved by Councillor Neil Ross, seconded by Councillor Rae

Voting

For the motion	-	3
For the amendment	-	6

(For the motion – Councillors Dixon, Howie and Fullerton.

For the amendment – Councillors Arthur, Cameron, Mitchell, Rae, Rose and Neil Ross.)

Decision

To approve the amendment by Councillor Neil Ross.

(References – Regulatory Committee 9 January 2020 (item 2); report by the Executive Director of Place, submitted)

5. Taxi Stance Appointment – St Andrew Square

The committee was asked to appoint a taxi stance on St Andrew Square. In order to satisfy the first of a two-part process of appointing a taxi stance (Appendix 2 of the report), the Roads Authority had implemented a Traffic Regulation Order to facilitate the appointment of an authorised taxi stance on the south side of St. Andrew Square (Appendix 1 of the report).

In order to satisfy the second part of this two-stage appointment process, the Directorate had carried out the statutory consultation required by the Civic Government (Scotland) Act 1982 prior to formally appointing the taxi stance.

Decision

- 1) To note the report.
- 2) To note that the statutory consultation on the proposed taxi stance had been completed.

- 3) To note the responses to the consultation.
- 4) To appoint the taxi stance at St Andrew Square under Section 19 of The Civic Government (Scotland) Act 1982 ('the 1982 Act').

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

6. Rolling Actions Log

The Regulatory Committee Rolling Actions Log for 9 March 2020 was submitted.

Decision

- 1) To agree to close the following actions:
 - Action 1 – Licence Income
 - Action 4 – Air Weapons and Licensing (Scotland) Act 2015 – Repeal of Theatres Act 1968 – Update After Initial Consultation
 - Action 6 – Taxi Stance Appointment – East Market Street
 - Action 7(5) - Air Weapons and Licensing (Scotland) Act 2015 – Sexual Entertainment Venues – Update After Initial Consultation
- 2) To note the remaining outstanding actions.

(Reference – Rolling Actions Log 9 March 2020, submitted)

7. Business Bulletin

The Regulatory Committee Business Bulletin for 9 March 2020 was submitted.

Decision

To note the Business Bulletin.

(Reference – Business Bulletin 9 March 2020, submitted)

8. Strategic Work Programme for Licensing

The Committee had executive responsibility for all licensing functions of the Council. The legislative framework in which the licensing functions were delivered was in the process of changing, with two further licensing schemes to be introduced by Summer 2021. Additionally, to reflect the priorities of the Council there were developments in licensing policies to be delivered.

The priorities for the Licensing Service in the year 2020/21 were set out.

Decision

- 1) To note the significant work programme in relation to all licensing activity, parts of which were currently being delivered by the Directorate and the remainder of which were expected to be delivered within the next 12 months.
- 2) To agree the priorities within that programme as set out in section 4 and Appendix 1 of the report.

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

9. Houses in Multiple Occupation – Three Year Review

An update was provided on the outcome of the work undertaken by the Licensing Service, following changes to the Houses in Multiple Occupation (HMO) regime which were agreed in April 2017.

The new three year licensing system and fee structure, introduced in April 2017, reflected the growth in the number of larger shared accommodation properties and allowed officers to grant three year HMO licences to suitable properties. An update was provided on the operation of those changes to date.

Decision

To note the report.

(References – Regulatory Committee 21 April 2017 (item 6); report by the Executive Director of Place, submitted)

10. Beauty Salons - Consultation Response

Decision

To note that the report had been withdrawn by the Executive Director of Place.

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QUESTION NO 1

By Councillor Burgess for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 30 June 2020

Question

What steps have been taken to consult parents and take feedback on their experience to date regarding arrangements for the re-opening of schools on 12 August?

Answer

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QUESTION NO 2

By Councillor Mitchell for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2020

Question

Please could the Convener confirm how much of the recent £5m funding from the Scottish Government for creating safe, accessible routes has been:

- 1) spent and allocated so far per Ward and in total?
- 2) spent and allocated so far on newly developed projects via 'Spaces for People' per Ward and in total?
- 3) spent and allocated so far to advance projects started and/or stalled prior to the pandemic and creation of 'Spaces for People' per Ward and in total?

Answer

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QUESTION NO 3

By Councillor Rust for answer by the Leader of the Council at a meeting of the Council on 30 June 2020

On 6th February the Council Leader confirmed in response to my written question regarding the burning of memorial benches by the Council that an internal investigation was being undertaken in line with the Council's disciplinary procedure and that the investigation will be concluded as soon as possible.

Question (1) Has the investigation now concluded and if not, why not?

Answer (1)

Question (2) When will the findings of the promised report offering assurance to elected members and the public be made available?

Answer (2)

Question (3) Is it now known how many benches were burned?

Answer (3)

Question (4) What contact has been made with relatives or organisations associated with the memorialised benches?

Answer (4)

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QUESTION NO 4

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2020

Question (1) How many complaints have been received regarding overflowing litter bins in each of the last three months and how this compares to the same period in 2019?

Answer (1)

Question (2) What, if any, changes have been made to the container capacity or frequency of collection for litter bins located in parks and other beauty spot areas in the last three months?

Answer (2)

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QUESTION NO 5

By Councillor Lang for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2020

Question

Can the Convener list the changes which have been made to improve walking and cycling as a direct consequence of suggestions received from local communities since 14 May, broken down by ward.

Answer

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QUESTION NO 6

By Councillor Booth for answer by the Convener of the Housing, Homelessness and Fair Work Committee at a meeting of the Council on 30 June 2020

Question

Following extension of the Unsuitable Accommodation Order to all homeless people on 6 May, how many homeless households are in temporary accommodation which is classified as unsuitable:

- a) Without applying the time limited exemptions related to Coronavirus;
- b) Without reference to whether that use is for more or less than 7 days.

Answer

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QUESTION NO 7

**By Councillor Staniforth for answer
by the Convener of the Planning
Committee at a meeting of the
Council on 30 June 2020**

Question (1) How many short term holiday lets have applied for help with business grants during the Coronavirus pandemic?

Answer (1)

Question (2) How many of those lets were registered for Non Domestic Rates prior to March 2020?

Answer (2)

Question (3) What is being done to ensure holiday lets registered for Non Domestic Rates have planning consent for business use?

NB : If statistics are unavailable at short notice to parts 1 and 2 I am willing to accept a deferment on those questions but would like an answer to part 3 even if that is the case.

Answer (3)

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QUESTION NO 8

By Councillor Rust for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2020

Question (1) Please provide a list of all motor vehicles operated by The City of Edinburgh Council (owned or leased) currently licenced with the Driver & Vehicle Licensing Agency (“the DVLA”) to include (a) Registration Mark, (b) Fleet number (if used), (c) Make /Model, (d) Body Type.

Answer (1)

Question (2) Please indicate whether or not each vehicle would comply with current council proposals for the deferred Low-emission Zones

Answer (2)

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QUESTION NO 9

**By Councillor Jim Campbell for
answer by the Leader of the Council
at a meeting of the Council on 30
June 2020**

Question **(1)** Is the Council Leader aware that a condition of the UK Government's Coronavirus Job Retention Scheme (JRS), is that employees can only be furloughed that would otherwise be made redundant or laid off?

Answer **(1)**

Question **(2)** Can he confirm that for the circa 500 City of Edinburgh Council Officers recently furloughed, that all redeployment options were investigated, but that had UK Government JRS not been available, these officers would, with regret, had to be made redundant?

Answer **(2)**

Question **(3)** Given these potential redundancies and the recent redundancies his Administration has made at Council owned ALEOs, what reassurance can he give Council Officers that his Administration will make no further redundancies in this Council term

Answer **(3)**

Question **(4)** Would he accept that recent staff surveys suggest that Council Officers do not consider "a no compulsory redundancy" policy as immutable in the future delivery of high-quality Council services?

Answer **(4)**

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QUESTION NO 10

By Councillor Webber for answer by the Convener of the Finance and Resources Committee at a meeting of the Council on 30 June 2020

Question

With no clear signage across the city advising that parking fees had been suspended until Monday 22nd June can the convenor confirm:

- 1) The revenue raised via Ringo Service / App despite the suspension?
- 2) The process to claim refunds for payments made via Ringo Service / App?

Answer

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Item no 5.11

QUESTION NO 11

**By Councillor Johnston for answer
by the Convener of the Housing,
Homelessness and Fair Work
Committee at a meeting of the
Council on 30 June 2020**

As regards to Marketing Edinburgh Limited can the Convener please explain:

- Question** (1) Why were the company accounts to 31 March 2019 not submitted on time? When will they be submitted?
- Answer** (1)
- Question** (2) What fine has Companies House imposed on the company for continued non-submission?
- Answer** (2)
- Question** (3) As at 31st March 2019 who were the company's creditors and what was the value of the company debts? Is there a tax liability outstanding?
- Answer** (3)
- Question** (4) At the Policy and Sustainability Committee on Thursday 11th June, one of the Marketing Edinburgh Directors stated that an application for external funding was made in order to maintain company assets, including a database. Are these assets at risk of impairment should the funding not be secured? How much funding has been requested?
- Answer** (4)

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QUESTION NO 12

By Councillor Young for answer by the Convener of the Culture and Communities Committee at a meeting of the Council on 30 June 2020

With the re-activation of the public spaces grass maintenance teams, and the update to councillors that no grass cuttings would be collected, but instead left to disperse, there is likely to be a significant amount of loose grass in our open spaces. While recognising the approach to encourage more 'wild flowers/areas' and that loose cuttings may be a good nutrient for the soil underneath, our open space still need to be inviting to enjoy, and practical for some physical activities.

As such please provide information on the following:

- | | |
|-----------------|---|
| Question | (1) What is the cost of suitable equipment to collect grass cuttings (cost per machine/vehicle) |
| Answer | (1) |
| Question | (2) How many are already owned by the Council and how many are currently operational? |
| Answer | (2) |
| Question | (3) What discussions have taken place with potential private contractors to undertake the collection of cuttings? |
| Answer | (3) |
| Question | (4) Is the Council still pursuing a desire for 'wild areas' and how is the determined so as to maintain a balance with usable space? |
| Answer | (4) |

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QUESTION NO 13

By Councillor Young for answer by the Convener of the Education, Children and Families Committee at a meeting of the Council on 30 June 2020

Recognising the unprecedented situation faced by teachers to provide remote teaching, there has however, been an wide ranging provision across the city in terms of the approach to online face to face group or individual teaching and support (video enabled or one-way only). This has been an area of significant concern to many families.

Question (1) What guidance was given to schools on the use of virtual meetings with pupils?

Answer (1)

Question (2) Why was a consistent approach not taken across the city that, while recognising the importance of pupil safety, understood the importance of interaction and face to face engagement?

Answer (2)

Question (3) What is the official position/guidance as we move to blended schooling, for virtual classes or 121 contact with teachers and with wellbeing support staff, to ensure that children across the city have the same opportunities?

Answer (3)

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QUESTION NO 14

By Councillor Bruce for answer by the Convener of the Transport and Environment Committee at a meeting of the Council on 30 June 2020

Question Can the convener give an overview of the grass cutting equipment CEC own?

Answer

Question (2) What proportion of grass cutting machinery is currently available?

Answer (2)

Question (3) What is the area of grass land within CEC ownership that requires cutting?

Answer (3)

Question (4) What is the normal annual cost of grass cutting?

Answer (4)

Question (5) What is the anticipated impact of the coronavirus epidemic on this year's grass cutting budget?

Answer (5)

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Leaving lockdown, one step at a time

There's no question the past three months have been incredibly tough, but I'm proud of how our communities, council colleagues and frontline workers have come together. Working as one city we've managed to protect people's health and support our most vulnerable residents. Together, we've worked to control the spread of Covid-19, adapting our lives – and our usual ways of working – to deal with some of the biggest challenges Edinburgh has ever faced.

Thanks to sticking to the guidance, we've reached a stage where families and friends can be reunited again. I'm sure many parents will be delighted to hear that plans are now being put in place to open up our play parks, while couples will be pleased that weddings can now start to take place.

The message is still very much about staying close to home but, with non-essential shops set to open up at the end of the month, this will provide a much needed boost to local businesses and help to secure jobs. I would encourage everyone who can to shop local wherever possible. We're doing what we can, helping businesses to do things differently by providing advice and licenses for outdoor spaces – as well as improving the environment around them through our 'Spaces for People' programme.

Meanwhile, after many months of lying still, the dozens of cranes which rise above the Edinburgh skyline are finally on the move again, with vital construction projects such as the building of new homes, schools, [Trams to Newhaven](#) and other transport improvements progressing once more.

Edinburgh really is starting to emerge on the other side of this crisis, but we need to leave lockdown one step at a time. The virus is still amongst us and we must all do our bit to suppress it and prevent further spread. I understand how difficult that is when the warmer weather provides a welcome opportunity for us to safely meet up with loved ones outdoors, but we must use common sense. Physical distancing remains in place for one very important reason – to save lives.

Black Lives Matter

The peaceful protests that have taken place in Edinburgh over recent weekends have been an incredible show of the strength of feeling for the Black Lives Matter movement. There is no place for prejudice of any kind and at any time and, while the Capital is an increasingly diverse and welcoming city, we are absolutely committed to addressing racism in all its forms.

We recognise the need to review commemorations in the City with close links to slavery and colonialism, including public statues and monuments, street and building names. Telling our City's history accurately is important and [a new plaque is now being installed](#) at the foot of the statue of Henry Dundas in St Andrew Square to explain better who he was – specifically detailing the role he played in delaying the abolition of slavery.

We're also reviewing our museum and gallery collections to help present new and more accurate perspectives on the City's art and artefacts. We're speaking with young BAME people, parents and staff of Wardie Primary School to re-examine the school's playground mural, which acts as a reminder that people once thought differently from the way we do today.

As an employer, too, we're working closely with our BAME network to listen and identify any changes we could make in our organisation – making sure everyone feels valued and listened to on equal terms.

Adapting our services to deliver more support

Throughout this crisis, we've worked hard to deliver Council services to those who need them most and, as we emerge from lockdown, we must continue to provide this support.

Working with partners, we've helped to deliver 10,000 food parcels to vulnerable people across the City. Over £1m has been paid out to families in school meal payments and a further £1m in [Crisis Grants](#) and Community Care grants have been paid to those who've needed additional support getting by. We've also helped around 8,000 local businesses to get grant funding, paying out over £104m in [business support grants](#), while helping to accommodate many people at risk of rough sleeping.

As restrictions lift, we're working to [bring other services back](#) as quickly and safely as we can. Already, most of our waste collection services are running to pre-Covid schedules and teachers have returned to school. The truth is, however, that we still have a long way to go. We're having to make really difficult decisions about the safest way to deliver services without putting our workers and residents at risk. Our number one priority at all times has to be the health of the people of Edinburgh.

For thousands of our young people, this will mean adapting to a new way of learning. For small businesses, the months ahead will be challenging and require physical distancing measures. Such changes won't be easy and, as the financial impact of the crisis on the Council and the economic impact on Edinburgh begin to unfold, they'll present us with some of our biggest and most difficult choices yet.

Back to school

We now know that schools can plan for 100% reopening in August with no physical distancing measures in place. This is based on us managing to sustain progress in tackling COVID and, following the Cabinet Secretary for Education's announcement in Parliament yesterday, we'll continue working hard with our schools and the Government to deliver this.

I know the past few months have put a strain on family life, with many juggling work commitments and home learning, so it's great to be able to see light at the end of tunnel. I'll be pleased to see our children and young people being able to spend time with their friends again and get some much-needed structure back into their lives and their learning.

While this is based on the ongoing suppression of the virus over the summer holidays, we can now focus on doing everything possible to ensure our schools are safe to reopen, closely following the most up to date advice from the Scottish Government and other agencies.

Thanks to the hard work of our teaching staff and other council teams in recent weeks, we now also have robust contingency plans in place – all of which reflect our aims of maintaining high quality learning and teaching, delivered in a safe and equitable way.

I want to thank them all for the tireless effort they have put in over the last three months, in particular to continue the education and support of children and young people throughout this challenging time.

Keeping people safe and supporting business recovery

One clear positive already emerging from the crisis is the number of people taking advantage of quieter streets and cleaner air for exercise or travel to essential work by bike. With that has come many requests to make streets safer and more space available for people. We also know that we need to support our businesses to re-open and adapt to a new way of operating, with space for queuing or for outdoor seating. We're not alone and, across the world, cities are adapting streets to make it easier for people to keep an appropriate distance.

With an award of £5m from the Scottish Government's [Spaces for People fund](#), we're putting in place quick, [temporary changes](#) – and we're doing so at a faster rate than anywhere else in Scotland, [listening to ideas](#) from residents and businesses and adapting plans as we go.

We've already delivered more than 10 interventions at key 'pinch points' across the city, including over 5km of pop-up cycle lanes leading to our two main hospitals. Work has started in [key city centre locations](#) and, in local shopping areas, such as Gorgie and Portobello, we'll address concerns around narrow pavements and support for small retail businesses. We want to give cafes, bars, restaurants, shops and other services the very best chance of success in the difficult months ahead.

The feedback on the improvements has been overwhelmingly positive so far and the development of yet more clean, sustainable transport options, where fewer cars result in less air pollution, can only support our long-term goal of a carbon neutral Edinburgh.

Building a better Edinburgh, together

Finally, I truly believe that, amongst all of the difficulties we face, there's an opportunity here to build an even better Edinburgh for the future. We've made sure that the cornerstone of our 'Adaptation and Renewal' strategy is [Edinburgh's 2050 Vision](#) – so that the decisions we make now lead us to create a fair, thriving, pioneering and welcoming City.

Our priority has always been to look after our most vulnerable people – that's not going to change. We need to build on the great work being done by the [Edinburgh Poverty Commission](#) to support those who need it most and use the crisis to inform how we tackle poverty in our City in the future. We also need to take steps so that our young people leaving school have positive destinations awaiting them to allow their careers to develop. We're exploring options with leaders from across Edinburgh's employability and skills sector about what we can do as a City to support them – building on the success of the [Edinburgh Guarantee](#).

This crisis has shone a light on the health of our people and planet and, as we plan our recovery, we'll also need to grapple with climate change, sustainability and accessibility. Following a decade of growth, our new tourism strategy has fundamentally changed how we approach attracting and managing visitors to our city, protecting the envied residents' experience and enjoyment of our Capital that bring so many visitors here in the first place. We made a commitment to be carbon neutral by 2030 and we must hold to that.

There is so much more to come for this City and I know that, together, we can build a better Edinburgh for us all.

Get involved

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The City of Edinburgh Council

10.00am, Tuesday 30 June 2020

Appointments to Committees and Proposed Changes to Outside Bodies

Item number	
Executive/routine	
Wards	All
Council Commitments	

1. Recommendation

- 1.1 To appoint a Liberal Democrat Group member to the Governance, Risk and Best Value Committee.
- 1.2 To agree the draft Articles of Associations for Changeworks and to note that this will mean that the Council is no longer a member of Changeworks.
- 1.3 To agree to remove the member from the Council from the Royal Blind Asylum and School.

Andrew Kerr

Chief Executive

Contact: Louise Williamson, Committee Services

Email: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Appointments to Committees and Proposed Changes to Outside Bodies

2. Executive Summary

- 2.1 Councillor Gloyer has tendered her resignation as a member of the Governance, Risk and Best Value Committee.
- 2.2 Council is asked to appoint a replacement Liberal Democrat Group member to the Governance, Risk and Best Value Committee.
- 2.3 Changeworks and the Royal Blind Asylum and School (Royal Blind) have written to the Council seeking to modernise their governance arrangements which would result in the Council ceasing to be a member of Changeworks and removing its representative on the Boards of both Changeworks and the Royal Blind.

3. Main report

- 3.1 The appointment of committees, joint committees and joint boards is a reserved matter for full Council.
- 3.2 On 23 April 2020 the Leadership Advisory Panel agreed interim political management arrangements to carry out Council business for the period 1 May 2020 to 1 September 2020 and Interim Standing Orders to cover that period.
- 3.3 Part of the interim political management arrangements was to agree that the functions reserved to Council in the Committee Terms of Reference and Delegated Functions would be carried out by the Policy and Sustainability Committee.
- 3.4 At its meeting on 28 May 2020, in terms of Interim Standing Order 1.2, the Policy and Sustainability Committee agreed the political balance on the Council's committees.
- 3.5 Appointments to the Council's committees were also made at the Policy and Sustainability Committee meeting on 28 May 2020.
- 3.6 Council is invited to appoint a Liberal Democrat Group member to the Governance, Risk and Best Value Committee.

- 3.7 The City of Edinburgh Council is a member of Changeworks which is a registered charity. Changeworks has written to the Council to inform them that it wishes to modernise its governance arrangements moving to a single tier governance structure. This would mean that directors and members which are currently separate would be the same. The aim of this is to have a more streamlined decision-making process which is supported by modern governance principles.
- 3.8 The Council has a contractual/grant relationship with Changeworks and it is likely that Changeworks will continue to tender for other Council contracts or apply for grants. Subsequently, there is an inherent conflict of interest in any contractual relationship the Council has when it is also a member of that organisation. The modernisation of its governance arrangements would result in a clear relationship with the Council, with no conflict and give the Council confidence that one of its suppliers of services had a more robust decision-making structure. As a result, it is recommended that the Council agrees Changeworks' draft Articles of Association (Appendix one) and ceases to be a member of this organisation. Councillor Bird is the current member of the Council on the Changeworks Board. Councillor Perry is also on the board but as an individual rather than a councillor.
- 3.9 The Royal Blind has written to the Council advising of plans to modernise their governance arrangements. The charity was established in 1793 and was incorporated by Royal Charter in 1898. The original Charter was revised in minor ways by a Supplementary Charter in 1977 but there have been no revisions since then. The current Board of the Royal Blind consists of 19 members, 7 of who are nominated from organisations including the City of Edinburgh Council. The Royal Blind believe that this structure is too unwieldy and restricts the freedom of the Board to control a substantial proportion of its own membership and to an extent compromises its ability to establish and maintain a Board that fully reflects Scotland's diversity or allows for an appropriate blend of professional skills and lived experience of visual impairment. As a result, the Royal Blind have asked if the Council is prepared to agree to the removal of its nominated member (currently Councillor Howie) and relinquish its right to appoint a Board member in perpetuity.

4. Next Steps

- 4.1 Any member appointed will be expected to contribute to the workplan of the Governance, Risk and Best Value Committee, starting at its next meeting on 7 July 2020.
- 4.2 The Council will write to Changeworks and the Royal Blind informing them of its decision.

5. Financial impact

- 5.1 None.

6. Stakeholder/Community Impact

6.1 None.

7. Background reading/external references

7.1 Minute of the Policy and Sustainability Committee of 28 May 2020 [P&S Minute of 28 May 2020](#)

8. Appendices

8.1 Changeworks Draft Articles of Association

Date: 12.02.2020
Draft: 5



THE COMPANIES ACT 2006

**COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL**

ARTICLES OF ASSOCIATION

of

CHANGEWORKS RESOURCES FOR LIFE

(as adopted by special resolution passed on [●])

THE COMPANIES ACT 2006

**COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL**

ARTICLES OF ASSOCIATION

of

CHANGEWORKS RESOURCES FOR LIFE

(as adopted by special resolution passed on [●])

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Constitution of company

- 1 The model articles of association as prescribed in Schedule 2 to The Companies (Model Articles) Regulations 2008 are excluded in respect of this company.

Defined terms

- 2 In these articles of association, unless the context requires otherwise:
 - 2.1 “Act” means the Companies Act 2006;
 - 2.2 “charity” means a body which is either a “Scottish charity” within the meaning of section 13 of the Charities and Trustee Investment (Scotland) Act 2005 or a “charity” within the meaning of section 1 of the Charities Act 2011, providing (in either case) that its objects are limited to charitable purposes;
 - 2.3 “charitable purpose” means a charitable purpose under section 7 of the Charities and Trustee Investment (Scotland) Act 2005 which is also regarded as a charitable purpose in relation to the application of the Taxes Acts;
 - 2.4 “conflict of interest” includes a conflict of interest and duty, and a conflict of duty;
 - 2.5 “Conflict Situation” means any situation or matter (other than one which cannot reasonably be regarded as likely to give rise to a conflict of interest) in which any director has or could have a direct or indirect interest that conflicts, or possibly might conflict, with the interests of the company including (without limitation) any such situation or matter which relates to the exploitation of any property, information or opportunity (irrespective of whether the company could take advantage of the property, information or opportunity);
 - 2.6 “electronic form” has the meaning given in section 1168 of the Act;
 - 2.7 “OSCR” means the Office of the Scottish Charity Regulator;
 - 2.8 “property” means any property, heritable or moveable, real or personal, wherever situated; and
 - 2.9 “subsidiary” has the meaning given in section 1159 of the Act.
- 3 Any reference to a provision of any legislation (including any statutory instrument) shall include any statutory modification or re-enactment of that provision in force from time to time.

Objects

- 4 The company's objects are:-
 - 4.1 to support a sustainable, low carbon lifestyle;
 - 4.2 to advance environmental protection by developing and delivering high impact solutions that make low carbon life a sustainable positive reality for everyone including support to improve energy efficiency, adopt low carbon technologies and travel, implement the circular economy, and embed low carbon behaviours;
 - 4.3 to prevent and relieve poverty and reduce inequalities, with particular emphasis on fuel poverty;
 - 4.4 to advance citizenship and community development through education and engagement inspiring behavioural change, developing community ownership of assets and implementing solutions which deliver sustainable, positive low carbon living; and
 - 4.5 to advance the health and well-being of citizens by enabling and supporting the adoption of a low carbon life.
- 5 The company's objects are restricted to those set out in article 4 (but subject to article 6).
- 6 The company may (subject to first obtaining the consent of OSCR) add to, remove or alter the statement of the company's objects in article 4; on any occasion when it does so, it must give notice to the registrar of companies and the amendment will not be effective until that notice is registered on the register of companies.

Powers

- 7 In pursuance of the objects listed in article 4 (but not otherwise), the company shall have the following powers:-
 - 7.1 To organise, promote, manage and conduct exhibitions, conferences, workshops and community activities and establish resource and advice centres.
 - 7.2 To lobby, advocate and otherwise seek to influence decision-makers and the wider society.
 - 7.3 To set up, co-ordinate and promote research, educational demonstrations and practical projects and services directed towards reducing carbon emissions, relieving poverty, implementing the circular economy, reducing pollution,

encouraging environmental improvements, increasing quality of life or persons in a state of poverty, advancing the health of citizens and/or stimulating other initiatives and developments in associated areas.

- 7.4 To provide support, training and advice to projects of a nature referred to in paragraph 7.3, audit performance and results in respect of such projects, provide for participants in such projects access to appropriate expertise, serve as a conduit for funding in relation to such projects and represent the network of projects of that nature to outside bodies.
- 7.5 To carry on any other activities which further any of the above objects.
- 7.6 To acquire and take over the whole or any part of the undertaking and liabilities of any body holding property or rights which are suitable for the company's activities.
- 7.7 To purchase, take on lease or under a licence, hire, or otherwise acquire, any property, assets or rights which are suitable for the company's activities.
- 7.8 To improve, manage, develop, or otherwise deal with, all or any part of the property and rights of the company.
- 7.9 To sell, let, hire out, license, or otherwise dispose of, all or any part of the property and rights of the company.
- 7.10 To lend money and give credit (with or without security) and to grant guarantees and issue indemnities.
- 7.11 To borrow money, and to give security in support of any such borrowings by the company, in support of any obligations undertaken by the company or in support of any guarantee issued by the company.
- 7.12 To employ such staff as are considered appropriate for the proper conduct of the company's activities, and to make reasonable provision for the payment of pension and/or other benefits for members of staff, ex-members of staff and their dependants.
- 7.13 To engage such consultants and advisers as are considered appropriate from time to time.
- 7.14 To effect insurance of all kinds (which may include officers' liability insurance).
- 7.15 To invest any funds which are not immediately required for the company's activities in such investments as may be considered appropriate (and to dispose of, and vary, such investments).

- 7.16 To liaise with other voluntary sector bodies, local authorities, central governments and agencies, and other bodies, all with a view to furthering the company's objects.
- 7.17 To take such steps as may be deemed appropriate for the purpose of raising funds for the company's activities.
- 7.18 To accept grants, donations and legacies of all kinds (and to accept any reasonable conditions attaching to them).
- 7.19 To oppose, or object to, any application or proceedings which may prejudice the company's interests.
- 7.20 To enter into any arrangement with any organisation, government or authority which may be advantageous for the purposes of the activities of the company, and to enter into any arrangement for co-operation or mutual assistance with any charity.
- 7.21 To do anything which may be incidental or conducive to the furtherance of any of the company's objects.

Restrictions on use of the company's assets

- 8 The income and property of the company shall be applied solely towards promoting the company's objects.
- 9 No part of the income or property of the company shall be paid or transferred (directly or indirectly) to the members of the company, whether by way of dividend, bonus or otherwise.
- 10 No director of the company shall be appointed as a paid employee of the company; no director shall hold any office under the company for which a salary or fee is payable.
- 11 No benefit (whether in money or in kind) shall be given by the company to any director except (i) repayment of out-of-pocket expenses or (ii) reasonable payment in return for particular services (outwith the ordinary duties of a director) actually rendered to the company.

Liability of members

- 12 The liability of the members is limited.
- 13 Every member of the company undertakes to contribute such amount as may be required (not exceeding £1) to the company's assets if it should be wound up while they are a member or within one year after they cease to be a member, for payment of

the company's debts and liabilities contracted before they cease to be a member, and of the costs, charges and expenses of winding up; and for the adjustment of the rights of the contributories among themselves.

General structure

- 14 The structure of the company consists of:-
- 14.1 the MEMBERS - who have the right to attend general meetings and have important powers under the articles of association and the Act; in particular, the members take decisions in relation to changes to the articles themselves
 - 14.2 the DIRECTORS - who hold regular meetings, and generally control and supervise the activities of the company; in particular, the directors are responsible for monitoring the financial position of the company.

Qualification for membership

- 15 Membership shall (subject to article 16) be open to any individual who is a director of the company.
- 16 No employee of the company may become a member; a person admitted to membership shall automatically cease to be a member if they become an employee of the company.
- 17 Any individual or body who/which is a member of the company as at the time when the resolution adopting these articles of association is passed shall automatically cease to be a member immediately upon admission of two directors of the company to membership under articles 18 and 19.

Application for membership

- 18 Any director who wishes to become a member must sign, and lodge with the company, a written application for membership (in such form as the directors may reasonably prescribe).
- 19 Any individual eligible for membership under article 15 shall become a member of the company immediately upon receipt by the company of a duly signed application for membership in accordance with article 18.

Register of members

- 20 The directors shall maintain a register of members, setting out the full name and address of each member, the date on which they were admitted to membership, and the date on which any individual ceased to be a member.

Withdrawal from membership

- 21 If any individual wishes to withdraw from membership, they shall sign, and lodge with the company, a written notice to that effect; on receipt of the notice by the company, they shall cease to be a member.

Termination/transfer

- 22 Membership shall cease on the member ceasing (for any reason) to be a director of the company.
- 23 A member may not transfer their membership to any other individual or to any body.

General meetings (meetings of members)

- 24 Subject to article 25, the directors may convene a general meeting at any time.
- 25 The directors must convene a general meeting if there is a valid requisition by members (under section 303 of the Act) or a requisition by a resigning auditor (under section 518 of the Act).
- 26 For the avoidance of doubt, the directors are under no obligation to convene annual general meetings.

Notice of general meetings

- 27 At least 14 clear days' notice of each general meeting must be given to the members, to all the directors, and (if auditors are in office at the time) to the auditors.
- 28 The reference to "clear days" in article 27 shall be taken to mean that, in calculating the period of notice, the day after the notice is posted, (or, in the case of a notice sent by electronic means, the day after it was sent), and also the day of the meeting, should be excluded.
- 29 A notice calling a meeting shall specify the time, date and place of the meeting; it shall:
- 29.1 indicate the general nature of the business to be dealt with at the meeting;
 - 29.2 if a special resolution or a resolution requiring special notice under the Act is to be proposed, state that fact, giving the exact terms of the resolution; and
 - 29.3 contain a statement informing each member of their right to appoint a proxy.
- 30 Notice of every general meeting shall be given to all the members and directors, and (if auditors are in office at the time) to the auditors:

- 30.1 in hard copy form; or
- 30.2 in writing or (where the individual to whom notice is given has notified the company of an address to be used for the purpose of electronic communication) in electronic form; or
- 30.3 (subject to the company notifying members of the presence of the notice on the website, and complying with the other requirements of section 309 of the Act) by means of a website.

Procedure at general meetings

- 31 No business shall be dealt with at any general meeting unless a quorum is present; the quorum for a general meeting shall be as follows:
 - 31.1 if the number of members at the time is 6 or 7, the quorum shall be 5 members present in person or represented by proxy;
 - 31.2 if the number of members at the time is 8 or above, the quorum shall be 6 members present in person or represented by proxy.
- 32 If a quorum is not present within 15 minutes after the time at which a general meeting was due to commence - or if, during a meeting, a quorum ceases to be present - the meeting shall stand adjourned to such time and place as may be fixed by the chairperson of the meeting.
- 33 The chair of the company shall (if present and willing to act as chairperson) preside as chairperson of each general meeting; if the chair is not present and willing to act as chairperson within 15 minutes after the time at which the meeting was due to commence, the directors present at the meeting shall elect from among themselves the person who will act as chairperson of that meeting.
- 34 The chairperson of a general meeting may, with the consent of the meeting, adjourn the meeting to such time and place as the chairperson may determine.

Votes of members

- 35 Every member shall have one vote, which (whether on a show of hands or on a secret ballot) may be given either personally or by proxy.
- 36 Any member who wishes to appoint a proxy to vote on their behalf at any meeting (or adjourned meeting):
 - 36.1 shall lodge with the company, at the company's registered office, a written instrument of proxy (in such form as the directors require), signed by them; or

36.2 shall send by electronic means to the company, at such electronic address as may have been notified to the members by the company for that purpose, an instrument of proxy (in such form as the directors reasonably require);

providing (in either case), the instrument of proxy is received by the company at the relevant address not less than 48 hours before the time for holding the meeting (or, as the case may be, adjourned meeting); for the avoidance of doubt, in calculating the 48-hour period referred to in the preceding provisions of this article 36, no account shall be taken of any part of a day that is not a working day.

37 An instrument of proxy which does not conform with the provisions of article 36, or which is not lodged or sent in accordance with such provisions, shall be invalid.

38 A member shall not be entitled to appoint more than one proxy to attend on the same occasion.

39 A proxy appointed to attend and vote at any meeting instead of a member shall have the same right as the member who appointed them to speak at the meeting and need not be a member of the company.

40 A vote given, or ballot demanded, by proxy shall be valid notwithstanding that the authority of the person voting or demanding a ballot had terminated prior to the giving of such vote or demanding of such ballot, unless notice of such termination was received by the company at the company's registered office (or, where sent by electronic means, was received by the company at the address notified by the company to the members for the purpose of electronic communications) before the commencement of the meeting or adjourned meeting at which the vote was given or the ballot demanded.

41 If there are an equal number of votes for and against any resolution, whether on a show of hands or on a ballot, the chairperson of the meeting shall be entitled to a casting vote.

42 A resolution put to the vote at a general meeting shall be decided on a show of hands unless a secret ballot is demanded by the chairperson (or by at least two persons present in person at the meeting and entitled to vote, whether as members or proxies for members); a secret ballot may be demanded either before the show of hands takes place, or immediately after the result of the show of hands is declared.

43 If a secret ballot is demanded, it shall be taken at the meeting and shall be conducted in such manner as the chairperson may direct; the result of the ballot shall be declared at the meeting at which the ballot was demanded.

Special resolutions and ordinary resolutions

- 44 For the purposes of these articles, a “special resolution” means a resolution passed by 75% or more of the votes cast on the resolution at a general meeting, providing proper notice of the meeting and of the intention to propose the resolution has been given in accordance with articles 27 to 30; for the avoidance of doubt, the reference to a 75% majority relates only to the number of votes cast in favour of the resolution as compared with the total number of votes cast in relation to the resolution, and accordingly no account shall be taken of abstentions or members absent from the meeting.
- 45 In addition to the matters expressly referred to elsewhere in these articles, the provisions of the Act allow the company, by special resolution,
- 45.1 to alter its name; or
- 45.2 to alter any provision of these articles or adopt new articles of association.
- 46 For the purposes of these articles, an “ordinary resolution” means a resolution passed by majority vote (taking account only of those votes cast in favour as compared with those votes against), at a general meeting, providing proper notice of the meeting has been given in accordance with articles 27 to 30.

Written resolutions

- 47 A written resolution can be passed by the members of the company (having been proposed by either the members or the directors in accordance with the procedures detailed in Chapter 2 of Part 13 of the Act) and will have effect as if passed by the members of the company in general meeting; a written resolution is passed when the required majority of eligible members have signified their agreement to it by sending to the company (in hard copy or electronic form) an authenticated document which identifies the resolution to which it relates and which indicates the member’s agreement to it (which agreement cannot thereafter be revoked).
- 48 For the purposes of the preceding article:
- 48.1 the reference to “eligible members” is to those members who would have been entitled to vote on the resolution on the circulation date of the resolution (which is either (a) the date on which copies of the written resolution are sent or submitted to the members in accordance with the procedures detailed in Chapter 2 of Part 13 of the Act; or (b) if copies are sent or submitted to members on different days, the first of those dates);
- 48.2 the reference to “required majority” is to the majority required to pass an ordinary or a special resolution under the Act, as follows:

48.2.1. in order to pass an ordinary resolution by way of written resolution, it must be passed (in accordance with article 47) by members representing a simple majority of the total voting rights of eligible members;

48.2.2. in order to pass a special resolution by way of written resolution, it must be passed (in accordance with article 47) by members representing not less than 75% of the total voting rights of eligible members and the resolution must specifically state that it was proposed as a special resolution.

49 A resolution to remove a director (under section 168 of the Act) or a resolution to remove an auditor (under section 510 of the Act) cannot be proposed as a written resolution.

50 For the purposes of article 47, a proposed written resolution will lapse if it is not passed before the end of a period of 28 days beginning with the circulation date (as defined in article 48), and the agreement of any member to a written resolution will be ineffective if signified after the expiry of that period.

Maximum and minimum number of directors

51 The maximum number of directors shall (subject to article 62) be 10.

52 The minimum number of directors shall be 6.

Eligibility

53 An individual shall not be eligible to hold office as a director if they are an employee of the company.

Appointment of directors

54 The directors may at any time appoint as a director any individual who they consider to have an interest in the company's objects and a commitment to the environmental sector (providing they are willing to act).

55 In exercising their powers under article 54, the directors shall:

55.1 seek to ensure (so far as reasonably practicable) that that there is an appropriate blend of skills on the board;

55.2 seek to ensure (so far as reasonably practicable) that at least one of the directors is an individual with substantial background and/or experience in the environmental sector;

- 55.3 be guided by the Nominations Committee (as defined in article 107) in relation to the selection of appropriate individuals for appointment (or, as the case may be, re-appointment) as directors; and
- 55.4 have regard to the benefit of equality and diversity on the board.
- 56 At each Accounts Sign-off Board Meeting (as defined in paragraph 57.1) those directors who have held office for three years since they were appointed (or last re-appointed) shall retire from office; but a director retiring from office shall (subject to article 59) be eligible for re-appointment.
- 57 For the purposes of these articles:
- 57.1 an “Accounts Sign-off Board Meeting” shall mean the meeting of directors at which the final accounts of the company for a given financial year are approved by the directors;
- 57.2 the period between the date of appointment of a director and the Accounts Sign-off Board Meeting which next follows shall be taken to be a period of one year, unless it is of less than six months' duration (in which case it shall be disregarded);
- 57.3 the period between one Accounts Sign-off Board Meeting and the next shall be taken to be a period of one year;
- 57.4 if an individual ceases to be a director and is then re-appointed as a director within a period of six months, they shall be deemed to have continued in office as a director without break;
- 57.5 subject to articles 60 and 62, any period in office as a director prior to the adoption of these articles shall be included in calculating the three-year period.
- 58 For the avoidance of doubt, a director who is due to retire at an Accounts Sign-off Board Meeting shall remain in office as a director throughout that Accounts Sign-off Board Meeting; they shall, however, unless re-appointed under article 56, automatically vacate office at the conclusion of that Accounts Sign-off Board Meeting.
- 59 A director who, as at the Accounts Sign-off Board Meeting when they retire from office as a director under article 56, has held office for a period of nine years or more shall not (subject to article 60) be eligible for re-appointment.

Transitional arrangements

- 60 Notwithstanding any other provisions of these articles, an individual who has held office for a period of nine years or more as at the date of adoption of these articles shall (subject to the provisions of articles 61, 62 and 63) be deemed to be re-appointed as a director for a period of 24 months from that date (the “**Transition Period**”).
- 61 The Chair may, at any time during the Transition Period, remove from office as a director any individual who was deemed to have been re-appointed as a director under article 60.
- 62 The maximum number of directors during the Transition Period shall be 11.

Termination of office

- 63 A director shall automatically vacate office if:
- 63.1 they cease to be a director by virtue of any provision of the Act or become prohibited by law from being a director or a charity trustee (within the meaning of the Charities and Trustee Investment (Scotland) Act 2005);
 - 63.2 they are sequestrated;
 - 63.3 they become incapable for medical reasons of fulfilling the duties of their office and such incapacity has continued or is expected to continue for a period of more than six months;
 - 63.4 they become an employee of the company;
 - 63.5 they resign office by notice to the company;
 - 63.6 they are absent (without permission of the directors) from more than three meetings of the directors within any twelve month period, and the directors resolve to remove them from office;
 - 63.7 they are removed from office by resolution of the directors on the grounds that they are considered to have committed a material breach of the code of conduct or conflict of interest rules for directors in force from time to time (as referred to in article 81);
 - 63.8 they are removed from office by resolution of the directors on the grounds that they are considered to have been in serious or persistent breach of their duties under sections 66(1) or (2) of the Charities and Trustee Investment (Scotland) Act 2005; or

63.9 they are removed from office by ordinary resolution (special notice having been given) in pursuance of section 168 of the Act.

64 A resolution under paragraph 63.7 or 63.8 shall be valid only if:

64.1 the director who is the subject of the resolution is given reasonable prior written notice by the directors of the grounds upon which the resolution for their removal is to be proposed;

64.2 the director concerned is given the opportunity to address the meeting of directors at which the resolution is proposed, prior to the resolution being put to the vote; and

64.3 at least two thirds (to the nearest round number) of the directors then in office vote in favour of the resolution.

Register of directors

65 The directors shall maintain a register of directors, setting out full details of each director, including the date on which they became a director, and also specifying the date on which any person ceased to hold office as a director.

Appointment of the chief executive

66 The directors may appoint any individual to the post of chief executive of the company.

Office bearers

67 The directors shall elect from among themselves a Chair and a Vice-Chair, and such other office bearers (if any) as they consider appropriate.

68 At the conclusion of the second Accounts Sign-off Board Meeting (as defined in paragraph 56.1) which follows the appointment or re-appointment of any individual to an office under article 67, they shall retire from office, but (subject to article 69) shall then be eligible for re-appointment to that office under article 67 (providing they are willing to act).

69 A director who, as at the Accounts Sign-off Board Meeting when they retire from office under article 68, has held office as Chair for a period of six years or more shall not be eligible for re-election.

70 For the avoidance of doubt, there is no limit on the number of times a director appointed to any other office under article 67 can be re-appointed.

71 For the purposes of article 69:

- 71.1 the period between the date of appointment of any director to the office of chair and the Accounts Sign-off Board Meeting which follows shall be deemed to be a period of one year, unless it is of less than six months' duration (in which case it shall be disregarded);
- 71.2 the period between one Accounts Sign-off Board Meeting and the next shall be deemed to be a period of one year;
- 71.3 if a director ceases to hold office as Chair but is re-appointed to that office within a period of six months, they shall be deemed to have held that office without interruption;
- 71.4 any period in office as Chair prior to the date of adoption of these articles of association shall be counted for the purposes of article 69.
- 72 A person elected to any office shall cease to hold that office if they cease to be a director (whether by way of retirement as a director under article 56, where they are not re-appointed as a director; or for any other reason) or if they resign from that office by written notice to that effect.
- 73 If the appointment of a director to any office terminates, the directors shall appoint another director to hold the office in their place.

Personal interests

- 74 Subject to the provisions of the Act and of articles 8 to 11 and provided that they have disclosed to the directors the nature and extent of any personal interest which they have (unless immaterial) and has complied with the code of conduct (as referred to in article 81), a director (notwithstanding their office):
- 74.1 may be a party to, or have some other personal interest in, any transaction or arrangement with the company or any associated company;
- 74.2 may be a party to, or have some other personal interest in, any transaction or arrangement in which the company or any associated company has an interest;
- 74.3 may be a director or secretary of, or employed by, or have some other personal interest in, any associated company; and
- 74.4 shall not, because of their office, be accountable to the company for any benefit which they derive from any such office or employment or from any such transaction or arrangement or from any interest in any such company;
- and no such transaction or arrangement shall be liable to be treated as void on the ground of any such interest or benefit.

- 75 For the purposes of the preceding article, an interest of which a director has no knowledge and of which it is unreasonable to expect them to have knowledge shall not be treated as an interest of theirs; the references to “associated company” shall be interpreted as references to any subsidiary of the company or any other company in which the company has a direct or indirect interest.
- 76 The directors shall be entitled, for the purposes of section 175 of the Act, to authorise (by way of resolution to that effect) any Conflict Situation that may arise (such that the duty of the director concerned, under that section, to avoid conflicts of interest is not infringed) and to amend or vary any such authorisation; the directors may give such authorisation subject to such terms and conditions as they may consider appropriate and reasonable in the circumstances.
- 77 For the avoidance of doubt, article 76 shall not apply to a conflict of interest arising in relation to a transaction or arrangement with the company; any conflict of interest of that nature shall be governed by the provisions of articles 74, 75 and 99 and the code of conduct and conflict of interest rules referred to in article 81.
- 78 The directors shall procure that a register of directors’ interests is maintained in accordance with the provisions in this regard contained in the conflict of interest rules for directors referred to in article 81.

Conduct of directors

- 79 It is the duty of each director of the company to take decisions (and exercise their other powers and responsibilities as a director) in such a way as they consider, in good faith, will be most likely to promote the success of the company in achieving its objects (as set out in article 4) and will be in the interests of the company, and irrespective of any office, post, engagement or other connection which they may have with any other body which may have an interest in the matter in question.
- 80 Without prejudice to the principle set out in article 79, each of the directors shall have a duty, in exercising functions as a charity trustee, to act in the interests of the company; and, in particular, must:
- 80.1 seek, in good faith, to ensure that the company acts in a manner which is in accordance with its purposes;
 - 80.2 act with the care and diligence which it is reasonable to expect of a person who is managing the affairs of another person;
 - 80.3 in circumstances giving rise to the possibility of a conflict of interest between the company and any party responsible for the appointment of that director
 - 80.3.1. put the interests of the company before that of the other party;

80.3.2. where any other duty prevents them from doing so, disclose the conflicting interest to the company and refrain from participating in any deliberation or decision of the other directors with regard to the matter in question;

80.4 ensure that the company complies with any direction, requirement, notice or duty imposed under or by virtue of the Charities and Trustee Investment (Scotland) Act 2005.

81 Each of the directors shall comply with the code of conduct and conflict of interest rules prescribed by the board of directors from time to time.

82 For the avoidance of doubt, the code of conduct and conflict of interest rules shall be supplemental to the provisions relating to the conduct of directors contained in these articles of association; and the relevant provisions of these articles shall be interpreted and applied in accordance with the provisions of the code of conduct and conflict of interest rules in force from time to time.

Directors' remuneration and expenses

83 No director may serve as an employee of the company, and no director may be given any remuneration by the company for carrying out their ordinary duties as a director or as Chair or as the holder of any other office under article 67.

84 The directors may be paid all travelling and other expenses properly incurred by them in connection with their attendance at meetings of directors, general meetings, meetings of committees of directors or otherwise in connection with the carrying-out of their duties.

Powers of directors

85 Subject to the provisions of the Act, and these articles, and subject to any directions given by special resolution, the company and its assets and undertaking shall be managed by the directors, who may exercise all the powers of the company.

86 A meeting of the directors at which a quorum is present may exercise all powers exercisable by the directors.

Procedure at directors' meetings

87 Subject to the provisions of these articles, the directors may regulate their proceedings as they think fit.

88 Any director may call a meeting of the directors or request the secretary to call a meeting of the directors.

- 89 Meetings of the directors shall be held at least four times each year.
- 90 Questions arising at a meeting of the directors shall be decided by a majority of votes; if an equality of votes arises, the chairperson of the meeting shall have a casting vote.
- 91 No business shall be dealt with at a meeting of the directors unless a quorum is present; the quorum for meetings of the directors shall be as follows:
- 91.1 if the number of directors in office at the time is 6 or 7, the quorum shall be 5;
- 91.2 if the number of directors in office at the time is 8 or above, the quorum shall be 6.
- 92 A director may participate in a meeting of the directors by means of a conference telephone, video conferencing facility or similar communications equipment whereby all the directors participating in the meeting can hear each other; a director participating in a meeting in this manner shall be deemed to be present in person at the meeting.
- 93 If at any time the number of directors falls below the quorum required under article 91, the remaining director(s) may act only for the purpose of filling vacancies or of calling a general meeting.
- 94 Unless they are unwilling to do so, the chair of the company shall preside as chairperson at every directors' meeting at which they are present; if the chair is unwilling to act as chairperson or is not present within 15 minutes after the time when the meeting was due to commence, the directors present shall elect from among themselves the person who will act as chairperson of the meeting.
- 95 The directors may, at their discretion, allow any person who they reasonably consider appropriate, to attend and speak at any meeting of the directors; for the avoidance of doubt, any such person who is invited to attend a directors' meeting shall not be entitled to vote.
- 96 A person invited to attend a meeting of the directors under article 95 shall not be entitled to exercise any of the powers of a director, and shall not be deemed to constitute a director for the purposes of the Act or any provision of these articles.
- 97 All acts done by a meeting of directors or by a meeting of a committee of directors or by a person acting as a director shall, notwithstanding that it is afterwards discovered that there was a defect in the appointment of any director or that any of them was disqualified from holding office or had vacated office or was not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote.

- 98 A resolution in writing signed by all the directors entitled to receive notice of a meeting of directors or of a committee of directors shall be as valid and effectual as if it had been passed at a meeting of directors, or (as the case may be) a committee of directors, duly convened and held; it may consist of several documents in the same form, each signed by one or more directors.
- 99 A director shall not vote at a directors' meeting (or at a meeting of a committee) on any resolution concerning a matter in which they have a personal interest which conflicts (or may conflict) with the interests of the company; they must withdraw from the meeting while an item of that nature is being dealt with.
- 100 For the purposes of article 99, a person shall be deemed to have a personal interest in a particular matter if any partner or other close relative of theirs or any firm of which they are a partner or any limited company of which they are a substantial shareholder or director or any limited liability partnership of which they are a member or any Scottish charitable incorporated organisation or charitable incorporated organisation of which they are a charity trustee or any registered society or unincorporated association of which they are a member of the governing organ has a personal interest in that matter.
- 101 A director shall not be counted in the quorum present at a meeting in relation to a resolution on which they are not entitled to vote.
- 102 The directors may (subject to the Charities and Trustee Investment (Scotland) Act 2005), by way of a vote passed by at least two thirds (to the nearest round number) of the directors then in office, suspend or relax to any extent – either generally or in relation to any particular matter – the provisions of articles 99 to 101.
- 103 If a question arises at a meeting of directors or at a meeting of a committee of directors as to the right of a director to vote, the question may, before the conclusion of the meeting, be referred to the chairperson of the meeting; their ruling in relation to any director other than themselves shall be final and conclusive.

Delegation to sub-committees

- 104 The directors may delegate any of their powers to any sub-committee consisting of one or more directors and such other persons (if any) as the directors may determine; they may also delegate to the chair of the company (or the holder of any other office) such of their powers as they may consider appropriate.
- 105 Any delegation of powers under article 104 shall be made subject to such conditions as the directors may impose and may be revoked or altered.
- 106 The terms of reference and rules of procedure for each sub-committee shall be as prescribed in writing by the directors.

Nominations Committee

- 107 The directors shall establish a committee (referred to in these articles as the “**Nominations Committee**”) to guide the directors in relation to the selection of appropriate individuals for appointment (or, as the case may be, re-appointment) as directors.
- 108 The Nominations Committee shall consist of 2 directors and 1 non-director nominated by the board.
- 109 The proceedings of the Nominations Committee shall be governed by such standing orders as may be issued by the directors from time to time.
- 110 In carrying out its functions, the Nominations Committee shall carry out an open and transparent recruitment process reflecting best practice at the time and having regard to the principles set out in article 55.

Operation of bank accounts

- 111 The signatures of two out of the signatories appointed by the directors shall be required in relation to all operations (other than lodgement of funds) on the bank and building society accounts held by the company in line with the Authorities Matrix approved by the board from time to time.

Secretary

- 112 The directors may (notwithstanding the provisions of the Act) appoint a company secretary, and on the basis that the term of office, remuneration (if any), and other terms and conditions attaching to the appointment of the company secretary shall be as determined by the directors; the company secretary may be removed by the directors at any time.

Minutes

- 113 The directors shall ensure that minutes are made of all proceedings at general meetings, meetings of the directors and meetings of committees of directors; a minute of a meeting of directors or of a committee of directors shall include the names of the directors present, and the minutes of each meeting shall be signed by the chairperson of that meeting and shall be kept in an appropriate place and format for at least ten years from the date of the meeting.

Accounting records and annual accounts

- 114 Accounting records shall be kept in accordance with all applicable statutory requirements and such accounting records shall, in particular, contain entries from day to day of all sums of money received and expended by the company and the

matters in respect of which such receipt and expenditure take place and a record of the assets and liabilities of the company; such accounting records shall be open to inspection at all times by any director of the company.

- 115 The directors shall prepare annual accounts, complying with all relevant statutory requirements; if an audit is required (as opposed to an independent examination) under any statutory provisions, or if the directors consider that an audit would be appropriate for some other reason, the directors shall ensure that an audit of the accounts is carried out by a qualified auditor.

Notices

- 116 Any notice to be given in pursuance of these articles shall be in writing.
- 117 The company may give any notice to a member in pursuance of these articles either personally or by sending it by post in a pre-paid envelope addressed to the member at their registered address or by leaving it at that address; alternatively, in the case of a member who has notified the company of an electronic address to be used for this purpose, the company may give any notice to that member by electronic means.
- 118 Any notice, if sent by post, shall be deemed to have been given at the expiry of twenty four hours after posting; for the purpose of proving that any notice was given, it shall be sufficient to prove that the envelope containing the notice was properly addressed and posted.
- 119 Any notice sent by electronic means shall be deemed to have been given at the expiry of 24 hours after it is sent; for the purpose of proving that any notice sent by electronic means was indeed sent, it shall be sufficient to provide any of the evidence referred to in the relevant guidance issued from time to time by the Chartered Institute of Secretaries and Administrators.
- 120 A member may give any notice to the company either by sending it by post in a pre-paid envelope addressed to the company at its registered office or by leaving it, addressed to the company secretary, at the company's registered office.
- 121 A member present or represented at any meeting of the company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called.

Winding-up

- 122 If on the winding-up of the company any property remains after satisfaction of all the company's debts and liabilities, such property shall be paid or transferred to some charity or charities with similar purposes to those of the company, as determined (prior to the winding up) by the members of the company.

- 123 To the extent that effect cannot be given to article 122, the relevant property shall be applied to some charitable purpose or purposes.

Indemnity

- 124 Every director or other officer or auditor of the company shall be indemnified (to the extent permitted by sections 232, 234, 235, 532 and 533 of the Act) out of the assets of the company against any loss or liability which they may sustain or incur in connection with the execution of the duties of their office including, without prejudice to that generality (but only to the extent permitted by those sections of the Act), any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the company.
- 125 For the avoidance of doubt, the company shall be entitled (subject to the provisions of section 68A of the Charities and Trustee Investment (Scotland) Act 2005) to purchase and maintain insurance against any loss or liability which any director or other officer of the company may sustain or incur in connection with the execution of the duties of their office; and such insurance may (subject to the provisions of section 68A of the Charities and Trustee Investment (Scotland) Act 2005) extend to liabilities of the nature referred to in section 232(2) of the Act (negligence etc. of a director).

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The City of Edinburgh Council

10am, Tuesday, 30 June 2020

Unaudited Annual Accounts 2019/20

Executive/routine	Routine
Wards	N/a
Council Commitments	N/a

1. Recommendations

- 1.1 Members of Council are asked to note:
- 1.1.1 that the unaudited annual accounts for 2019/20 will be submitted to the external auditor by the statutory date;
 - 1.1.2 that the provisional outturn position shows an overall overspend of £5.231m, the first such overspend in thirteen years, and that this sum will therefore require to be met by a corresponding drawdown from reserves;
 - 1.1.3 that a more detailed revenue and capital outturn analysis will be reported to the Policy and Sustainability Committee in August 2020; and
 - 1.1.4 the intention to submit the audited annual accounts and annual auditor’s report to the Governance, Risk and Best Value Committee and thereafter to the Finance and Resources Committee in September 2020, for approval.

Stephen S. Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

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

Unaudited Annual Accounts 2019/20

2. Executive Summary

- 2.1 The report presents to members the Council's 2019/20 Unaudited Annual Accounts prior to their submission to the external auditor. These statements detail the financial position and performance of the Council, together with that of the wider Council Group, for the year ending 31 March 2020. The report includes a summary of the draft outturn position and notes that more detailed reports will be brought to the Policy and Sustainability Committee in August 2020.

3. Background

- 3.1 The report presents the unaudited annual accounts for the 2019/20 financial year for Council's consideration.
- 3.2 The Council's unaudited annual accounts, included in Appendix 1, have been completed in accordance with proper accounting practice and will be submitted to the external auditor by 30 June, as required by the Local Authority Accounts (Scotland) Regulations 2014, upon conclusion of this meeting.
- 3.3 The supplementary provisions of the Coronavirus (Scotland) Act 2020 allow local authorities, in consultation with their external auditors, to defer submission of their unaudited annual accounts by up to two months. The Council has, however, agreed not to take advantage of this flexibility to maximise the time available to assess and manage the cost and income implications of the COVID-19 pandemic in 2020/21. The management commentary does, however, reflect a particular emphasis on the impacts of COVID-19 both in 2019/20 and going forward.
- 3.4 Members should note that the unaudited annual accounts must be published on the Council's website no later than 30 June 2020 and made available for public inspection for a period of 15 working days. This inspection period will run from Wednesday 1 July to Tuesday 20 July 2020 inclusive. Due to the on-going pandemic, however, this year's inspection process will be undertaken largely by electronic means.

4. Main report

4.1 The financial position of the Council and its wider Group is presented in the following statements:

- Movement in Reserves Statement (pages 17 and 18);
- Comprehensive Income and Expenditure Statement (CIES) for the Group (pages 19) and the Council (page 20); and
- Balance Sheet (page 21)

4.2 The consolidated Group accounts include the results for the following subsidiaries, associates and joint ventures:

Subsidiaries – CEC Holdings Ltd (including EDI Group Ltd and Edinburgh International Conference Centre Ltd), Transport for Edinburgh Ltd and Edinburgh Living Mid-Market Rent LLP.

Associates and Joint Ventures – Edinburgh Leisure, Capital Theatres, Common Good, Lothian Valuation Joint Board and Edinburgh Integration Joint Board.

4.3 A number of smaller entities, listed on page 40 of the Unaudited Annual Accounts, have not been consolidated on the grounds of low materiality.

4.4 The annual remuneration report is included in the Unaudited Annual Accounts on pages 124 to 132. This covers the Council's Leader, Civic Head, Senior Councillors, Conveners of Joint Boards and senior employees within both the Council and its wider group.

Outturn Summary

Revenue

4.5 The Council's draft outturn position shows a net overspend against budget of £5.231m. This position reflects service overspends totalling £9.964m, primarily those within Place (£6.996m) and Communities and Families (£3.133m), inclusive of unfunded COVID-related losses of income. As a result of the severe impact of the pandemic on its operations, the Council additionally did not receive the budgeted £6m dividend payment from Lothian Buses during the year. These service overspends were offset, in part, by savings in loans charge expenditure (£1.370m) and Council Tax (£1.316m), alongside unbudgeted drawdowns from reserves (£7.872m) agreed by Council during the year. A reconciliation between the CIES for the Council and the General Fund outturn is included as Appendix 2.

4.6 As is required by statute, the net overspend of £5.231m has been offset by a corresponding further drawdown from reserves.

Reserves

4.7 As at 31 March 2020, the General Fund reserves had reduced to £119.787m, a fall of £25.058m from the preceding year. This movement primarily reflects net sums of £14.327m utilised from the Council Tax Discount Fund to support planned investment in affordable housing and unbudgeted drawdowns of £13.103m to offset

the revenue pressures noted at 4.5 (£7.872m) and to address the year-end deficit (£5.231m). While the adequacy and appropriateness of the overall level of reserves held is reviewed annually by Council as part of the revenue budget-setting process, a re-assessment of these and wider financial planning assumptions is being urgently undertaken as part of the Adaptation and Renewal Programme.

- 4.8 The unallocated General Fund stands at £13.927m as of 31 March 2020, an increase of £0.902m on the equivalent position for the previous year, reflecting an in-year transfer of uncommitted sums from the City Strategic Investment Fund. The remaining balance of £105.860m is earmarked for specific purposes, these being:
- Balances set aside to manage financial risks and for specific investment which are likely to arise in the medium-term future, including maintenance of an insurance fund, dilapidations and workforce management. The Council holds £80.802m against these future risks.
 - Balances set aside from income received in advance, primarily Council Tax Discount Fund and the City Strategic Investment Fund. The Council holds £17.086m of such income.
 - Balances set aside to support investment in specific projects, such as Spend to Save, which will deliver savings in future years. The Council holds £3.301m for such projects.
 - Balances held under the Devolved School Management Scheme and unallocated Pupil Equity Funding. The Council holds £4.671m of these funds.
- 4.9 Details of these earmarked balances are shown in Appendix 3.

5. Next Steps

- 5.1 The Unaudited Annual Accounts will be submitted to the external auditor by 30 June 2020, as required by the Local Authority Accounts (Scotland) Regulations 2014.

6. Financial impact

- 6.1 The report identifies a provisional deficit of £5.231m in the year to 31 March 2020 and the corresponding need to draw down offsetting funds from reserves.

7. Stakeholder/Community Impact

- 7.1 There are no impacts arising directly from this report.

8. Background reading/external references

8.1 None.

9. Appendices

One – Unaudited Annual Accounts 2019/20

Two – Reconciliation of the Comprehensive Income and Expenditure Statement

Three – Reserve balances

2019/20

UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2020

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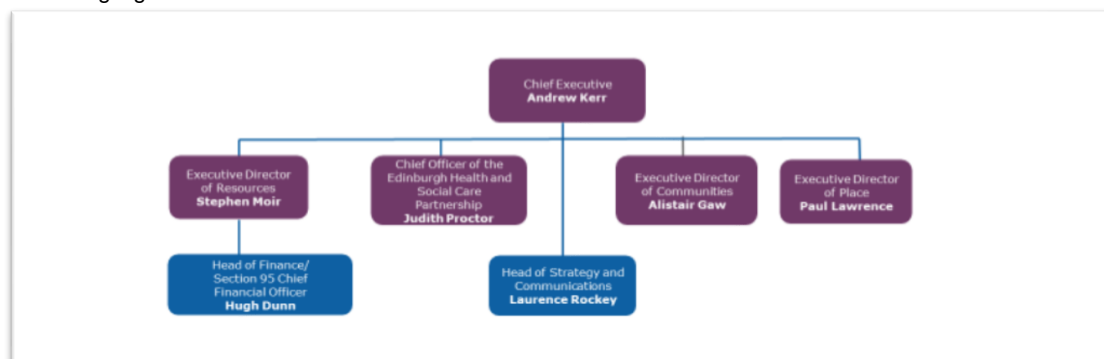
MANAGEMENT COMMENTARY

Introduction

The Unaudited Annual Accounts present the provisional financial position and performance of the Council, together with the wider Council Group, for the year to 31 March 2020. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 using the Council's management structure as a reporting basis, the same 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 some 537,000 citizens across the 102 square mile Council area. As of March 2020, the Council employed 14,754 FTE staff, compared to 14,736 FTE in March 2019.

The structure of the Council continues to evolve but the Corporate Leadership Team (CLT) organisational chart and tables below indicate the latest position, with the constituent services with an Executive Director or Chief Officer highlighted in bold.

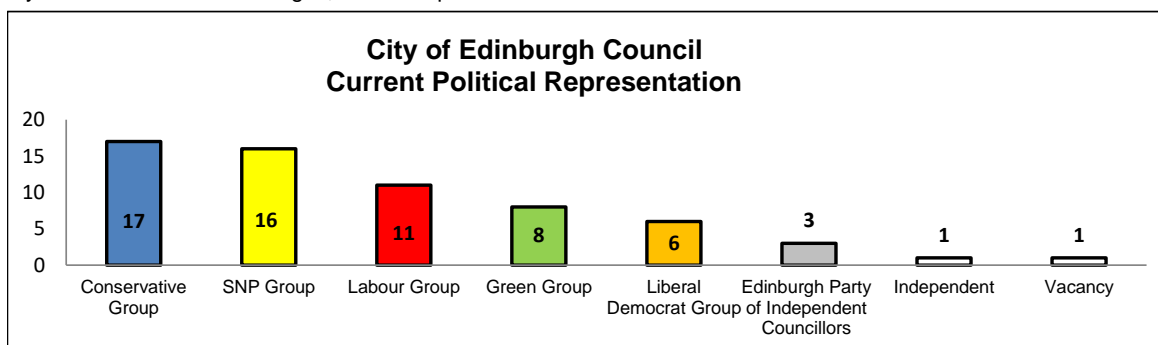


Resources	Health and Social Care	Place
Customer and Digital Services	Edinburgh Integration Joint Board	Environment (inc. waste and parks)
Finance	Older people's services	Transport (inc. parking)
Legal and Risk	Learning and Physical disabilities	Roads, bridges and flood prevention
Human Resources	Mental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

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. Taking into account subsequent by-elections and other changes, current representation is 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 124 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. In 2019, it had the highest proportion of working-age adults in employment of any major UK city. After London, it was also the most-visited city in the UK. Over 62,000 students are enrolled in its higher education institutions. It is therefore 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 13.1% increase between 2008 and 2018 compared to a national rise of 4.5% over the same period, representing almost a five-fold increase on the equivalent rate in the previous decade. The majority of this growth is due to net overseas migration. Analysis of population trends suggests that the total number of residents will increase by at least 65,000 people by 2027, with increases of more than 20% for those aged 12 to 17 and over 75. This growth will place further demands on a range of frontline services and as a result, 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. We need to make sure that the city continues to be open, progressive and forward-thinking so that everyone can benefit from its prosperity. Alongside its affluent areas, however, the city contains some of the most deprived communities in Scotland. Within the most deprived wards, more than 25% 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**, creating a city that is connected, inspired, thriving and fair. The immediate and potential longer-term impacts of the COVID-19 pandemic have only reinforced the importance of these principles, as well as the overarching importance of tackling poverty, promoting sustainability and improving well-being to all of the Council's activity.

City of Edinburgh Council's Corporate Strategy

The **Programme for the Capital: Council Business Plan for 2017/22** describes the Council's strategic aims and target 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.

- **Delivering an economy for all;**
- **Building for a future Edinburgh;**
- **Delivering a sustainable future;**
- **Delivering for our children and families;**
- **Delivering a healthier city for all ages; and**
- **Delivering 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 tracking performance and delivery.

MANAGEMENT COMMENTARY

Risks and Uncertainty

The Corporate Leadership Team's (CLT) **highest-prioritised risks** as reported to the Governance, Risk and Best Value Committee on 3 December 2019 are outlined below, along with the key controls in place to mitigate them.

Risk	Mitigating actions
Health and Safety (H&S)	
As a result of potential gaps in training, management or understanding, deliberate or accidental actions, there is a risk of non-compliance with legislative requirements and/or the Council's health and safety policies or operational procedures. This could lead to an incident resulting in regulatory breaches, harm to staff, service users or members of the public, subsequent liability claims, fines and associated reputational damage.	<ul style="list-style-type: none"> * Council Health and Safety Policy and Council Asbestos, Fire Safety and Water Safety Policies are available to all and set out roles and responsibilities. * H&S corporate training programme includes the Council's induction programmes for all staff and new leaders; guidance/advice is available on the Council's intranet including, for example, asbestos awareness training. * Institute of Occupational Safety and Health "Leading Safely" courses delivered to the Wider Leadership Team. * Rolling H&S audit programme identifies areas and actions for improvement. * H&S risks and issues reported to CLT on a weekly basis, H&S is a standing CLT agenda item. * H&S performance is measured and reported to the CLT Risk and Assurance Committee quarterly, Council H&S Group and Service-level H&S Groups. Actions for improvement are agreed as appropriate.
Medium-term financial planning (to 2022)	
Due to reduced funding available for Local Government, increasing demand for health social care services, challenges in achieving planned revenue and/or capital savings, public perception of (and reaction to) proposed changes, competing priorities, the requirement to ring-fence particular budgets, unknown financial impacts of the Scottish Child Abuse Inquiry and potential legislative changes following Brexit, the Council could find it more difficult to successfully undertake medium-term financial planning. The effects of this could include additional unplanned in-year financial pressures and failure to achieve the Council's medium-to-long term objectives across all areas of service delivery.	<ul style="list-style-type: none"> * Engagement and lobbying with other local authorities through COSLA (Convention of Scottish Local Authorities) to Scottish Government and Ministers. * Budget-setting protocol in place at IJB and HSCP level. * Good financial control in accordance with legislation and the Council's Financial Regulations to deliver planned capital and revenue budgets. * Controls in place to monitor budgets and identify overspends.
Asset management (property assets)	
Due to the age, condition and size of the Council's operational estate, there is a risk that properties are not of a sufficiently safe and sustainable standard 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. Associated with this, the Asset Management Strategy requires that decisions are made to close and dispose of properties in a planned manner. The risk associated with the implementation of the strategy is that closure decisions may not be made in a timely manner, resulting in additional cost pressures for both the capital and revenue budgets and consequently demographic pressures cannot be responded to adequately by the property portfolio, particularly for education and health and social care services.	<ul style="list-style-type: none"> * Asset Management Works programme with 5 year investment to achieve improved safety and sustainability for Council operational properties. * Planned preventative maintenance (PPM) regimes * Progress against Asset Management Strategy reported regularly to Finance and Resources Committee. * H&S inspections undertaken regularly. Cyclical condition surveys every 3-5 years. Statutory compliance testing in place * Fire Safety, Asbestos and Water Safety Standing Groups chaired by Head of Property and Facilities Management meets regularly to discuss issues * Asset Management Board (operational group) meetings monthly and is chaired by the Executive Director of Resources, with senior representation from all directorates. * Service Design change programme underway.
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 on budget, of its challenging and ambitious plan for major programmes and projects. This risk also outlines the need for the Council to prioritise and deploy project delivery resource effectively, according to business needs, ensuring that benefits are realised and learning is shared effectively across all delivery activity. The Council has a large number of projects and programmes in various stages of progress – these include the Granton Waterfront development, the housebuilding programme, IT Device Refresh programme, and trams to Newhaven.	<ul style="list-style-type: none"> * Oversight of major programmes and projects by the relevant Executive Committees and the Governance, Risk and Best Value Committee (every six months) * CLT Change Board provides robust monthly portfolio management and oversight for all programmes and projects, including review of business cases and project closedown benefits realisation and evaluation reports. * Internal Audit recommendations relating to Change Management delivered and project management training rolled out. * Integrated impact assessments in place * More funding has been agreed for major projects as well as additional project management resource appointed to develop and enable delivery of Change Strategy business cases.

In light of the COVID-19 pandemic, the Council has also developed a detailed risk management plan that identifies and tracks key risks, along with associated mitigating actions. These are discussed at weekly risk forum meetings with cross-Directorate representation and fortnightly at the Council Incident Management Team (CIMT).

The new approach involves:

- * **assessment of inherent risks (pre-controls) only**, as it is not possible to evaluate fully the effectiveness of mitigating actions taken in a dynamic resilience environment;
- * **implementation of new inherent risk classifications** (critical; high; medium; and low) for both detailed and consolidated strategic COVID-19 risks based on the urgency of responses required; and
- * **assessment of whether existing 'business as usual' operational controls are adequate to address new COVID-19 risks**, and details of actions completed; in progress; or proposed to address the gaps identified.

* The following nine strategic inherent COVID-19 risks have been identified:

Health and safety of citizens and service users – Critical, **Health and availability of employees to deliver critical services** – Critical, **Council premises and physical security** – Critical, **Supply chain risk** – Critical, **Financial and Economic Risk** – Critical, **Technology and information** – High, **Fraud and serious organised crime** – High, **Legal and commercial risk** – Medium and **Council response and governance** – Medium.

The Council's **Enterprise Risk Management Policy**; and **Risk Appetite Statement** (covering its attitude to service delivery, infrastructure, compliance and financial risks) were approved at the meeting of the Corporate Policy and Strategy Committee on 7 August 2018.

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties

On 23 June 2020, the Accounts Commission published its annual **Local Government in Scotland Overview**. This report sets out a number of challenges common to all councils in Scotland, including the

- **Political and economic** - including the impact of the COVID-19 pandemic on the economy, public finances and public bodies; the outcome of the local governance review; and impact of EU withdrawal. Given their particular significance to the population of the city (with 40,000 resident EU nationals, of whom over 1,000 are Council employees), the Council set up an officers' working group to plan for a number of scenarios to mitigate this last-mentioned risk, including potential impacts on availability of staffing for Council services, with its preparedness favourably assessed as part of the **2018/19 Annual Audit Report**. A cross-party elected members working group, supported by key Council officers, has also been established, with its remit including consideration of issues relating to personnel, vulnerable people, procurement, funding and resilience. The **Audit Scotland Briefing on withdrawal preparations** was considered by the Policy and Sustainability Committee on 25 February 2020 and referred to the Governance, Risk and Best Value Committee for scrutiny. The covering report updated members on further progress in this area.
- **Community needs**: including the uncertain longer-term impact of COVID-19 on communities; implications of an ageing population, particularly those aged over 75, for demand for services; and increasing poverty and child poverty levels. In response to the last-mentioned challenge, the Council has established a **Poverty Commission**, the final recommendations from which will be published later in the autumn.
- **Policy**: including continuing Health and Social Care Integration, tackling climate change, welfare reform, expansion of Early Learning and Childcare, additional support for learning and the Planning (Scotland) Act 2019. The Council has established a **Climate Change Commission** tasked with driving action on the climate crisis and Edinburgh's commitment to be a net-zero carbon emissions city by 2030.
- **Financial**: uncertainties over future funding levels; available flexibilities in deployment of funding; increasing cost pressures; and increasing use of reserves. The Council has sought to mitigate some of these risks through successfully lobbying for the ability to introduce, in a way that works for Edinburgh, visitor and workforce parking levies. The Council has, in addition, not drawn any funding from its unallocated reserve since reaching its target level in March 2011, although this may become increasingly challenging going forward.

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 measures is reported quarterly to the Corporate Leadership Team, using a balanced scorecard approach analysing performance across a complementary range of service outcome, delivery, capability and financial sustainability perspectives. Six-monthly performance reports will be considered by the Policy and Sustainability Committee in 2020/21.

Edinburgh-specific performance data 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 Council's **Annual Performance Report for 2019/20**, along with a progress assessment against the 52 commitments underpinning the Council's Business Plan, will be considered by the Policy and Sustainability Committee on 20 August 2020. The report will also include an analysis of the comparative indicators comprising the 2018/19 Local Government Benchmarking Framework (LGBF). Initial analysis points to an improvement in the Council's performance compared to other local authorities in both relative and absolute terms, particularly in Education, Environmental and Culture and Leisure services. Over a longer period from 2013/14, the overall pace of improvement has also been better than that for Scotland's cities as a whole.

The Council's **2018/19 Annual Audit Report** concluded that the Council had a well-developed and responsive medium-term revenue budget framework and appropriate arrangements in place for managing its financial position during the year. In common with other councils, however, the savings requirement in future years remains challenging and will require development of robust savings proposals and a focus on strategic priorities. 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 emphasised 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 remained poor and, as such, the pace of change in implementation needed to be increased.

The report also noted that the Council would 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. The provisional findings of this assessment are currently being discussed with the audit team, with an expectation that they will be published in Winter 2020.

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 and outcome information that councils must publish locally in the following financial year with a view to facilitating comparison over time within, and across, authorities, including their effectiveness in working with partners and communities. Councils also require to assess how they are performing against the duty of best value, including actions taken in response to audit recommendations for improvement.

Due to the focus on the Council's immediate COVID-19 response, provisional 2019/20 data, along with commentary on both required improvement actions in areas of deteriorating or poor performance and actions taken in response to previous years' reviews, will be included in the Council's Annual Performance Report for 2019/20, anticipated to be considered by the Policy and Sustainability Committee on 20 August 2020.

Further 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 deficit 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. This basis of presentation is the main one adopted for reporting purposes as it is consistent with both budget-setting and in-year monitoring and also best aligned to the Council's statutory responsibilities.

	Revised Budget 2019/20 £000	Actual 2019/20 £000	(Under) / Over Spend £000
General Fund services	865,630	875,594	9,964
Non-service specific areas			
Loans charges / interest on revenue balances	106,080	104,710	(1,370)
Other non-service specific costs	30,668	25,048	(5,620)
Council Tax Reduction Scheme*	26,319	24,070	(2,249)
Net Cost of Benefits	(127)	(277)	(150)
Dividend and other interest received	(7,910)	(3,204)	4,706
Non-service specific areas total	155,030	150,347	(4,683)
Movements in Reserves			
Net contribution to / (from) earmarked funds	(1,072)	581	1,653
Contribution to / (from) Renewal and Repairs Fund	0	0	0
Contribution to / (from) Capital Fund	(334)	(334)	0
Movements in Reserves total	(1,406)	247	1,653
Sources of funding			
General Revenue Grant	(360,206)	(360,206)	0
Distribution from Non-Domestic Rate pool	(365,250)	(365,637)	(387)
Council Tax	(293,798)	(295,114)	(1,316)
Sources of funding total	(1,019,254)	(1,020,957)	(1,703)
Transfer (to) / from earmarked reserves	0	5,231	5,231

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 £2.249m were transferred to an earmarked reserve.

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget performance - General Fund - continued

On 21 February 2019, the Council set a **balanced budget for 2019/20** but with (i) delivery of approved savings and (ii) prompt identification and management of underlying or emerging risks and pressures key to maintaining financial stability in the year. In total, the approved budget was predicated on the delivery of some £39m of directorate-specific and corporate savings.

The Council's outturn position shows a net overspend against budget of £5.231m. This net position is attributable to three main factors:

- In-year reporting to the Finance and Resources Committee consistently highlighted a number of significant and mainly demand-led pressures affecting the Communities and Families Directorate, including those linked to rising pupil rolls, increasing costs of home-to-school transport, temporary accommodation and community access to schools. In addition, a number of brought-forward underlying pressures and delays, or shortfalls, in the delivery of approved savings were apparent within the Place Directorate. While mitigating measures taken during the year reduced the COVID-excluded final service outturn relative to the Period 8-based forecast by some £2.5m, General Fund services as a whole overspent by £10.0m, primarily within the Place (£7m) and Communities and Families (£3.1m) Directorates, alongside a £3.25m shortfall in the delivery of Council-wide savings.
 - A number of **savings or additional income in non-service budgets**, including loans charges, interest on revenue balances and other interest income (£2.8m) and Council Tax (£1.3m), were identified during the year. Alongside additional use of earmarked reserves not included in the approved budget totalling £7.9m and other savings of £2.0m, taken together, these primarily one-off savings meant that **a balanced position had been forecast as of January 2020.**
 - While the primary income and expenditure impacts of the COVID-19 pandemic are expected to affect the Council in 2020/21, the favourable movement in service outturns between January 2020 and the year-end was outweighed by some £8.3m of COVID-19 impacts, most materially the loss of the budgeted Lothian Buses dividend (£6m) and reductions in parking income. Of this total, £0.6m of expenditure was assumed to be met from the Hardship and Food Funds, resulting in a net COVID-related pressure of £7.7m; £1.7m of this total is included in the service outturns above.
- These factors contributed to an overall in-year overspend, being the first time in thirteen years in which expenditure has exceeded budgeted levels and a clear indication of the likely need for much more difficult decisions going forward.

In overall terms, **77% of approved savings were delivered during the year.** This marked a significant improvement on the equivalent figure for 2018/19 of 60% and reflected, in part, the provision of additional project management resource.

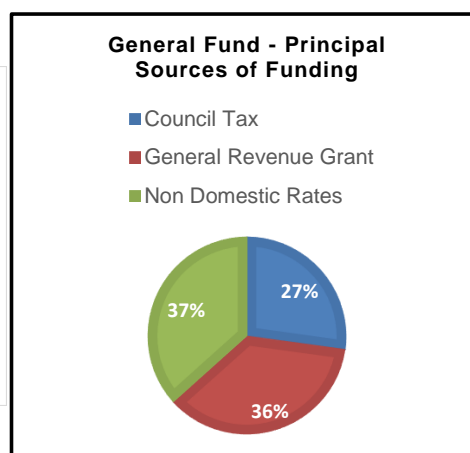
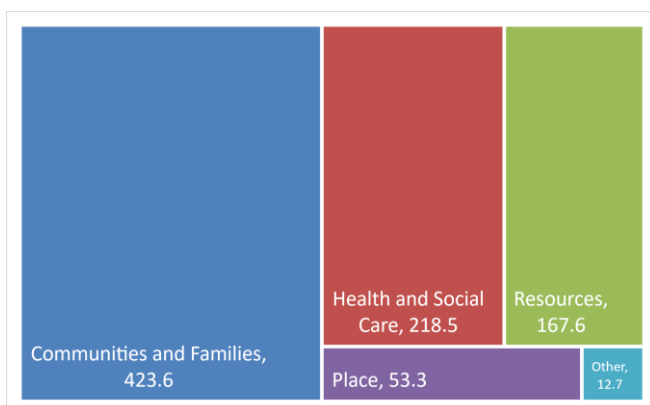
The net overspend of £5.231m has been funded from the drawdown of reserves.

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) <i>(property-related tax from households)</i>	271,044
General Revenue Grant <i>(Government revenue grant funding based on city's relative needs assessment)</i>	360,206
Distribution from Non-Domestic Rates pool <i>(property-related tax primarily from businesses)</i>	365,637
Total	996,887

General Fund expenditure 2019/20 by service area (£m)



MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

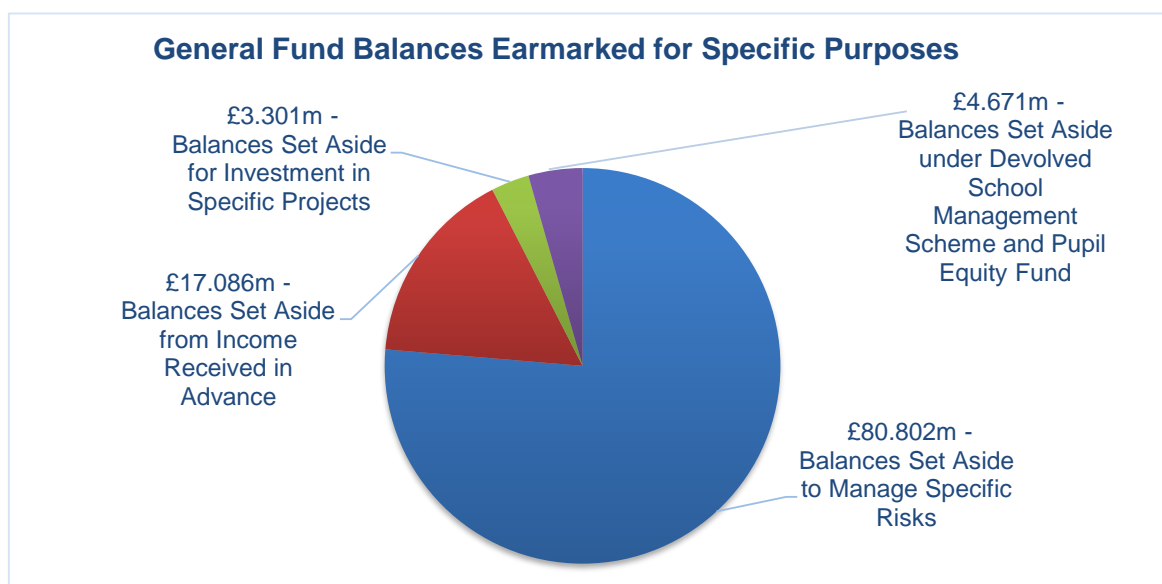
The Council's General Fund reserves comprise two elements:

- 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-setting 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 2020, as part of the 2020/21 budget-setting process. The unallocated General Fund balance at 31 March 2020 was £13.927m, which equates to 1.37% of the annual budgeted net expenditure. Council approved a contribution of £0.9m to the unallocated General Fund during 2019/20.

In addition, the Council has a further £105.860m, (2018/19 £131.820m) 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 and drawdowns to fund the in-year deficit.

Given the extent of unfunded COVID-related expenditure pressures apparent in 2020/21, a fundamental review of the Council's earmarked reserves is underway to identify those that could be made available without compromising the Council's financial stability and/or ability to contribute to the city's recovery.

Other Reserves

The Council holds other usable reserves; these are the Capital Grants Unapplied Account with a balance of £28.452m, the Capital Fund with a balance of £48.934m, Donated Assets Reserve with a balance of £53.617m and the Renewal and Repairs Fund with a balance of £29.748m, including £2.983m 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.

Re-stated

Council Tax	2019/20	2018/19	Notes on interpretation of ratios
In-year collection rate	96.95%	97.03%	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, adjusted for the impact of water-only debt in the joint collection of Council Tax and water charges. The indicator shows that the in-year collection levels dropped slightly, which reflects the economic impact of the COVID-19 Pandemic on actual Council Tax collection.
Council Tax income as a percentage of overall funding	27.19%	26.92%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS) support. 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	£1,649.2m	£1,567.4m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets and shows an increase of around 5% 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	£1,622.6m	£1,422.8m	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 increase of around 14%. The primary increases related to expenditure on the Trams to Newhaven, on-lending to Edinburgh Living and the waste facility at Millerhill and construction of Queensferry High School acquired on leases. 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	10.50%	11.16%	These ratios show the proportion of total revenue funding that is used to meet financing costs.
Financing costs to net revenue stream - HRA	37.65%	37.29%	
Impact of capital investment on Council Tax	-0.95%	-1.07%	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	-0.02%	1.34%	

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy

The **Annual Treasury Management Strategy 2020/21** was approved on 12 March 2020. The key points are:

- the Council's total capital expenditure is forecast to be £2.104 billion between 2019/20 and 2023/24;
- the Council's underlying need to borrow at 31 March 2024 is forecast to be £2.310 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
- the Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year.

Capital Strategy

The **Capital Strategy 2020-30** was approved at Full Council on 12 March 2020.

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.

The Capital Investment Programme will be reviewed in light of COVID-19 and this is likely to result in significant slippage from the original 2020/21 budget. The details of this will be reported to Committee in August 2020.

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 2019/20 outturn position for capital expenditure is summarised below:

	Budget	Actual	(Slippage) /
	2019/20	2019/20	Acceleration
	£000	£000	£000
Capital expenditure			
General Fund services	297,207	278,562	(18,645)
Housing Revenue Account	108,954	111,854	2,900
Total capital expenditure	<u>406,161</u>	<u>390,416</u>	<u>(15,745)</u>
Capital receipts and other contributions			
- General Fund services	(43,194)	(59,102)	(15,908)
- Housing Revenue Account	(40,917)	(61,838)	(20,921)
Government and other grants			
- General Fund services	(156,520)	(148,229)	8,291
- Housing Revenue Account	(8,526)	(11,613)	(3,087)
Total capital income	<u>(249,157)</u>	<u>(280,782)</u>	<u>(31,625)</u>
Balance to be funded through borrowing			
- General Fund services	97,493	71,231	(26,262)
- Housing Revenue Account	59,511	38,403	(21,108)
Total advances from loans fund	<u>157,004</u>	<u>109,634</u>	<u>(47,370)</u>

Expenditure on General Fund services slipped in total by £18.645m. The majority of slippage related to delays on the Early Years initiative and rising school rolls projects, lending to the National Housing Trust (NHT) and Edinburgh Living LLPs and major infrastructure projects, caused by factors largely outwith the Council's control, however acceleration in the programme of Asset Management Works significantly offset the slippage in these projects.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure

The Council received £59.246m of general capital grant during 2019/20. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £390.416m. Major capital projects undertaken during the year included:

- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £111.854m;
- Roads, carriageways and other transport infrastructure - £53.623m;
- Social housing through the housing development fund - £50.528m;
- Educational and other operational properties - £44.195m;
- Creation and expansion of educational properties - £27.639m;
- Trams to Newhaven project - £24.440m;
- Sports facilities - £16.728m;
- Providing funding for homes for mid-market rent from private developers through the Edinburgh Living LLP - £16.348m; and
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £11.790m.

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. The HRA is entirely self-financing and receives no funding from the general Council budget. All expenditure is funded through the tenants' rent, related service charges, and interests gained through HRA assets.

The Council approved the five-year Housing Revenue Account Budget Strategy in February 2019. It set out the investment priorities on building new homes, modernising existing homes and helping tenants reduce their cost of living. The Council also approved the Housing Service Improvement Plan (HSIP) to address the financial pressures between 2022/23 to 2032/33 of the HRA Business Plan and to improve service efficiency and customers' satisfaction.

The HRA revenue account secured £102.453m income in 2019/20, i.e. £1.792m more than the revised budget of £100.661m and resulted in a £7.477m in-year surplus. Due to the comprehensive work on prevention and income maximisation, current tenancy rent arrears reduced by £2 million from an in-year high of £8.348m to £6.320m by the end of 2019/20. This work included arranging secured rent payment method with tenants. The number of tenants with a Direct Debit set up has increased by nearly 30% from 1,576 in 2018/19 to 2,029 in 2019/20.

The HRA Capital Programme is geared towards delivering the HRA Budget Strategy. The 2019/20 HRA capital programme was the largest ever programme with an approved budget of £108.954m. The year end outturn for 2019/20 was £111.854 million, i.e. £2.900m above the original approved budget, and represented a 38% increase from the 2018/19 outturn (£80.963m).

Following on from the achievements of previous years the Housebuilding Programme continues to grow, with currently in the region of 2,000 homes completed or under construction. Nearly 300 affordable homes were completed in 2019/20 at Royston, Dumbryden (Phase 1), Greendykes G, Hailesland Place, Crewe Road Gardens and North Sighthill. This includes 128 mid-market rented homes that were purchased by Edinburgh Living. At the end of the financial year, over 800 new homes were under construction, with nearly 3,400 homes in design and development stage. A significant sum of capital expenditure was also spent to secure land for affordable housing development.

More than £165 million has been invested to improve existing homes and estates, resulting in over 28,000 improvement measures delivered over the last five years. In 2019/20, the Improvement Programme has delivered 1,250 homes with new kitchen and bathrooms; 1,960 homes with new modern heating systems; 615 homes with electrical upgrades; 1,200 homes with external fabric upgrades; and nearly 100 major adaptations in tenants' homes and 100 locality environmental projects.

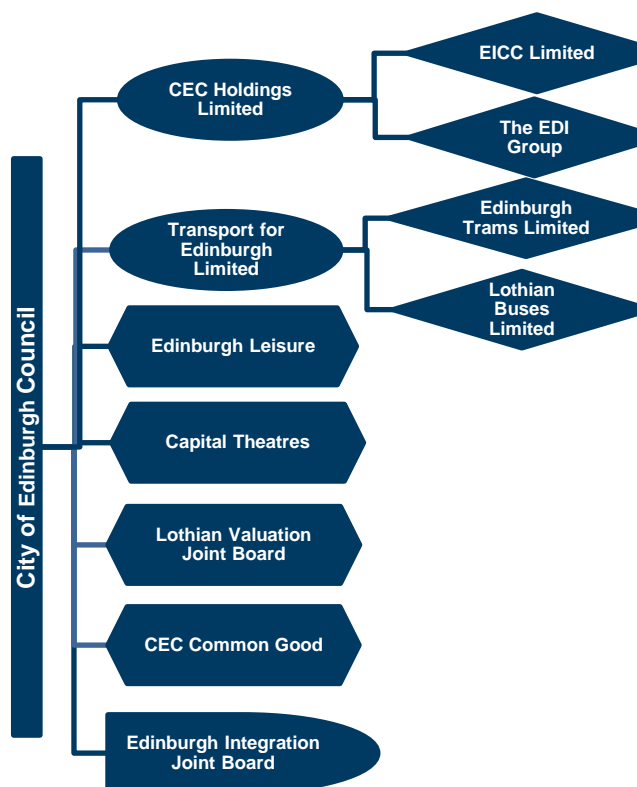
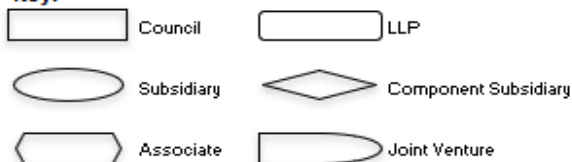
The Acquisition and Disposal Project is an integral part of the capital investment programme for existing homes, which helps to consolidate ownership within a block, and in turn to progress improvements in common areas. 38 homes were purchased through the project in 2019/20, helping to gain 100% ownership in 13 blocks and further consolidate ownership in another 25 blocks. The project sold 18 homes in 2019/20, helping to divest interest in 13 blocks, giving a net increase of 20 affordable homes.

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 109 and the International Conference Centre Trusts have now been discharged.

Key:



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 2020 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 1.4 million delegates from more than 120 countries, generating over £660m of economic impact for the city region.

In 2019, the Centre produced its best-ever operating profits and saw its operating and financial performance improve for the fifth successive year, 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 £9.359m, which was an increase of £0.596m on the previous year and generated a gross profit of £1.503m, an increase of 10.51%.

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 5.2% from the previous year to £185.6m with net reserves of £129.5m at the year end. The Group faced significant operating and cost pressures in 2019 and anticipate these pressures to persist in 2020. With the COVID-19 outbreak in March 2020 the Group needs to be extremely proactive to address and mitigate the impact of the revenue decline and cost pressures.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Lothian Valuation Joint Board (LVJB)

The Board reported a balanced budget for 2019/20 against a revised budget of £6.001m. The primary reasons for the reported position against budget were property costs coming under budget and an ongoing review of external survey requirements giving rise to savings which were balanced against increased expenditure in supplies and services due to the 2019 General Election and costs associated with the Valuation Appeal Committee. The cost of Individual Electoral Registration (IER) was fully funded by a grant, against which an underspend of £0.284m was carried forward to 2020/21 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 2019/20, an underlying deficit on unrestricted funds of £0.624m was achieved as a result of increasing competition and cost pressures and a reduced payment for service from the Council.

In view of the wider health risks arising from the COVID-19 pandemic, all venues were closed until further notice on 19 March 2020, with on-going social distancing requirements and public attitudes also likely to affect demand upon re-opening.

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 Ageing Well programme which provides opportunities for all ages to lead more active, healthy lives and the Active Mums project which encourages mums to incorporate physical activity into their lives.

Capital Theatres

2019/20 was a period of very positive trading for the Trust, welcoming around 504,000 paying visitors to the Trust's venues and hosting 115 shows on the Capital Theatre stages.

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 the renowned show, Phantom of the Opera, Scottish Ballet and Scottish Opera performances and several touring premieres. The King's pantomime, Goldilocks and the Three Bears, once again broke all records during the capital city's Christmas season.

The Trust's Learning and Participation work has continued in 2019/20, 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 (EIJB) 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 2020, see note 9.3.

In August 2019, the Board agreed its strategic plan for 2019-2022. The plan defines the EIJB's vision for the future of health and social care in Edinburgh, explains how it intends to transition towards this and highlights the resources and enablers it must manage to achieve its objectives. There remains much to do but together it can create the conditions to deliver a sustainable health and social care model for the citizens of Edinburgh.

A deficit of £6.5m is being reported for 2019/20, reflecting the use of reserves to offset the opening budget deficit, leaving a remaining reserve of £3.2m which will be carried forward into 2020/21. All of this sum is ringfenced for specific purposes, with the vast majority being the investment in transformation agreed by the Board.

Group Summary

Net assets for 2019/20 include a combined group pension liability of £509.882m (2018/19 £600.979m), 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 2020. 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

Since 2012/13, the Council has approved for delivery over £350m of savings, equivalent to around a third of its current net budget. This level of savings has been required as a result of cost pressures arising from increasing, mainly demographic-led demand, legislative reform, inflationary uplifts and rising expectations and a level of available grant funding, Council Tax and other income that has not kept pace. The cumulative impact of successive years' savings requirements has inevitably made the delivery of further incremental reductions and management of pressures increasingly challenging.

COVID-19

Council and its Group's role and response

It is almost impossible to overstate the extent to which life within Edinburgh has changed as a result of the COVID-19 pandemic, with events moving at sometimes-overwhelming speed. The Council has, however, been at the heart of the city's emergency response, with business continuity and resilience arrangements quickly put in place with the aim of managing its effects as fully and effectively as possible. Direct service changes have included across-the-board school closures (with a resulting move to online learning) whilst securing continuing provision for children of key workers. The pandemic has also resulted in extensive revisions to waste collection services, suspension of parking charges and closure of all libraries, museums, performing arts venues and community centres. At the same time, the demands on home and residential care services, primarily for older people and vulnerable or shielding groups, have greatly increased. Community resilience centres were therefore quickly established and homelessness services reconfigured to allow for effective social distancing. Council staff have played a vital role in providing lifeline business grant support to local businesses, with 98% of applications processed and £90m paid out thus far.

The Council's Arm's-Length External Organisations (ALEOs) have also been severely impacted, with the closure of all of Edinburgh Leisure's sports facilities and the Edinburgh International Conference Centre, whilst passenger numbers on buses and trams have been running at a fraction of normal levels whilst adhering to strict guidelines on social distancing.

Immediate and on-going financial impacts

Given the Coronavirus pandemic's unprecedented scale and consequent impact on the Council's activities, the full financial implications will only emerge over time, with numerous variables to be considered at both local and national level. Costs incurred in the immediate response phase have included additional hotel and other accommodation to allow for safe social distancing for homeless groups, free school meal vouchers and related food distribution to more vulnerable groups, additional security for unoccupied buildings, ICT to facilitate home and/or flexible working and extensive personal protective equipment (PPE) to protect both staff and service users. In other cases, the Council has made payments to suppliers in excess of contracted levels to seek to ensure their on-going viability once the pandemic's worst impacts have receded. □

Income losses include those relating to parking fees and fines, property rental income, licensing and planning applications, building warrants and cultural venues. Current disruption is also expected to result in reductions in in-year Council Tax collection rates (with evidence already showing a significant year-on-year decrease) and a lower level of increase in the Council Tax base. Having not received the budgeted £6m dividend from Lothian Buses in 2019/20, the Council expects this position to continue at least for 2020/21 and potentially further years thereafter.

A series of assessments on the financial position has already been reported to elected members. **The most recent of these** was considered by the Policy and Sustainability Committee on 25 June, setting out an estimated overall COVID-related funding gap of £29.9m, based on an assumed three-month lockdown period and gradual recovery over the following three months. This sum takes account of available external and internal funding, including some use of earmarked reserves. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action is urgently required, with the enduring impacts also likely to require a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

Elected members have therefore been asked to endorse the principle that any subsequent requests to Executive Committees or Council to incur additional, non-essential expenditure are considered only in cases where a specific funding source has been identified. This needs to take place, however, within the context of a more fundamental re-assessment of the Council's services, priorities and operating models as part of the Adaptation and Renewal Programme, informed by conversations with key stakeholders across the city. These conversations will also need to be conducted against a backdrop of on-going affordability, considering both service reduction and possible cessation.

MANAGEMENT COMMENTARY

COVID-19 (continued)

Adaptation and Renewal Programme

In recognising the need for a fundamental re-assessment of service operating models as the city emerges from the pandemic, **an Adaptation and Renewal programme** has therefore been established, co-ordinating all aspects of the Council and city's response. Five officer working groups have therefore been established as follows:

- **Public Health Advisory Group** – bringing together Council, NHS Lothian and Edinburgh Health and Social Care Partnership colleagues to ensure effective communication and implementation of national advice concerning public health within an Edinburgh context;
- **Service Operations** – facilitating cross-Council co-ordination to enable a phased and prioritised plan for resumption and adaptation where possible, guided by the Scottish Government's route map;
- **Change, People and Finance** – enabling the adaptation and renewal of the Council as an organisation and ensuring that clear direction for the Council's own requirements for change in a post COVID-19 world is aligned with the resources available to deliver these changes;
- **Sustainable Economic Recovery** – allowing key sectors of the city to survive and thrive thereafter, with a focus on investment and development, employability, business support and resilience, our future cultural capital and fostering innovation; and
- **Life Chances** – aligning the Council's recovery activity to the key themes of addressing poverty, promoting sustainability and improving well-being.

Progress on this complex but vital programme will continue to be reported to elected members and wider stakeholders.

Change Strategy

Both the Council's Change Strategy and the Adaptation and Renewal Programme seek to prioritise decisions with positive impacts on poverty, well-being and sustainability; these priorities are arguably more, rather than less, relevant in a post-COVID world.

A number of key foundations for further development of the Strategy have therefore been put in place during 2019/20, including:

- improving general performance in Health and Social Care, including delayed discharge levels and introducing a radical new model of delivery which seeks to meet people's needs as early and holistically as possible;
- creating an independent Poverty Commission which will shortly publish its final findings and recommendations which we are fully committed to implementing;
- delivering a country-leading programme of intelligent automation, improving response times and reducing bureaucracy;
- leading the way in successfully lobbying, working with COSLA, for the ability for councils to introduce transient and workplace parking levies. Along with partners, we will now seek to implement these, at an appropriate time, in a way that works for Edinburgh;
- working with the Scottish Government in securing a much-needed ability to regulate short-term lets, including mandatory licensing, strengthened planning controls and ensuring operators pay their fair share of taxation. This aspect complements the tourist tax in sharing the costs incurred in supporting tourism more equitably;
- commencing construction works on the tram extension to Newhaven and putting in place a programme of actions to support residents and businesses affected by the transition;
- investigating a range of measures to combat homelessness, working towards our goal of ending the use of bed and breakfast accommodation; and
- overseeing an in-year reduction in 2018/19 carbon emissions of 20%.

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.

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 2020.

HUGH DUNN, CPFA
Head of Finance
Section 95 Officer

22 June 2020

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 2019/20	General Fund Balance	Housing Revenue Account Balance	Renewal and Repairs Fund	Capital Grants Unapplied Account	Donated Asset Fund	Capital Fund	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	144,845	0	26,346	15,784	0	55,908	242,883	2,386,886	2,629,769
Movement during 2019/20									
Total Comprehensive Income and Expenditure	(59,481)	32,000	0	0	0	0	(27,481)	324,053	296,572
Adjustments between accounting basis and funding basis under regulations (Note 11)	53,280	(47,455)	0	12,668	53,617	(6,974)	65,136	(65,136)	0
Net increase / (decrease) before transfers to statutory reserves	(6,201)	(15,455)	0	12,668	53,617	(6,974)	37,655	258,917	296,572
Transfer (to) / from other statutory reserves (Note 12.3)	(18,857)	15,455	3,402	0	0	0	0	0	0
Increase / (decrease) in year	(25,058)	0	3,402	12,668	53,617	(6,974)	37,655	258,917	296,572
Balance at 31 March 2020.	119,787	0	29,748	28,452	53,617	48,934	280,538	2,645,804	2,926,342

Group - 2019/20	Total Usable Reserves	Total Unusable Reserves	Council Total Reserves	Group Reserves	Total Reserves
2019/20	£000	£000	£000	£000	£000
Balance at 31 March 2019	242,883	2,386,886	2,629,769	197,522	2,827,291
Movement during 2019/20					
Total Comprehensive Income and Expenditure	(27,481)	324,053	296,572	(7,047)	289,525
Adjustments between accounting basis and funding basis under regulations (Note 11)	65,136	(65,136)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	37,655	258,917	296,572	(7,047)	289,525
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	(11,721)	(11,721)
Increase / (decrease) in year	37,655	258,917	296,572	(18,768)	277,804
Balance at 31 March 2020.	280,538	2,645,804	2,926,342	178,753	3,105,095

MOVEMENT IN RESERVES STATEMENT

Council	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	Total Unusable Reserves £000	Total Reserves £000
2018/19 Comparative Data								
Balance at 31 March 2018	<u>151,285</u>	<u>0</u>	<u>58,123</u>	<u>4,796</u>	<u>63,558</u>	<u>277,762</u>	<u>2,240,857</u>	<u>2,518,619</u>
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	<u>(12,173)</u>	<u>(26,044)</u>	<u>0</u>	<u>10,988</u>	<u>(7,650)</u>	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>
Transfer (to) / from other statutory reserves (Note 12.3)	5,733	26,044	(31,777)	0	0	0	0	0
Increase / (decrease) in year	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>10,988</u>	<u>(7,650)</u>	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>
Balance at 31 March 2019	<u>144,845</u>	<u>0</u>	<u>26,346</u>	<u>15,784</u>	<u>55,908</u>	<u>242,883</u>	<u>2,386,886</u>	<u>2,629,769</u>

Group - 2018/19	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000	Group Reserves £000	Total Reserves £000
Balance at 31 March 2018	<u>277,762</u>	<u>2,240,857</u>	<u>2,518,619</u>	<u>202,196</u>	<u>2,720,815</u>
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	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>	<u>(4,673)</u>	<u>106,476</u>
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	0	0
Increase / (decrease) in year	<u>(34,879)</u>	<u>146,028</u>	<u>111,149</u>	<u>(4,673)</u>	<u>106,476</u>
Balance at 31 March 2019	<u>242,883</u>	<u>2,386,886</u>	<u>2,629,769</u>	<u>197,522</u>	<u>2,827,291</u>

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 2020

2018/19			Gross	Income	Net
£000	Notes	£000	£000	£000	£000
	SERVICES				
414,403	Communities and Families	547,799	(111,745)	436,054	
140,054	Place	334,703	(199,637)	135,066	
(22,130)	Housing Revenue Account	89,351	(103,979)	(14,628)	
215,677	Health and Social Care	547,817	(319,706)	228,111	
283,310	Resources	313,710	(46,723)	266,987	
10,469	Chief Executive	14,423	(4,343)	10,080	
3,575	Lothian Valuation Joint Board	3,678	0	3,678	
(811)	Net cost of benefits	180,602	(180,879)	(277)	
63,562	Other non-service specific costs	6,767	9,794	16,561	
7,706	Subsidiary Companies	196,251	(180,540)	15,711	
<u>1,115,815</u>	COST OF SERVICES	<u>2,235,101</u>	<u>(1,137,758)</u>	1,097,343	
(5,888)	Gains on disposal of non-current assets			(9,858)	
80,214	Financing and Investment Income and Exp.	13.		134,618	
(1,058,679)	Taxation and Non-Specific Grant Income	14.		(1,177,870)	
<u>131,462</u>	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			44,233	
(377)	Associates and Joint Ventures Accounted for on an Equity Basis			1,586	
(275)	Taxation of Group entities	14.		884	
<u>130,810</u>	GROUP (SURPLUS) / DEFICIT			<u>46,703</u>	
(316,011)	Surplus on Revaluation of Non-Current Assets		(139,697)		
(183,615)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		195,313		
263,604	Changes in Financial and Demographic Assumptions / Other Experience		(379,337)		
(1,264)	Other Unrealised Gains		(9,584)		
(237,286)	Other Comprehensive Income and Expend.			(333,305)	
<u>(106,476)</u>	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			<u>(286,602)</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 2020		
2018/19		Gross		Net
£000	SERVICES	Expend.	Income	Expend.
	Notes	£000	£000	£000
414,403	Communities and Families	547,799	(111,745)	436,054
140,054	Place	334,703	(199,637)	135,066
(22,130)	Housing Revenue Account	89,351	(103,979)	(14,628)
215,677	Health and Social Care	547,817	(319,706)	228,111
283,310	Resources	313,710	(46,723)	266,987
10,469	Chief Executive	14,423	(4,343)	10,080
3,575	Lothian Valuation Joint Board	3,678	0	3,678
(811)	Net cost of benefits	180,602	(180,879)	(277)
63,562	Other non-service specific costs	6,767	9,794	16,561
<u>1,108,109</u>	COST OF SERVICES	<u>2,038,850</u>	<u>(957,218)</u>	1,081,632
(6,001)	Gains on disposal of non-current assets			(9,991)
81,271	Financing and Investment Income and Exp.	13.		133,710
(1,058,679)	Taxation and Non-Specific Grant Income	14.		(1,177,870)
<u>124,700</u>	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			27,481
(316,011)	Surplus on Revaluation of Non-Current Assets		(139,697)	
(183,615)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		195,313	
263,604	Changes in Financial and Demographic Assumptions / Other Experience		(379,337)	
173	Other Unrealised (Gains) / Losses		(332)	
<u>(235,849)</u>	Other Comprehensive Income and Expend.			<u>(324,053)</u>
<u>(111,149)</u>	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			<u>(296,572)</u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(111,149)	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(296,572)
(5,815)	Subsidiary and associate transactions included in the Council's CIES	(21,319)
11,406	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	32,796
(918)	Associates and Joint Ventures	(1,507)
<u>(106,476)</u>	Group total Comprehensive (Income) / Expenditure for the year	<u>(286,602)</u>

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 2019			31 March 2020		
Group	Council		Group	Council	
£000	£000	Notes	£000	£000	
335	335	Intangible Assets	17.	444	444
4,600,761	4,485,705	Property, Plant and Equipment	15.	4,915,428	4,775,753
19,136	18,916	Investment Properties	16.	47,221	19,225
31,304	31,304	Heritage Assets	18.	32,077	32,077
1,586	1,586	Assets Held for Sale	23.	1,253	1,253
65,471	0	Other Long-Term Assets (Pension)		35,606	0
11,698	23,690	Long-Term Investments	22.	11,698	23,690
32,538	0	Investments in Associates and Joint Ventures		32,603	0
131,380	134,932	Long-Term Debtors	20.	128,492	158,755
4,894,209	4,696,468	Long-Term Assets		5,204,822	5,011,197
17,100	17,100	Short-Term Investments	22.	45,798	45,563
17,606	17,606	Assets Held for Sale	23.	21,138	21,138
25,959	25,959	Financial Assets	43.	67,936	67,936
13,285	2,984	Inventories	19.	13,472	3,451
124,485	106,294	Short-Term Debtors	20.	124,035	110,013
135,844	106,679	Cash and Cash Equivalents	21.	123,083	94,056
334,279	276,622	Current Assets		395,462	342,157
(75,002)	(73,722)	Short-Term Borrowing	43.	(77,396)	(75,288)
(216,567)	(175,270)	Short-Term Creditors	24.	(255,510)	(201,331)
(36,710)	(33,810)	Provisions	25.	(36,900)	(34,452)
(328,279)	(282,802)	Current Liabilities		(369,806)	(311,071)
(1,136,414)	(1,150,591)	Long-Term Borrowing	43.	(1,270,552)	(1,285,886)
(219,165)	(213,259)	Other Long-Term Liabilities	43.	(257,799)	(247,224)
(15,957)	0	Deferred Tax		(10,931)	0
(37,201)	(37,201)	Deferred Liability	43.	(42,078)	(42,078)
(4,713)	0	Liabilities in Associates and Joint Ventures		(3,270)	0
(659,468)	(659,468)	Other Long-Term Liabilities (Pensions)	27.5	(540,753)	(540,753)
(2,072,918)	(2,060,519)	Long-Term Liabilities		(2,125,383)	(2,115,941)
2,827,291	2,629,769	Net Assets		3,105,095	2,926,342
2,505,652	2,386,886	Unusable Reserves	27.	2,783,355	2,645,804
321,639	242,883	Usable Reserves	12.	321,740	280,538
2,827,291	2,629,769	Total Reserves		3,105,095	2,926,342

The unaudited accounts were issued on 22 June 2020.

HUGH DUNN, CPFA
Head of Finance
22 June 2020

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 2019			Year to 31 March 2020	
Group	Council		Group	Council
£000	£000	Notes	£000	£000
Operating Activities				
131,462	124,700	Surplus on the Provision of Services	44,233	27,481
(275)	0	Adjustment to Surplus / (Deficit) for Taxation of Group entities	884	0
(424,427)	(390,892)	Adjustments to Surplus on the Provision of Services for non-cash movements	(275,042)	(239,101)
14,799	13,742	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	46,366	47,273
<u>(278,441)</u>	<u>(252,450)</u>	Net cash flows from operating activities	<u>(183,559)</u>	<u>(164,347)</u>
Investing Activities				
204,420	187,703	Net cash flows from investing activities	347,962	314,867
Financing Activities				
<u>75,199</u>	<u>71,473</u>	Net cash flows from financing activities	<u>(151,642)</u>	<u>(137,897)</u>
<u>1,178</u>	<u>6,726</u>	Net decrease in cash and cash equivalents	<u>12,761</u>	<u>12,623</u>
<u>(137,022)</u>	<u>(113,405)</u>	Cash and cash equivalents at 1 April	<u>(135,844)</u>	<u>(106,679)</u>
<u>(135,844)</u>	<u>(106,679)</u>	Cash and cash equivalents at 31 March	<u>(123,083)</u>	<u>(94,056)</u>
<u>1,178</u>	<u>6,726</u>	Net decrease in cash and cash equivalents	<u>12,761</u>	<u>12,623</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts summarise the authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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
22.286	20.305	0.829	0.013

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) a review was undertaken to establish the potential impact of the COVID-19 pandemic on the financial position of the companies. An adjustment was made for the pension valuation of Transport for Edinburgh, as a result of this review, no other consolidation adjustments have been assessed as being required.
- Transport for Edinburgh Limited and CEC Holdings Limited have adopted Accounting Standard IFRS 16 Finance Leases for the year to 31 December 2019. The Council is not required to adopt this standard until 1 April 2021 and therefore consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Group members' financial statements have been prepared on an accruals 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.

2019/20	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Communities and Families Place	423,570	12,484	436,054
Housing Revenue Account	53,269	81,797	135,066
Health and Social Care Resources	0	(14,628)	(14,628)
Chief Executive	218,472	9,639	228,111
Lothian Valuation Joint Board	167,555	99,432	266,987
	9,050	1,030	10,080
	3,678	0	3,678
Cost of Services	875,594	189,754	1,065,348
Other income and expenditure			
Net cost of benefits	(277)	0	(277)
Other non-service specific costs	25,048	(8,487)	16,561
Net deficit on trading activities	0	48	48
Net income and changes in relation to investment properties and changes in their fair value	0	(1,967)	(1,967)
Interest and investment income	(3,204)	(1,935)	(5,139)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	104,710	19,738	124,448
Net pension interest cost	0	16,410	16,410
Gains on disposal of assets	0	(9,991)	(9,991)
Gains on derecognition or revaluation of financial assets	0	(90)	(90)
Contribution to Renewal and Repairs Fund	0	0	0
Contribution from Capital Fund	(334)	334	0
Contribution from General Fund	581	(581)	0
Income from Council Tax	(271,044)	0	(271,044)
Government Grants	(360,206)	0	(360,206)
Distribution from NDRI pool	(365,637)	0	(365,637)
Donated asset income	0	(53,177)	(53,177)
Capital grants and contributions	0	(127,806)	(127,806)
(Surplus) / Deficit on the provision of services	5,231	22,250	27,481
Opening General Fund and HRA Balance	144,845		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	(19,827)		
Deficit on the provision of services	(5,231)		
Closing General Fund and HRA Balance at 31 March	119,787		

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

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued Re-Stated

2018/19 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES £000
	Balances £000	Adjustments £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	40,316	63,562
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)
Gains on derecognition or revaluation of financial assets	0	(155)	(155)
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 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 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

2019/20	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	(5,735)	17,964	(311)	11,918
Housing Revenue Account	75,240	10,873	(842)	85,271
Health and Social Care Resources	(30,496)	1,296	(884)	(30,084)
Chief Executive	72	9,981	26	10,079
	103,889	9,050	(898)	112,041
	1	1,046	(81)	966
Cost of Services	142,971	50,210	(2,990)	190,191
Other income and expenditure				
Other non-service specific costs	(3,888)	(1,313)	0	(5,201)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(309)	(309)
Interest and investment income	(1,188)	0	0	(1,188)
Interest payable and similar charges	(35,113)	0	31,346	(3,767)
Net pension interest cost	0	16,410	0	16,410
Gains on disposal of assets	(9,991)	0	0	(9,991)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(127,806)	0	0	(127,806)
Income from donated assets	(53,177)	0	0	(53,177)
Total Adjustments	(88,192)	65,307	28,047	5,162

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

2019/20	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	11,918	(81)	647	12,484
Housing Revenue Account	85,271	(1,181)	(2,293)	81,797
Health and Social Care Resources	(30,084)	0	15,456	(14,628)
Chief Executive	10,079	(440)	0	9,639
	112,041	(16,586)	3,977	99,432
	966	0	64	1,030
Cost of Services	190,191	(18,288)	17,851	189,754
Other income and expenditure				
Other non-service specific costs	(5,201)	(2,982)	(304)	(8,487)
Net deficit on trading activities	0	48	0	48
Net income and changes in relation to investment properties and changes in their fair value	(309)	(1,658)	0	(1,967)
Interest and investment income	(1,188)	(535)	(212)	(1,935)
Interest payable and similar charges	(3,767)	23,505	0	19,738
Net pension interest cost	16,410	0	0	16,410
Gains on disposal of assets	(9,991)	0	0	(9,991)
Gains on derecognition or revaluation of financial assets	0	(90)	0	(90)
Use of reserves	0	0	(247)	(247)
Capital grants and contributions	(127,806)	0	0	(127,806)
Income from donated assets	(53,177)	0	0	(53,177)
Total Adjustments	58,339	0	17,088	22,250

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

Re-stated

2018/19 Comparative Data	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)
Gains on derecognition or revaluation of financial assets	0	0	0	0
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 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

Re-stated

2018/19 Comparative Data	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	3,738	(3,856)	40,316
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)
Gains on derecognition or revaluation of financial assets	0	(155)	0	(155)
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

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

2019/20	Communities and Families		Housing Revenue Account	Health and Social Care
	£000	Place £000	£000	£000
Expenditure				
Employee expenses	343,850	84,015	10,726	87,256
Other service expenses	199,027	179,689	42,509	232,390
Support service recharges	0	0	7,023	0
Interest payments	77	1,737	18,001	0
Debt repayments (<i>HRA only</i>)	0	0	43,695	0
Total Expenditure	542,954	265,441	121,954	319,646
Income				
Revenues from external customers	(53,075)	(142,270)	(98,582)	(19,432)
Income from recharges for services	(16)	(435)	(166)	0
Government grants and other contribs.	(66,293)	(69,467)	(22,018)	(81,742)
Interest and investment income	0	0	(1,188)	0
Total Income	(119,384)	(212,172)	(121,954)	(101,174)
Cost of Services	423,570	53,269	0	218,472

Expenditure	Resources	Chief Executive	Lothian Valuation Joint Board	Council Total
	£000	£000	£000	£000
Employee expenses	73,940	7,966	0	607,753
Other service expenses	133,520	5,576	3,678	796,389
Support service recharges	37	0	0	7,060
Interest payments	18,196	0	0	38,011
Debt repayments (<i>HRA only</i>)	0	0	0	43,695
Total Expenditure	225,693	13,542	3,678	1,492,908
Income				
Revenues from external customers	(29,342)	(780)	0	(343,481)
Income from recharges for services	(9,938)	(475)	0	(11,030)
Government grants and other contribs.	(18,858)	(3,237)	0	(261,615)
Interest and investment income	0	0	0	(1,188)
Total Income	(58,138)	(4,492)	0	(617,314)
Cost of Services	167,555	9,050	3,678	875,594

Expenditure	Associates and Joint Subsidiaries		Group Total
	£000	Ventures £000	£000
Employee expenses	119,178	0	726,931
Other service expenses	52,766	0	849,155
Support service recharges	0	0	7,060
Depreciation, amortisation and impairment	24,307	0	24,307
Interest payments	0	0	38,011
Debt repayments (<i>HRA only</i>)	0	0	43,695
Net expend from Associates and Joint Ventures	0	5,073	5,073
Total Expenditure	196,251	5,073	1,694,232
Income			
Revenues from external customers	(214,608)	0	(558,089)
Income from recharges for services	0	0	(11,030)
Government grants and other contribs.	34,068	0	(227,547)
Interest and investment income	0	0	(1,188)
Net income from Associates and Joint Ventures	0	(3,487)	(3,487)
Total Income	(180,540)	(3,487)	(801,341)
Cost of Services	15,711	1,586	892,891

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

2018/19 Comparative Data	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

Expenditure	Resources	Chief Executive	Lothian Valuation Joint Board	Council Total
	£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
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)
Total Income	(52,033)	(1,501)	0	(595,221)
Cost of Services	172,582	9,656	3,575	845,652

Expenditure	Subsidiaries	Associates and Joint Ventures	Group Total
	£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

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;

	2019/20	2018/19
	£000	£000
Expenditure		
Employee expenses	781,976	766,484
Other service expenses	1,205,753	1,215,609
Support service recharges	7,059	6,782
Depreciation, amortisation and impairment	241,245	239,622
Interest payments	229,246	181,511
Net Interest in the profit/loss of associates and joint ventures	1,586	(377)
Total Expenditure	<u>2,466,865</u>	<u>2,409,631</u>
Income		
Fees, charges and other service income	(927,849)	(887,603)
(Gain) / Loss on the disposal of assets	(9,858)	(5,888)
Donated asset income	(53,177)	0
Interest and investment income	(94,586)	(101,331)
Income from Council Tax and Non-Domestic Rates	(636,681)	(599,909)
Government grants and other contributions	(570,205)	(589,077)
Recognised capital income	(127,806)	(95,013)
Total Income	<u>(2,420,162)</u>	<u>(2,278,821)</u>
Group Deficit	<u>46,703</u>	<u>130,810</u>

Council

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

	2019/20	2018/19
	£000	£000
Expenditure		
Employee expenses	662,798	664,152
Other service expenses	1,152,103	1,139,978
Support service recharges	7,059	6,782
Depreciation, amortisation and impairment	216,938	219,672
Interest payments	212,116	169,882
Total Expenditure	<u>2,251,014</u>	<u>2,200,466</u>
Income		
Fees, charges and other service income	(713,241)	(697,243)
(Gain) / Loss on the disposal of assets	(9,991)	(6,001)
Interest and investment income	(78,364)	(88,492)
Income from Council Tax and Non-Domestic Rates	(636,681)	(599,909)
Government grants and other contributions	(604,273)	(589,108)
Recognised capital income	(127,806)	(95,013)
Donated asset income	(53,177)	0
Total Income	<u>(2,223,533)</u>	<u>(2,075,766)</u>
Deficit on the Provision of Services	<u>27,481</u>	<u>124,700</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 2020/21 Code:

The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20 financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan amendment, curtailment or settlement

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 £519.948m at 31 March 2020) 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 2019-20 revaluations is 38% with a 4% uplift (38% 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 £13.821m 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 £25.262m.
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 approximately £10.32m higher. 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 cost (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 £28.035m. A review of significant balances suggested that an impairment of doubtful debts of £3.156m (11.3%) 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 £1.402m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £7.569m. A review of significant balances suggested that an impairment of doubtful debts of £6.386m (84.4%) 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

There are no material items of Income and Expense that require to be highlighted in this disclosure.

8. Events After the Balance Sheet Date

As with organisations across Scotland, the UK and indeed the world, the COVID-19 pandemic has already had a massive impact on the Council's service delivery models and financial stability. Further details of these impacts and remedial steps taken and planned are included in the Management Commentary.

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%
• Edinburgh Living MMR LLP	> 75% controlling interest

Associates:

• Edinburgh Leisure	33.33%	Board representation
• Capital Theatres	33.33%	Board representation
• Lothian Valuation Joint Board	61.29%	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 MR LLP	> 75% controlling interest (dormant to 31.12.19)
• 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 accessed, as they become available, through [the Council's website](#).

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 unaudited results of the company are as follows:	31.12.19	31.12.18
	£000	£000
Net assets	20,608	18,137
Net (profit) / loss before taxation	(3,057)	(158)
Retained profit / (loss) carried forward	(48,961)	(51,059)

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 unaudited results of the company are as follows:

	31.12.19	31.12.18
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	129,486	148,768
Net (profit) / loss before taxation	16,873	6,920
Retained earnings	22,223	58,789
Dividend paid in March 2019 and March 2018	7,000	6,180

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

• Edinburgh Living MMR LLP

The limited liability partnership (LLP) members are the City of Edinburgh Council and Scottish Futures Trust (SFT). The principal activities of the partnership are to acquire and manage homes for mid-market rent.

The most recent unaudited results of the company are as follows:	31.12.19	31.12.18
	£000	£000
Net assets	203	0
Net (profit) / loss before taxation	(8,615)	0
Retained (profit) / loss carried forward	(8,615)	0

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 facilities.

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

The most recent unaudited results of the company are as follows:	31.03.20	31.03.19
	£000	£000
Net assets / (liabilities)	134	610
Net operating (profit) / loss	3,706	(1,114)
Earnings / (Losses) carried forward	134	610

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**

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 unaudited results of the company are as follows:	31.03.20	31.03.19
	£000	£000
Net assets	5,323	4,877
Net operational (profit) / loss	(561)	(828)
Fund balances carried forward	5,323	4,877

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.

	31.03.20	31.03.19
	£000	£000
Deficit for the year	936	1,520
Net Liabilities	(5,336)	(7,709)
Usable reserves	897	897
Unusable reserves	(6,233)	(8,606)
Total reserves	<u>(5,336)</u>	<u>(7,709)</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 unaudited results of the Board are as follows:	31.03.20	31.03.19
	£000	£000
Gross expenditure	762,032	726,394
(Surplus) / Deficit for the year	6,528	(1,342)
Usable reserves	3,166	9,694

9.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are unaudited.

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 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 £178.753m (2018/19 £197.522m) 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
2019/20			
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	187,607	29,273	0
Movements in the market value of investment properties	(351)	42	0
Amortisation and impairment of intangible assets	58	0	0
Capital grants and contributions applied	(98,544)	(29,262)	0
Capital funded from revenue	(6,581)	(23,000)	0
Donated assets	(53,177)	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	52,778	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(77,071)	(20,695)	0
Capital expenditure charged against General Fund and HRA balances	(52,778)	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	8,549	(18,540)	64,314
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(64,314)
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	31,346	13,113	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	131,476	3,288	0
Employer's pension contributions and direct payments to pensioners payable in the year	(67,925)	(1,530)	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	(2,107)	(144)	0
Total Adjustments	53,280	(47,455)	0

NOTES TO THE FINANCIAL STATEMENTS

11 Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2019/20	Usable Reserves			Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Donated Asset Reserve £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	0	(216,880)
Movements in the market value of investment properties	0	0	0	309
Amortisation of intangible assets	0	0	0	(58)
Capital grants and contributions applied	13,473	0	0	114,333
Capital funded from revenue	0	0	0	29,581
Donated assets	0	53,617	0	(440)
Capital fund used to finance new capital expenditure	0	0	(6,311)	6,311
Revenue expenditure funded from capital under statute	0	0	0	(52,778)
Insertion of items not debited or credited to the CIES				
Statutory provision for the financing of capital investment	0	0	(663)	98,429
Capital expenditure charged against General Fund and HRA balances	0	0	0	52,778
Adjustments primarily involving the Capital Grant Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	(805)	0	0	805
Adjustments primarily involving the Capital Receipts Reserve				
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	0	(54,323)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	64,314
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	0	(44,459)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	0	(134,764)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	0	69,455
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	0	2,251
Total Adjustments	12,668	53,617	(6,974)	(65,136)

NOTES TO THE FINANCIAL STATEMENTS

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

2018/19 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	196,986	21,446	0
Movements in the market value of investment properties	(965)	(60)	0
Amortisation 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 loss / (gain) 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 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	(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 (loss) / gain 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

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 01.04.19 £000	Net Transfers Out 2019/20 £000	Net Transfers In 2019/20 £000	Balance at 31.03.20 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,059)	0	2,098	(48,961)
Capital grants unapplied account	1,521	(216)	0	1,305
Transport for Edinburgh Limited				
Revenue reserves	118,718	(39,490)	0	79,228
Edinburgh Living MMR LLP				
Revenue reserves	0	(13)	0	(13)
Total Usable Reserves - Subsidiaries	69,180	(39,719)	2,098	31,559
Associates and Joint Ventures				
Common Good Fund - Reserves	2,352	0	3,339	5,691
Edinburgh Leisure - Reserves	203	(158)	0	45
Capital Theatres - Reserves	1,626	0	148	1,774
Lothian Valuation Joint Board - Reserves	548	0	2	550
Edinburgh Integration Joint Board - Reserves	4,847	(3,264)	0	1,583
Total Usable Reserves - Associates and Joint Ventures	9,576	(3,422)	3,489	9,643
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	78,756	(43,141)	5,587	41,202

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	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)	0	279	(51,059)
Capital grants unapplied account	1,803	(282)	0	1,521
Transport for Edinburgh				
Revenue reserves	123,852	(5,134)	0	118,718
Total Usable Reserves - Subsidiaries	74,317	(5,416)	279	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	(5,472)	1,463	78,756

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31.03.20 £000
Council's Usable Reserves				
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	42,296	(12,110)	13,270	43,456
Council Priorities Fund	6,625	(9,154)	3,286	757
Contingency funding, workforce mgmt.	18,194	(7,160)	2,230	13,264
Dilapidations Fund	5,721	(2,493)	0	3,228
Insurance Funds	19,585	(841)	1,353	20,097
	<u>92,421</u>	<u>(31,758)</u>	<u>20,139</u>	<u>80,802</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration Income	2,584	(118)	516	2,982
Revenue grants and contributions received in advance of planned expenditure	5,394	(1,680)	3,087	6,801
Council Tax Discount Fund	18,631	(18,000)	3,673	4,304
Other earmarked balances	203	0	1	204
City Strategic Investment Fund	3,552	(902)	145	2,795
	<u>30,364</u>	<u>(20,700)</u>	<u>7,422</u>	<u>17,086</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	244	0	51	295
Spend to Save Fund and similar projects	2,718	(245)	533	3,006
	<u>2,962</u>	<u>(245)</u>	<u>584</u>	<u>3,301</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)	6,073	(6,034)	4,632	4,671
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund				
	0	0	0	0
Unallocated General Fund				
	13,025	0	902	13,927
Total General Fund				
	<u>144,845</u>	<u>(58,737)</u>	<u>33,679</u>	<u>119,787</u>
Housing Revenue Account Balance				
	0	0	0	0
Renewal and Repairs Fund				
	26,346	(5,123)	8,525	29,748
Donated Assets Reserve				
	0	0	53,617	53,617
Capital Fund				
	55,908	(8,454)	1,480	48,934
Capital Receipts Reserve				
	0	(279,048)	279,048	0
Capital Grants Unapplied Account				
	15,784	(805)	13,473	28,452
Total Usable Reserves - Council				
	<u>242,883</u>	<u>(352,167)</u>	<u>389,822</u>	<u>280,538</u>
Total Usable Reserves - Group				
	<u>321,639</u>	<u>(395,308)</u>	<u>395,409</u>	<u>321,740</u>

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
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 Income	3,080	(855)	359	2,584
Recycling balances	697	(697)	0	0
Revenue grants and contributions received in advance of planned expend.	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				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	5,758	(5,758)	6,073	6,073
	<u>5,758</u>	<u>(5,758)</u>	<u>6,073</u>	<u>6,073</u>
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund				
	0	0	0	0
Unallocated General Fund				
	13,025	0	0	13,025
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>(117,441)</u>	<u>78,553</u>	<u>321,639</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £4.671m (2018/19 £6.073m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the 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

2019/20	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Transfers out	(58,737)	0	(5,123)	(279,048)	(805)
Transfers in	33,679	0	8,525	279,048	13,473
Total movements in fund	<u>(25,058)</u>	<u>0</u>	<u>3,402</u>	<u>0</u>	<u>12,668</u>
Recognised in Comprehensive Income and Expenditure Statement	(6,201)	(15,455)	0	0	12,668
Transfers to other earmarked reserves	<u>(18,857)</u>	<u>15,455</u>	<u>3,402</u>	<u>0</u>	<u>0</u>
Total movements in fund	<u>(25,058)</u>	<u>0</u>	<u>3,402</u>	<u>0</u>	<u>12,668</u>
		Donated Assets Reserve £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out		0	(8,454)	(43,141)	(395,308)
Transfers in		53,617	1,480	5,587	395,409
Total movements in fund		<u>53,617</u>	<u>(6,974)</u>	<u>(37,554)</u>	<u>101</u>
Recognised in Comprehensive Income and Expenditure Statement		53,617	(6,974)	(7,047)	30,608
Transfers to other earmarked reserves		<u>0</u>	<u>0</u>	<u>(30,507)</u>	<u>(30,507)</u>
Total movements in fund		<u>53,617</u>	<u>(6,974)</u>	<u>(37,554)</u>	<u>101</u>
2018/19 Comparative Data		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		<u>5,733</u>	<u>26,044</u>	<u>(31,777)</u>	<u>0</u>
Total movements in fund		<u>(6,440)</u>	<u>0</u>	<u>(31,777)</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

2018/19 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(1,351)	(8,892)	(5,472)	(117,441)
Transfers in	12,339	1,242	1,463	78,553
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)	(8,395)	(43,274)
Transfers to other earmarked reserves	0	0	4,386	4,386
Total movements in fund	<u>10,988</u>	<u>(7,650)</u>	<u>(4,009)</u>	<u>(38,888)</u>

13. Financing and Investment Income and Expenditure

	2019/20		Re-stated 2018/19	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	81,446	77,505	82,444	82,435
Premiums arising from refinancing	46,943	46,943	0	0
Interest cost on defined benefit obligation	100,857	87,668	99,067	87,447
Interest receivable and similar income	(6,295)	(5,139)	(12,201)	(12,406)
Interest income on plan assets	(86,296)	(71,258)	(86,361)	(73,318)
Net income in relation to investment properties and changes in their fair value	(1,967)	(1,967)	(2,616)	(2,768)
Net income in relation to financial assets derecognised or revalued	(90)	(90)	(155)	(155)
Net (surplus) / deficit from trading activities	20	48	36	36
	<u>134,618</u>	<u>133,710</u>	<u>80,214</u>	<u>81,271</u>

14. Taxation and Non-Specific Grant Income

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(271,044)	(271,044)	(259,435)	(259,435)
Non-domestic rates	(365,637)	(365,637)	(340,474)	(340,474)
Non-ring fenced government grants	(360,206)	(360,206)	(363,757)	(363,757)
Capital grants and contributions	(127,806)	(127,806)	(95,013)	(95,013)
Donated asset income	(53,177)	(53,177)	0	0
Taxation expenses	884	0	(275)	0
	<u>(1,176,986)</u>	<u>(1,177,870)</u>	<u>(1,058,954)</u>	<u>(1,058,679)</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 2020, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £221.650m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2019 were £295.064m.

	£000	Expected Completion Date
Millerhill - Zero Waste	29.520	May-20
St James Redevelopment - Growth Accelerator Model	62.900	Sep-20
North Bridge Refurbishment	11.650	Dec-20
Victoria Primary School	7.022	Mar-21
New South Edinburgh Primary School	11.566	Apr-21
Energy Efficiency Street Lighting Project (LED Project)	11.362	May-21
Castlebrae High School	21.313	Aug-21
St Crispin's Special School	8.584	Sep-21
General Fund - Other	5.958	Sep-21
National Housing Trust	8.760	Nov-21
Meadowbank Sports Centre	17.823	Dec-21
Pennywell Phase 3	8.056	Mar-22
Pennywell Town Centre	12.713	Sep-22
HRA - Other	4.422	2023/24
	<u>117.580</u>	

Per the 'Capital Budget Update – 2019/20 Provisional Outturn and 2020/21 COVID-19 Forecast' reported to the Policy and Sustainability Committee on 25 June 2020, there is likely to be significant slippage (currently estimated at £161.257m) in the 2020/21 Capital Programme which may result in the timescales above being delayed."

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2019/20

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2019	1,484,507	2,155,479	335,351	1,465,451
Additions	35,034	67,822	37,627	76,980
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(337)	90,506	(826)	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(58)	70,042	(407)	0
Derecognition - disposals	(2,684)	(50,312)	(12,666)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	52,648	12,999	0	0
At 31 March 2020	<u>1,569,110</u>	<u>2,346,536</u>	<u>359,079</u>	<u>1,542,431</u>
Accumulated Depreciation and Impairment				
At 1 April 2019	(141)	(97,601)	(160,194)	(701,660)
Depreciation charge	(29,510)	(66,109)	(23,715)	(70,003)
Depreciation charge written out to Revaluation Reserve	20,604	14,603	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,601	(1,179)	0
Derecognition - disposals	35	0	11,977	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	826	0
Depreciation on assets transferred to Held for Sale	0	0	0	0
At 31 March 2020	<u>(9,012)</u>	<u>(147,506)</u>	<u>(172,285)</u>	<u>(771,663)</u>
Net book value				
At 31 March 2020	<u>1,560,098</u>	<u>2,199,030</u>	<u>186,794</u>	<u>770,768</u>
At 31 March 2019	<u>1,484,366</u>	<u>2,057,878</u>	<u>175,157</u>	<u>763,791</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2019/20

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property Plant and Equipment £000
Cost or Valuation					
At 1 April 2019	8,987	1,421	109,161	0	5,560,357
Additions	2,055	0	126,929	1,035	347,482
Revaluation increases / (decreases) recognised in the Revaluation Reserve	347	0	0	0	89,690
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(4,195)	0	0	0	65,382
Derecognition - disposals	0	(1,401)	0	0	(67,063)
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0	0
Other increases / (decreases) in cost or valuation	1	0	(45,602)	0	20,046
At 31 March 2020	7,195	20	190,488	1,035	6,015,894
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	0	0	(959,596)
Depreciation charge	0	0	0	0	(189,337)
Depreciation charge written out to Revaluation Reserve	0	0	0	0	35,207
Depreciation written out to the Surplus on the Provision of Services	0	0	0	0	422
Derecognition - disposals	0	0	0	0	12,012
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	826
Depreciation on assets transferred to Held for Sale	0	0	0	0	0
At 31 March 2020	0	0	0	0	(1,100,466)
Net book value					
At 31 March 2020	7,195	20	190,488	1,035	4,915,428
At 31 March 2019	8,987	1,421	109,161	0	4,600,761

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group Accounts

2018/19 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 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 increases / (decreases) 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
Impairment losses recognised in the Surplus on the Provision of Services	0	0	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

15.4 Movements on Balances - Group 2018/19 Comparative Data

	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 increases / (decreases) 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
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
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

15.5 Movements on Balances - Council Movements in 2019/20

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2019	1,484,507	2,093,576	163,562	1,458,781
Additions	35,034	67,082	7,069	76,980
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(337)	81,480	(826)	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(58)	69,150	(407)	0
Derecognition - disposals	(2,684)	(50,312)	0	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	52,648	12,999	0	0
At 31 March 2020	<u>1,569,110</u>	<u>2,273,975</u>	<u>169,398</u>	<u>1,535,761</u>
Accumulated Depreciation and Impairment				
At 1 April 2019	(141)	(66,106)	(72,866)	(695,177)
Depreciation charge	(29,510)	(65,923)	(7,477)	(69,891)
Depreciation charge written out to Revaluation Reserve	20,604	14,603	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,601	(1,179)	0
Derecognition - disposals	35	0	407	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	826	0
Other increases / (decreases) in cost or valuation	0	0	0	0
At 31 March 2020	<u>(9,012)</u>	<u>(115,825)</u>	<u>(80,289)</u>	<u>(765,068)</u>
Net book value				
At 31 March 2020	<u>1,560,098</u>	<u>2,158,150</u>	<u>89,109</u>	<u>770,693</u>
At 31 March 2019	<u>1,484,366</u>	<u>2,027,470</u>	<u>90,696</u>	<u>763,604</u>

Included within Other Land and Buildings is £1.833m 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 2019/20

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
Cost or Valuation					
At 1 April 2019	8,987	1,421	109,161	5,319,995	520,170
Additions	2,055	0	126,929	315,149	17,598
Revaluation increases / (decreases) recognised in the Revaluation Reserve	347	0	0	80,664	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(4,195)	0	0	64,490	0
Derecognition - disposals	0	(1,401)	0	(54,397)	0
Derecognition - other	0	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0	0
Other increases / (decreases) in cost or valuation	1	0	(45,602)	20,046	0
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>190,488</u>	<u>5,745,947</u>	<u>537,768</u>
Accumulated Depreciation and Impairment					
At 1 April 2019	0	0	0	(834,290)	(8,542)
Depreciation charge	0	0	0	(172,801)	(9,278)
Depreciation charge written out to Revaluation Reserve	0	0	0	35,207	0
Depreciation written out to the Surplus on the Provision of Services	0	0	0	422	0
Derecognition - disposals	0	0	0	442	0
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	826	0
Other increases / (decreases) in cost or valuation	0	0	0	0	0
At 31 March 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>(970,194)</u>	<u>(17,820)</u>
Net book value					
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>190,488</u>	<u>4,775,753</u>	<u>519,948</u>
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>4,485,705</u>	<u>511,628</u>

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 2018/19 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 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 increases / (decreases) 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
Impairment losses recognised in the Surplus on the Provision of Services	0	0	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

15.6 Movements on Balances - Council

2018/19 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP and similar Assets £000
Cost or Valuation					
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 increases / (decreases) cost or valuation	0	0	(32,071)	2	(15,843)
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>5,319,995</u>	<u>520,170</u>
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
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	0
At 31 March 2019	<u>0</u>	<u>0</u>	<u>0</u>	<u>(834,290)</u>	<u>(8,542)</u>
Net book value					
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>4,485,705</u>	<u>511,628</u>
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>

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

15.7 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 outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, valuations of this property will be kept under review.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were taken into account based on the actual condition of the property and its actual residual useful life. 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; and
- 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	103	86,497	169,398	1,535,761
Valued at fair value as at:				
31 March 2020	1,566,888	367,618	0	0
31 March 2019	608	768,844	0	0
31 March 2018	502	725,676	0	0
31 March 2017	0	188,560	0	0
31 March 2016	1,009	136,780	0	0
Total cost or valuation	1,569,110	2,273,975	169,398	1,535,761

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	7,195	0	190,488	1,989,442
Valued at fair value as at:				
31 March 2020	0	0	0	1,934,506
31 March 2019	0	0	0	769,452
31 March 2018	0	0	0	726,178
31 March 2017	0	0	0	188,560
31 March 2016	0	20	0	137,809
Total cost or valuation	7,195	20	190,488	5,745,947

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 2020
	£000	£000	£000	£000
Surplus assets	0	20	0	20
Investment properties - advertising hoardings	0	19,225	0	19,225
Total cost or valuation	0	19,245	0	19,245

- 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 £1.658m (£1.743m 2018/19) and expense £Nil (£Nil 2018-19) 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.

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	19,136	18,916	18,321	17,891
Additions	19,262	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	8,823	309	815	1,025
Value at 31 March	<u>47,221</u>	<u>19,225</u>	<u>19,136</u>	<u>18,916</u>

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 £0.444m in 2019/20 (£0.335m in 2018/19).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.058m in 2019/20 (2018/19 £1.240m) 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 2019/20

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2019	842	2,047	6,797
Additions	773	0	0
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
		Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2019	1,975	19,643	31,304
Additions	0	0	773
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>
Net book value			
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2018/19 Comparative Data

Cost or Valuation	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
At 1 April 2018	423	2,047	6,797
Additions	155	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	317	0	0
Revaluation increases / (decreases) recognised in the Surplus 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>

Cost or Valuation	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
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 increases / (decreases) recognised in the Surplus 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

18.2 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	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	13,285	2,984	13,958	2,513
Purchases	62,285	15,437	60,057	15,184
Held by a third party	62	62	192	192
Recognised as an expense in the year	(62,127)	(14,999)	(60,403)	(14,872)
Stock written off	(33)	(33)	(519)	(33)
Balance at 31 March	<u>13,472</u>	<u>3,451</u>	<u>13,285</u>	<u>2,984</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

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Council Tax	87,063	87,063	89,366	89,366
Trade Debtors	44,516	44,516	41,421	41,421
Other Debtors	127,956	158,219	121,562	125,114
Total long-term debtors before provision for impairment	259,535	289,798	252,349	255,901
Less: Provision for impairment	(131,043)	(131,043)	(120,969)	(120,969)
Total net long-term debtors	<u>128,492</u>	<u>158,755</u>	<u>131,380</u>	<u>134,932</u>

Long-term debtors include £10.667m (2018/19 £11.184m) for sums recoverable from Police Scotland. These sums relate to monies advanced to the former joint board for capital expenditure.

20.2 Current Debtors

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Council Tax	120,416	120,416	112,089	112,089
Trade Debtors	23,057	18,829	54,818	49,225
Prepayments	6,261	3,469	5,086	2,528
Other Debtors	96,758	89,756	64,248	54,208
Total current debtors before provision for impairment	246,492	232,470	236,241	218,050
Less: Provision for impairment	(122,457)	(122,457)	(111,756)	(111,756)
Total net current debtors	<u>124,035</u>	<u>110,013</u>	<u>124,485</u>	<u>106,294</u>

20.3 Provision for Impairment

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council Tax	(81,340)	(81,340)	(83,290)	(83,290)
Trade Debtors	(25,856)	(25,856)	(22,043)	(22,043)
Other Debtors	(23,847)	(23,847)	(15,636)	(15,636)
Total long-term provision for impairment	<u>(131,043)</u>	<u>(131,043)</u>	<u>(120,969)</u>	<u>(120,969)</u>
Current provision for impairment	£000	£000	£000	£000
Council Tax	(109,827)	(109,827)	(102,082)	(102,082)
Trade Debtors	(12,451)	(12,451)	(9,534)	(9,534)
Other Debtors	(179)	(179)	(140)	(140)
Total current provision for impairment	<u>(122,457)</u>	<u>(122,457)</u>	<u>(111,756)</u>	<u>(111,756)</u>

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.

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Cash held	351	351	353	353
Bank current accounts	26,902	(2,125)	29,323	158
Short-term deposits:				
With banks or building societies	28,364	28,364	32,936	32,936
With other local authorities	67,466	67,466	73,232	73,232
	<u>123,083</u>	<u>94,056</u>	<u>135,844</u>	<u>106,679</u>

NOTES TO THE FINANCIAL STATEMENTS

22. Investments

22.1 Long-Term Investments

	2019/20		2018/19	
	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	3,471	3,471
	<u>11,698</u>	<u>23,690</u>	<u>11,698</u>	<u>23,690</u>

22.2 Short-Term Investments

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Local Authority Loans	45,798	45,563	17,100	17,100
	<u>45,798</u>	<u>45,563</u>	<u>17,100</u>	<u>17,100</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

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
23.1 Non-Current Assets - Held for Sale				
Balance at 1 April	1,586	1,586	2,580	2,580
Additions	2	2	25	25
Revaluation gains/(losses) recognised in the revaluation reserve	(316)	(316)	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(19)	(19)	0	0
Assets sold	0	0	(19)	(19)
Transfers from non-current to current	0	0	(1,000)	(1,000)
	<u>1,253</u>	<u>1,253</u>	<u>1,586</u>	<u>1,586</u>

23.2 Current Assets - Held for Sale

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	17,606	17,606	20,126	20,126
Additions	296	296	193	193
Revaluation gains/(losses) recognised in the revaluation reserve	2,630	2,630	4,000	4,000
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	606	606	0	0
Assets reclassified as held for sale:				
Property, Plant and Equipment	0	0	5,960	5,960
Assets sold	0	0	(13,673)	(13,673)
Transfers from non-current to current	0	0	1,000	1,000
	<u>21,138</u>	<u>21,138</u>	<u>17,606</u>	<u>17,606</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Creditors	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(101,046)	(98,434)	(84,173)	(79,330)
Council Tax refundable to taxpayer	(5,029)	(5,029)	(1,980)	(1,980)
Other Tax payable	(14,020)	(10,282)	(13,914)	(10,598)
Other Creditors	(76,576)	(48,319)	(105,160)	(73,971)
PFI Creditor	(37,399)	(37,399)	(8,206)	(8,206)
Finance Leases (non PFI)	(21,440)	(1,868)	(3,134)	(1,185)
	<u>(255,510)</u>	<u>(201,331)</u>	<u>(216,567)</u>	<u>(175,270)</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 £36.900m (2018/19 £36.710m).

Of this amount, £34.452m (2018/19 £33.810m) 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 2019	(36,710)	(33,810)
Additional provisions made during the year	(7,695)	(5,818)
Amounts used during the year	4,397	2,067
Unused amounts reversed during the year	<u>3,108</u>	<u>3,109</u>
Balance at 31 March 2020	<u>(36,900)</u>	<u>(34,452)</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.
- Available for sale financial assets - provides a mechanism to recognise the unrealised gains and losses on the revaluation of financial assets (such as investment bonds).
- 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 2020 £000	31 March 2019 £000
Revaluation Reserve	1,766,379	1,666,037
Capital Adjustment Account	1,519,949	1,437,923
Financial Instruments Adjustment Account	(85,964)	(41,548)
Pensions Reserve	(540,753)	(659,468)
Employee Statutory Adjustment Account	(13,807)	(16,058)
Total Council Unusable Reserves	<u>2,645,804</u>	<u>2,386,886</u>
Subsidiaries, Associates and Joint Ventures	137,551	118,766
Total Group Unusable Reserves	<u><u>2,783,355</u></u>	<u><u>2,505,652</u></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.

	2019/20 £000	2018/19 £000
Balance at 1 April	1,666,037	1,378,280
Upward revaluation of assets	162,733	405,501
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(23,036)	(89,490)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	<u>139,697</u>	<u>316,011</u>
Difference between fair value depreciation and historical cost depreciation	(17,380)	(130)
Accumulated gains on assets sold	<u>(21,975)</u>	<u>(28,124)</u>
Amount written off to the capital adjustment account	(39,355)	(28,254)
Balance at 31 March	<u><u>1,766,379</u></u>	<u><u>1,666,037</u></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.

	2019/20 £000	2018/19 £000
Balance at 1 April	1,437,923	1,403,298
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(179,412)	(157,814)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(37,467)	(60,619)
Amortisation and impairment of intangible assets	(58)	(1,240)
Capital funded from revenue	29,581	38,888
Revenue exp. funded from capital under statute	(52,778)	(59,774)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(53,995)	(19,952)
	<u>(294,129)</u>	<u>(260,511)</u>
Adjusting amounts written out of the revaluation reserve	39,355	28,254
Net written out amount of the costs of non-current assets consumed in the year	(254,774)	(232,257)
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	64,315	25,953
Donated assets	(440)	2,273
Use of capital fund for new capital expenditure	6,311	7,385
Capital grants and contributions credited to the CIES that have been applied to capital financing	114,333	80,401
Application of grants from the capital grants unapplied account / capital fund	805	1,351
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	98,429	88,909
Capital expenditure charged against the General Fund and HRA balances	52,778	59,774
	<u>336,531</u>	<u>266,046</u>
Movements in the market value of investment properties credited to the CIES	309	1,025
Transfer to the General Fund	0	0
Other unrealised losses debited to the CIES	(40)	(189)
Balance at 31 March	<u><u>1,519,949</u></u>	<u><u>1,437,923</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.

	2019/20	2018/19
	£000	£000
Balance at 1 April	(41,548)	(43,467)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	2,376	1,849
Premium on refinancing of loans	(46,900)	0
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	108	70
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	(44,416)	1,919
Balance at 31 March	<u>(85,964)</u>	<u>(41,548)</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 between 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.

	2019/20 £000	2018/19 £000
Balance at 1 April	(659,468)	(482,493)
Actuarial gains or (losses) on pension assets and liabilities	184,024	(79,989)
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	(134,764)	(162,374)
Employer's pension contributions and direct payments to pensioners payable in the year	69,455	65,388
Balance at 31 March	<u>(540,753)</u>	<u>(659,468)</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.

	2019/20 £000	2018/19 £000
Balance at 1 April	(16,058)	(14,761)
Settlement or cancellation of accrual made at the end of the preceding year	16,058	14,761
Amount accrued at the end of the current year	<u>(13,807)</u>	<u>(16,058)</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	2,251	(1,297)
Balance at 31 March	<u>(13,807)</u>	<u>(16,058)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Unusable Reserves - continued

27.8 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2020 £000	31 March 2019 £000
Subsidiaries		
CEC Holdings Limited	76,665	76,292
Transport for Edinburgh	32,710	24,226
Edinburgh Living MMR LLP	8,486	0
Associates and Joint Ventures		
Common Good	23,510	23,510
Lothian Valuation Joint Board	(3,820)	(5,262)
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	<u>137,551</u>	<u>118,766</u>

28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	641,726	641,726	571,307	571,307
General Revenue Grant	(360,206)	(360,206)	(363,757)	(363,757)
Non-Domestic Rates receipts from national pool	(365,637)	(365,637)	(340,474)	(340,474)
Other net operating cash payments / (receipts)	(80,229)	(80,229)	(116,137)	(116,137)
Net cash flows from subsidiary companies	(19,213)	0	(26,028)	0
Net cash flows from operating activities	<u>(183,559)</u>	<u>(164,346)</u>	<u>(275,089)</u>	<u>(249,061)</u>

29. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Interest received	(4,219)	(4,093)	(5,519)	(5,406)
Interest paid	78,156	77,504	82,766	82,435
Investment income received	(1,047)	(1,047)	(7,000)	(7,000)

NOTES TO THE FINANCIAL STATEMENTS

30. Cash Flow Statement - Investing Activities

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	352,399	325,424	230,998	218,902
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(77,873)	(76,910)	(19,563)	(18,770)
Net purchase of Short-Term and Long-Term Investments	70,439	70,439	(1,800)	(1,053)
Other payments for investing activities	53,593	46,510	55,316	49,136
Other receipts from investing activities	(50,596)	(50,596)	(60,531)	(60,512)
Net cash flows from investing activities	347,962	314,867	204,420	187,703

31. Cash Flow Statement - Financing Activities

	2019/20		2018/19	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(239,101)	(236,348)	(654)	(2,875)
Other Receipts for Financing Activities	5,810	31,234	22,243	22,243
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	22,787	8,580	3,650	2,145
Repayment of short-term and long-term borrowing	58,862	58,637	49,960	49,960
Net cash flows from financing activities	(151,642)	(137,897)	75,199	71,473

32. Trading Operations

Edinburgh Catering Services - Other Catering continues to meet the definition of a significant trading operation 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.

	2019/20 £000	2018/19 £000	2017/18 £000	Cumulative £000
Turnover	921	966	931	n/a
Deficit	(48)	(36)	(42)	(126)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period.

The impact of COVID-19 will make achieving a breakeven position challenging. A tariff increase in line with inflation is due on re-commencement of services. Re-modelling the service will be considered, to accommodate changes in demand and the lack of commercial activity at the City Chambers

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).

	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartans Community Football Academy	Spartans Community Football Academy
Opening Balance	0	939	57	55
New Loans	0	0	0	0
Increase in the Discounted Amount	0	42	4	5
Fair Value Adjustment	0	0	0	0
Loan Repayment	0	(981)	(3)	(3)
Balance Carried Forward	<u>0</u>	<u>0</u>	<u>58</u>	<u>57</u>
Nominal Value Carried Forward	<u>0</u>	<u>0</u>	<u>93</u>	<u>96</u>

Adjustments have been made under the requirements of IFRS 9 Financial Instruments, as required by the Code.

The Transport for Edinburgh 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 Fund 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 Fund's 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.

NHT Phase 3 is to deliver up to 368 mid-market rent homes across three separate sites. The total required budget for NHT3 is £50.1m for the three projects. Fruitmarket NHT3 has completed, with investment totalling £9.153m and delivery of 80 homes. Western Harbour has also completed, with investment totalling £17.284m and 138 homes delivered. The final project under NHT Phase 3 (Shrubhill) commenced in 2018/19 and 93 homes have been delivered to date, with an investment of £14.923m. The remaining 57 homes are due to complete before the end of 2020. However, delays in the construction programme will result in overall slippage, possibly into 2021/22.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial Support and Guarantees - continued

33.4 National Housing Trust - continued

The Council has advanced and had repaid the following sums through the NHT scheme:

Developer	Development Site	Phase	Total No. of Units	Advanced 2019/20 £000	Repaid 2019/20 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	106	0	(3,572)	13,323	9,751
Places for People	Lighthouse Court	1	56	0	(1,096)	6,492	5,396
Teague Homes Limited	Salamander Place / Leith Links	1	145	0	0	15,551	15,551
City of Edinburgh Council	Telford North	1	89	0	0	10,299	10,299
FP Newhaven Ltd	Sandpiper Road	2	96	0	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	0	0	9,153	9,153
Cruden Homes	Western Harbour	3	138	6,005	0	11,279	17,284
Places for People	Shrubhill	3	93	5,784	0	9,139	14,923
			803	11,789	(4,668)	87,144	94,265

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 £101.877m (2018/19 £11.799m) and Agency Expenditure £96.167m (2018/19 £8.619m).

The Council undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.323m (2018/19 £0.653m) 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 and Edinburgh West End. During the year income of £1.195m (2018/19 £1.185m) was collected and £1.240m (2018/19 £1.138m) 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. During the year the funds amounted to income of £89.159m and expenditure of £89.159m (2018/19 £Nil).

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 £0.623m (2018/19 £0.594m).

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 2019/20 (2018/19 £0.002m) for the audit of the 2018/19 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:

	2019/20		2018/19	
	£000	£000	£000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(360,206)		(363,757)	
Non-domestic rates	(365,637)		(340,474)	
Capital grants and contributions	<u>(127,806)</u>		<u>(95,013)</u>	
		(853,649)		(799,244)
Credited to services				
Central Government Bodies	(225,700)		(202,802)	
Other Local Authorities	(2,907)		(3,288)	
NHS bodies	(78,050)		(70,336)	
Other entities and individuals	<u>(23,419)</u>		<u>(10,469)</u>	
		<u>(330,076)</u>		<u>(286,895)</u>
Total		<u><u>(1,183,725)</u></u>		<u><u>(1,086,139)</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.

	2019/20	2019/20	2019/20	2018/19	2018/19
	Expenditure	Income	Debtor / (Creditor)	Net Expenditure / (Income)	Debtor / (Creditor)
	£000	£000	£000	£000	£000
Capital City Partnership	3,847	(470)	(7)	4,075	216
CEC Holdings (incl. EDI Group, EICC)	190	(374)	4,723	(53)	3,784
Capital Theatres	204	(686)	0	481	0
Edinburgh Leisure Limited	8,685	(620)	99	10,712	147
Edinburgh Trams Ltd	2,418	(34,013)	4,110	638	1,442
Lothian Buses	1,540	(97)	5,911	1,638	10
Edinburgh Living MMR	16,348	0	19,212	996	2,748
Edinburgh Integration Joint Board	212,252	(240,686)	(3,992)	(21,967)	(12,373)
Lothian Valuation Joint Board	3,686	(54)	(1,437)	3,527	(1,715)
Telford NHT	0	0	3	3,454	0
NHS Bodies	4,194	(28,261)	1,527	(23,207)	219
Other Local Authorities	3,985	(2,435)	76	1,036	126
HMRC	0	0	1,862	0	(1,769)
Lothian Pension Fund	12	(358)	(4,943)	(242)	(3,722)
Scottish Government	12,283	(2,281)	59,826	11,581	28,623
Scottish Police Authority	2,284	(39)	0	2,207	0
Scottish Qualifications Authority	1,523	0	0	1,538	0
<u>Other</u>					
Audit Scotland	652	0	(388)	665	(382)
Autism Initiative UK	4,423	0	0	4,408	0
Bethany Christian Trust	969	(0)	0	799	0
Criminal Justice Bodies	591	0	0	555	0
Dean and Cauvin Charitable Trust	1,028	0	0	935	0
Edinburgh International Festival Society	2,133	0	0	1,947	43
Edinburgh Military Tattoo	0	(244)	0	(406)	0
Edinburgh Vol. Org. Council	526	(0)	0	1,314	0
Festivals Edinburgh Ltd	149	0	0	153	0
Handicab	620	0	248	452	0
Hubco	3,223	0	0	8,941	0
Lifecare Edinburgh	388	0	0	354	0
Marketing Edinburgh	721	(26)	0	1,336	11
Police Scotland	13	(1,053)	10,684	(1,629)	11,154
Port of Leith Housing	10,525	(0)	0	4,369	0
Royal Blind Asylum and School	1,442	(256)	0	1,636	0
Royal Lyceum Theatre Co Ltd	356	0	0	304	0
Scottish Fire and Rescue Service	99	(6)	0	(296)	(15)
Scottish Water	806	(12)	70	4	70
SESTRAN	1	(16)	163	(24)	356
Spartans	94	(5)	0	55	57
SUSTRANS	3,566	0	2,746	2,930	1,685
Transport Scotland	2	0	1,811	20	0
Total	305,778	(311,992)	102,304	25,233	30,714

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.

	2019/20		Re-stated 2018/19	
	£000	£000	£000	£000
Opening capital financing requirement		1,567,368		1,575,864
Capital Investment				
Property, plant and equipment	315,149		211,736	
Heritage Assets	773		155	
Assets held for sale	298		218	
Intangible assets	168		131	
Capital Receipts transferred to Capital Fund	0		825	
National Housing Trust - Consent to borrow (see note 33.4)	11,789		20,418	
Edinburgh Living LLP - Consent to borrow	16,348		2,734	
Acquisition of Long Term Investment	0		3,471	
Revenue expenditure funded from capital under statute	52,778		59,774	
PPP Lease Agreements Recognised In-Year	<u>74,044</u>		<u>17,902</u>	
		471,347		317,364
Sources of Finance				
Capital receipts	(64,314)		(25,953)	
Capital Funded from Current Revenue	(29,581)		(38,888)	
Government grants and other contributions	(174,227)		(148,910)	
Write down of EDI Loan Stock	0		(2,200)	
PPP schools - - under construction and lifecycle additions	(16,691)		(20,175)	
Loans fund / finance lease repayments	<u>(104,710)</u>		<u>(89,734)</u>	
		<u>(389,523)</u>		<u>(325,860)</u>
Closing capital financing requirement		<u><u>1,649,192</u></u>		<u><u>1,567,368</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		4,924		(35,886)
Assets acquired under finance leases		76,900		27,390
(Decrease) / Increase in capital financing requirement		<u><u>81,824</u></u>		<u><u>(8,496)</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:

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd have adopted the new standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is not required to adopt IFRS 16 until 1 April 2021, therefore consolidation adjustments have been made to the finance lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

	2019/20		Re-stated 2018/19	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	17,867	8,683	10,013	0
Additions during the year	23,506	2,856	9,488	9,488
Depreciation charge for the year	(3,467)	(1,553)	(1,634)	(805)
Value at 31 March	<u>37,906</u>	<u>9,986</u>	<u>17,867</u>	<u>8,683</u>
Vehicles, plant, equipment and furniture	<u>37,906</u>	<u>9,986</u>	<u>17,867</u>	<u>8,683</u>
Value at 31 March	<u>37,906</u>	<u>9,986</u>	<u>17,867</u>	<u>8,683</u>
Analysed by:	£000	£000	£000	£000
Current	10,700	1,868	3,133	1,185
Non-Current	21,302	8,118	12,695	7,499
Finance costs payable in future years	1,615	985	1,405	1,094
	<u>33,617</u>	<u>10,971</u>	<u>17,233</u>	<u>9,778</u>
Finance Lease Liabilities	£000	£000	£000	£000
Within one year	11,167	2,082	3,386	1,353
Between 2 and 5 years	18,618	5,057	9,529	4,107
Over 5 years	3,832	3,832	4,318	4,318
Total liabilities	<u>33,617</u>	<u>10,971</u>	<u>17,233</u>	<u>9,778</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

39. Leases - continued

39.2 Assets Leased in - Operating Leases - continued

Note

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd adopted the new accounting standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is not required to adopt IFRS 16 until 1 April 2021, therefore consolidation adjustments have been made to the operating lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

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

Under these operating leases, the Group and Council is committed to paying the following sums:

	2019/20		2018/19	
	Group	Council	Group	Council
Future Repayment Period		£000	£000	£000
Not later than one year	9,910	870	9,610	741
Later than one year and not later than five years	37,949	1,977	37,615	2,172
Later than five years	71,897	1,190	78,025	3,559
	119,756	4,037	125,250	6,472
Value at 31 March				
Other land and buildings	13,691	3,637	7,992	6,454
Vehicles, plant, equipment and furniture	106,065	400	117,258	18
	119,756	4,037	125,250	6,472
Recognised as an expense during the year	10,252	1,216	10,511	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.
- an 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:

	2019/20	2018/19
	£000	£000
Not later than one year	22,486	21,239
Later than one year and not later than five years	78,534	72,298
Later than five years	339,362	324,856
Total liabilities	440,382	418,393

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 2020/21	20,367	8,439	17,977	46,783
Payable within two to five years	94,009	32,251	67,280	193,540
Payable within six to ten years	132,301	49,230	75,549	257,080
Payable within eleven to fifteen years	126,966	56,533	58,898	242,397
Payable within sixteen to twenty years	61,781	37,468	26,924	126,173
Payable within twenty one to twenty five years	782	3,938	591	5,311
	<u>436,206</u>	<u>187,859</u>	<u>247,219</u>	<u>871,284</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:

	2019/20 £000	2018/19 £000
Balance at 1 April	196,065	204,089
PPP unitary charge restatement adjustment	0	(1)
Repayments during the year	<u>(8,206)</u>	<u>(8,023)</u>
Balance at 31 March	<u>187,859</u>	<u>196,065</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 £34.593m 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. The Council's 80% share of the facility value is included in the Fixed Assets on the balance sheet, which includes £54m of a donated asset.

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 2020/21	3,914	27,975	5,709	37,598
Within two to five years	17,311	1,518	14,410	33,239
Within six to ten years	24,994	2,040	16,777	43,811
Within eleven to fifteen years	27,742	4,079	14,813	46,634
Within sixteen to twenty years	31,402	7,542	10,881	49,825
Within twenty one to twenty five years	28,784	10,898	3,827	43,509
	<u>134,147</u>	<u>54,052</u>	<u>66,417</u>	<u>254,616</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
2020/21	23,213	2.5%
2021/22 - 2022/23	<u>45,592</u>	2.5%
	<u>68,805</u>	

40.4 Provision of Parking Enforcement

The Council entered into a five year contract with NSL for the provision of parking enforcement on 1 October 2014 which ended on 30 September 2019. There was a five year extension clause which has been approved with the contract extended to 30 September 2024.

Under the agreement the Council is committed to paying the following sums in cash terms (renegotiated annually):

Future Repayment Period	£000
2020/21	7,000
2021/22 - 2024/25	<u>24,500</u>
	<u>31,500</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 £36.307m.

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.

	2019/20		2018/19	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	31,974		22,873	
As a percentage of teachers' pensionable pay Apr - Aug		17.20		17.20
As a percentage of teachers' pensionable pay Sep - Mar		23.00		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 2018/19	15,978		18,949	

At 31 March 2020, creditors include £4.166m (2018/19 £3.673m) 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 2019/20 the Council paid an employer's contribution of £63.062m (2018/19 £58.521m) into the Lothian Pension Fund, representing 22.3% (2018/19 22.5%) 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.

Comprehensive Income and Expenditure Statement	2019/20		2018/19	
	£000	£000	£000	£000
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	117,983		103,040	
Past service costs	371		45,205	
		118,354		148,245
<i>Financing and investment income:</i>				
Net interest expense		16,410		14,129
Total post employee benefit charged to the surplus on the provision of services		134,764		162,374
<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.	195,313		(183,615)	
Actuarial (gains) and losses arising on changes in financial assumptions	(354,198)		259,229	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		0	
Other experience	(25,139)		4,375	
		(184,024)		79,989
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		(49,260)		242,363
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.		(134,764)		(162,374)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		64,097		59,815
Contributions in respect of unfunded benefits		5,358		5,573
		69,455		65,388

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:

	2019/20	2018/19
	£000	£000
Fair value of employer assets	2,843,437	2,970,647
Present value of funded liabilities	(3,313,958)	(3,548,983)
Present value of unfunded liabilities	<u>(70,232)</u>	<u>(81,132)</u>
Net liability arising from defined benefit obligation	<u><u>(540,753)</u></u>	<u><u>(659,468)</u></u>

42.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2019/20	2018/19
	£000	£000
Opening fair value of scheme assets	2,970,647	2,720,975
Effect of settlements	0	0
Interest income	71,258	73,318
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	(195,313)	183,615
Contributions from employer	64,097	59,815
Contributions from employees into the scheme	17,430	16,446
Contributions in respect of unfunded benefits	5,358	5,573
Benefits paid	(84,682)	(83,522)
Unfunded benefits paid	<u>(5,358)</u>	<u>(5,573)</u>
Closing fair value of scheme assets	<u><u>2,843,437</u></u>	<u><u>2,970,647</u></u>

Reconciliation of Present Value of the Scheme Liabilities

	2019/20	2018/19
	£000	£000
Present value of funded liabilities	(3,548,983)	(3,124,427)
Present value of unfunded liabilities	<u>(81,132)</u>	<u>(79,041)</u>
Opening balance at 1 April	(3,630,115)	(3,203,468)
Current service cost	(117,983)	(103,040)
Interest cost	(87,668)	(87,447)
Contributions from employees into the scheme	(17,430)	(16,446)
Re-measurement gain / (loss):		
Change in financial assumptions	354,198	(259,229)
Other experience	25,139	(4,375)
Past service cost	(371)	(45,205)
Benefits paid	84,682	83,522
Unfunded benefits paid	<u>5,358</u>	<u>5,573</u>
Closing balance at 31 March	<u><u>(3,384,190)</u></u>	<u><u>(3,630,115)</u></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.

	2019/20 £000	%	2018/19 £000	%
Consumer *	271,003	10	316,076	11
Manufacturing *	410,093	15	365,504	9
Energy and Utilities *	181,357	6	224,417	7
Financial Institutions *	184,931	7	249,909	8
Health and Care *	196,766	7	161,397	6
Information technology *	122,907	4	96,757	3
Other *	<u>207,594</u>	7	<u>289,656</u>	12
Sub-total Equity Securities	<u>1,574,651</u>		<u>1,703,715</u>	
Debt Securities:				
UK Government *	175,051	6	301,834	11
Corporate Bonds (investment grade) *	47,625	2	0	0
Corporate Bonds (investment grade)	<u>104,649</u>	4	<u>0</u>	0
Sub-total Debt Securities	<u>327,325</u>		<u>301,834</u>	
Private Equity				
All	<u>24,740</u>	1	<u>40,287</u>	1
Sub-total Private Equity	<u>24,740</u>		<u>40,287</u>	
Real Estate:				
UK Property *	32,704	1	0	0
UK Property	153,614	5	201,206	6
Overseas Property	<u>2,505</u>	0	<u>0</u>	0
Sub-total Real Estate	<u>188,823</u>		<u>201,206</u>	
Investment Funds and Unit Trusts:				
Equities *	34,815	1	29,345	1
Bonds	12,205	0	75,308	3
Infrastructure	<u>399,797</u>	14	<u>368,743</u>	12
Sub-total Investment Funds and Unit Trusts	<u>446,817</u>		<u>473,397</u>	
Derivatives:				
Foreign Exchange *	<u>5,801</u>	0	<u>750</u>	0
Sub-total Derivatives	<u>5,801</u>		<u>750</u>	
Cash and Cash Equivalents				
All *	<u>275,280</u>	10	<u>249,458</u>	8
Sub-total Cash and Cash Equivalents	<u>275,280</u>		<u>249,458</u>	
Total Fair Value of Employer Assets	<u>2,843,437</u>	<u>100</u>	<u>2,970,647</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 2020 were those from the beginning of the year (i.e. 31 March 2019) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 31 March 2019 to 31 March 2020	(4.20%)
Total return for period from 1 April 2019 to 31 March 2020	(4.20%)

Average future life expectancies at age 65:

	31.03.20	31.03.19
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	31.03.20	31.03.19
Pension increase rate	1.9%	2.5%
Salary Increase rate	3.5%	4.2%
Discount rate	2.3%	2.4%

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 2020 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 2020	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	341,811
0.5% increase in the Salary Increase Rate	2%	55,326
0.5% increase in the Pension Increase Rate	8%	281,293

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 one year, 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	%
Active members	1,657,758	50.0
Deferred members	431,059	13.0
Pensioner members	1,225,141	37.0
Total	3,313,958	100.0

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 2020 comprises approximately £54.254m (2018/19 £62.183m) in respect of LGPS unfunded pensions and £15.978m (2018/19 £18.949m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2020, 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.

	2019/20	2018/19
	Pension	Pension
	Reserve	Reserve
	£000	£000
Unusable Reserves		
Council	(540,753)	(659,468)
Lothian Valuation Joint Board	(3,955)	(5,432)
	<u>(544,708)</u>	<u>(664,900)</u>
	2019/20	2018/19
	£000	£000
Usable Reserves		
Edinburgh Leisure	(780)	(1,550)
Transport for Edinburgh Ltd	35,606	65,471
	<u>34,826</u>	<u>63,921</u>
Net Pension Reserves	<u>(509,882)</u>	<u>(600,979)</u>

42.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2021

	Assets	Obligations	Net (liability) / asset	
	£000	£000	£000	% of pay
Current service cost	0	(99,409)	(99,409)	(37.0%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(99,409)	(99,409)	(37.0%)
Interest income on plan assets	65,271	0	65,271	24.3%
Interest cost on defined benefit obligation	0	(78,083)	(78,083)	(29.1%)
Total Net Interest Cost	65,271	(78,083)	(12,812)	(4.8%)
Total included in Profit or Loss	<u>65,271</u>	<u>(177,492)</u>	<u>(112,221)</u>	<u>(41.8%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2020/21 is £61.115m.

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 £1.186m, including accrued payments (2018/19 £1.172m).

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:

- o long-term loans from the Public Works Loan Board and commercial lenders,
- o lease payables detailed in note 39,
- o Private Finance Initiative contracts detailed in note 40, and
- o 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.

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 has 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' continues to be held at cost and is no longer classified as financial instruments.

There was no unrealised gain on the available for sale financial assets (2018/19 £nil).

43.1 Categories of Financial Instruments

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

	2019/20		2018/19	
	Long-Term £000	Current £000	Long-Term £000	Current £000
Assets				
At amortised cost				
- Bank Call Accounts (Note 21)	0	28,364	0	32,936
- Local Authority Loans - S-T (Note 22)	0	45,563	0	17,100
- Local Authority Loans - S-T (Note 21)	0	67,466	0	73,232
		141,393		123,268
At fair value through profit and loss				
- Money Market Funds	0	67,936	0	25,959
Total Financial Instruments - Assets	0	209,329	0	149,227
The Investment total does not include £23.34m (2018/19 £23.34m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.				
Debtors				
At amortised cost	160,515	103,164	118,708	68,471
Total debtors	160,515	103,164	118,708	68,471
Borrowings				
- Public Works Loans Board	(1,041,404)	(71,783)	(863,875)	(69,968)
- Salix	(722)	(302)	(1,024)	(289)
- Market debt	(243,760)	(3,203)	(285,692)	(3,465)
Total borrowings	(1,285,886)	(75,288)	(1,150,591)	(73,722)
Other Liabilities				
Financial liabilities at amortised cost	0	(19,008)	0	(26,901)
PPP and finance lease liabilities	(247,224)	(39,268)	(213,259)	(9,391)
Deferred liability	(42,078)	0	(37,201)	0
Total other long-term liabilities	(289,302)	(58,276)	(250,460)	(36,292)

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.

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	59,660	0	0	59,660
Interest on leases	21,785	0	0	21,785
Total expense in Surplus on the Provision of Services	81,445	0	0	81,445
Interest income	0	(1,439)	(469)	(1,908)
Total Interest and investment income	0	(1,439)	(469)	(1,908)
Net (gain) / loss for the year	<u>81,445</u>	<u>(1,439)</u>	<u>(469)</u>	<u>79,537</u>

In addition to the above interest expense, £2.419m (2018/19 £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. The increase relates to the charging of premiums incurred on the restructuring of the Council's Inverse LOBO loans. It also excludes £0.232m (2018/19 £0.427m) of loans fund expenses charged to the Council.

Dividend income of £1.047m (2018/19 £7m) 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 2020, 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	2019/20		2018/19		
		Principal Outstanding £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,100,213)	(1,113,186)	(1,400,813)	(933,843)	(1,221,824)
Salix	2	(1,058)	(1,024)	(1,003)	(1,313)	(1,290)
Market debt	2	(234,900)	(246,964)	(456,213)	(289,157)	(523,985)
Borrowings		(1,336,171)	(1,361,174)	(1,858,029)	(1,224,313)	(1,747,099)
Other long-term liabilities	n/a	(42,078)	(42,078)	(42,078)	(37,201)	(37,201)
Trade creditors	n/a	(19,008)	(19,008)	(19,008)	(26,901)	(26,901)
PPP and Finance Leases	3	(286,492)	(286,492)	(310,901)	(222,650)	(308,033)
Financial liabilities		<u>(1,683,749)</u>	<u>(1,708,752)</u>	<u>(2,230,016)</u>	<u>(1,511,065)</u>	<u>(2,119,234)</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	2019/20		2018/19	
		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	67,936	67,936	25,959	25,959
		<u>67,936</u>	<u>67,936</u>	<u>25,959</u>	<u>25,959</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	28,364	28,361	32,936	32,936
Local Authority Loans	2	113,029	113,125	90,332	90,267
		<u>141,393</u>	<u>141,486</u>	<u>123,268</u>	<u>123,203</u>
Debtors					
Loan Stock	n/a	2,240	2,240	2,339	2,339
Soft Loans	3	56	56	55	55
Other trade debtors	n/a	103,164	103,164	68,471	68,471
		<u>105,460</u>	<u>105,460</u>	<u>70,865</u>	<u>70,865</u>
Total Investments		<u>314,789</u>	<u>314,882</u>	<u>220,092</u>	<u>220,027</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' continues to be held at cost and are no longer classified as financial instruments.

	Fair Value Level	2019/20	Fair Value	2018/19	Fair Value
		Carrying Amount £000	£000	Carrying Amount £000	£000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	67,936	67,936	25,959	25,959
		<u>67,936</u>	<u>67,936</u>	<u>25,959</u>	<u>25,959</u>

There was no unrealised gain on the available for sale financial assets (2018/19 £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 12 March 2020 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2020/21 has been set at £2.266bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2020/21 has been set at £2.085bn. 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 2020, the Council had £45.6m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 41.2% were loans to other local authorities, a further 41.5% was held in three AAA rated Money Market Funds, leaving only 17.3% with banks. All of the monies held on deposit with banks at 31 March 2020 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2020 was £209.0m (31 March 2019: £149.1m). This was held with the following institutions:

Summary	Standard and Poor's Rating	Principal Outstanding 31.03.20 £000	Carry Value 31.03.20 £000	Fair Value 31.03.20 £000	Carry Value 31.03.19 £000
Money Market Funds					
Deutsche Bank AG, London	AAAm	25,130	25,141	25,141	4,006
Goldman Sachs	AAAm	15,021	15,022	15,022	59
Standard Life	AAAm	27,758	27,772	27,772	21,895
Bank Call Accounts					
Bank of Scotland	A	5,787	5,789	5,789	14,678
Royal Bank of Scotland	BBB+	11,630	11,630	11,630	577
Santander UK	A	1	1	1	1
Barclays Bank	A-	14	14	14	13
Svenska Handelsbanken	AA-	7	7	7	7
HSBC Bank Plc 31 dn	AA-	10,918	10,918	10,916	17,647
HSBC Bank Plc	AA-	5	5	5	14
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	112,777	113,029	113,125	90,332
UK Government Treasury Bills	AAu	0	0	0	0
Total		209,048	209,328	209,422	149,229

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2020 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 £28.4m 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 2020 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 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 2020 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2020 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2020. This is available on request from corporate.finance2@edinburgh.gov.uk, marked for the attention of Treasury.

All Council invoices become due for payment on issue. Excluding pre-payments of £0.569m (2018/19 £2.246m), trade debtors past due date can be analysed by age as follows:

	2019/20	2018/19
	£000	£000
Less than two months	15,170	12,325
Two to four months	1,662	1,774
Four to six months	699	977
Six months to one year	1,609	2,153
More than one year	7,212	6,566
Total	<u>26,352</u>	<u>23,795</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:

		31.03.20	
	Range	Gross Receivable	Loss Allowance
Council Tax	3% - 100%	207,479	(191,167)
Non Domestic Rates	1% - 100%	3,316	(1,880)
HRA tenants and other debtors	5% - 95%	7,554	(6,387)
Housing Benefits	75% - 80%	27,768	(21,375)
Trade and Other Debtors	7.5% - 60%	45,154	(32,691)
Total		<u>291,271</u>	<u>(253,500)</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. In 2019/20 the Council repaid its £40m Inverse LOBO loans and replaced them with a £40m fixed rate loan from the PWLB.

The maturity analysis of the principal outstanding on the Council's debt is as follows:

	2019/20	Re-stated 2018/19
	£000	£000
Less than one year	(97,410)	(68,018)
Between one and two years	(61,751)	(66,199)
Between two and five years	(156,228)	(159,632)
Between five and ten years	(253,678)	(258,702)
More than ten years	<u>(1,053,597)</u>	<u>(868,559)</u>
Financial Liabilities	<u>(1,622,664)</u>	<u>(1,421,110)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £19.008m (2019/20 £26.900m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £16.176m (2018/19 £15.116m) nor net equivalent interest rate (EIR) adjustments of £8.825m (2018/19 £10.737m) to the carrying amounts of market debt shown in the financial liabilities are included. The reduction in the EIR value relates to the extinguishing of the Council's Inverse LOBO loans.

The only investment which the Council has with a maturity of greater than one year is £2.4m 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

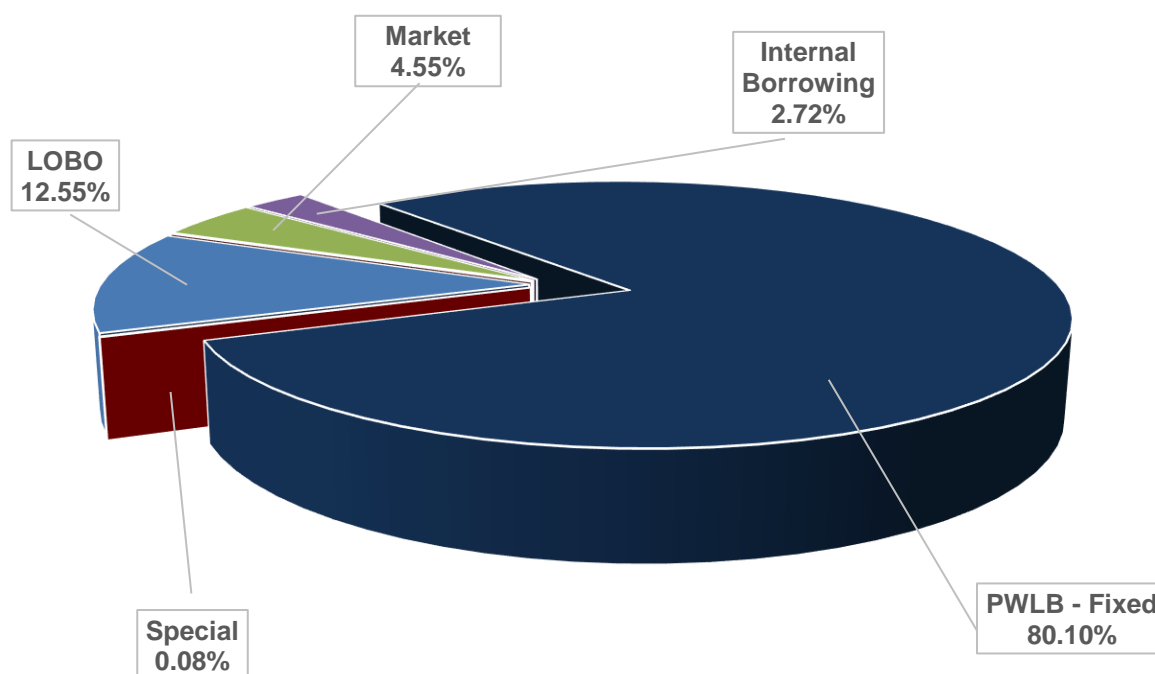
44. Nature and Extent of Risks Arising from Financial Instruments - continued

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.



Source of Borrowing - 31/03/2020

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 (2018/19 £23.340m) 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.

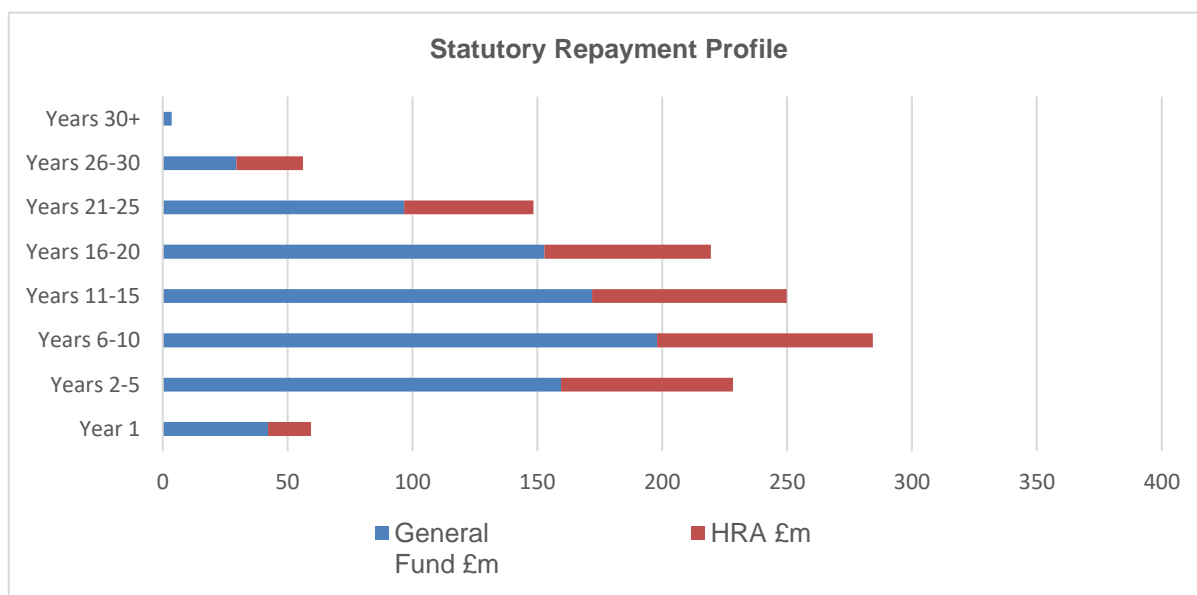
Foreign exchange risk

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. Capital advances are repaid by the General Fund and HRA over a period of up to 35 years. Capital Advances to Edinburgh Living MMR LLP are repaid on an annuity basis over a 40 year period.



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 further plans in place to wind up the Boyd Anderson Trust in 2020/21.

45.1 The funds are:

Scottish Registered Charities	Scottish Charity Registration Number	Market Value 31.03.20 £000	Market Value 31.03.19 £000
	Lauriston Castle	SC020737	7,043
Jean F. Watson	SC018971	6,450	6,424
Edinburgh Education Trust	SC042754	1,012	1,021
Nelson Halls	SC018946	235	241
The Royal Scots Trust	SC018945	34	34
Boyd Anderson	SC025067	100	105
Total market value		<u>14,874</u>	<u>14,868</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

2018/19 Income and Expenditure Account £000	2019/20 £000
Income	
79 Investment income	71
26 Other non-investment income	27
<u>105</u>	<u>97</u>
Expenditure	
(22) Prizes, awards and other expenses	(19)
(16) Governance Costs	(15)
<u>(38)</u>	<u>(34)</u>
<u>67</u> Surplus / (Deficit) for the year	<u>64</u>
2018/19 Balance Sheet	
£000	
Long-Term Assets	
2,207 Investments	2,144
5,317 Artworks - Jean F Watson Trust	5,374
7,020 Heritable property	7,020
<u>14,544</u> Total Long-Term Assets	<u>14,538</u>
Current Assets	
331 Cash and bank	362
20 Debtors	15
<u>351</u>	<u>377</u>
Current Liabilities	
(27) Creditors	(41)
<u>(27)</u>	<u>(41)</u>
<u>14,868</u> Total Assets less Liabilities	<u>14,874</u>
Funds	
3,291 Capital at 1 April	3,490
67 Surplus / (Deficit) for the year	64
132 Unrealised gains on investments	0
0 Unrealised losses on investments	(58)
<u>3,490</u>	<u>3,496</u>
11,378 Revaluation reserve	11,378
<u>14,868</u> Funds at 31 March	<u>14,874</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 on the [Council's website](#) in due course.

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2020

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.

2018/19 £000	EXPENDITURE	2019/20 £000	£000
33,823	Repairs and maintenance	29,616	
19,282	Supervision and management	20,993	
21,446	Depreciation and impairment of non-current assets	29,273	
5,873	Other expenditure	7,133	
43	Impairment of debtors	613	
80,467			87,628
	INCOME		
(97,455)	Dwelling rents	(99,591)	
(41)	Non-Dwelling rents (gross)	(22)	
(7,539)	Other income	(4,366)	
(105,035)			(103,979)
(24,568)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(16,351)
150	HRA share of corporate and democratic core		166
2,288	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		1,557
(22,130)	Net income for HRA Services		(14,628)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(2,381)	(Gain) / loss on sale of HRA fixed assets	(18,540)	
(60)	Investment Property changes in fair value	42	
18,330	Interest payable and similar charges	31,114	
2,306	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,467	
(114)	Interest and investment income	(1,188)	
(1,934)	Interest income on plan assets (<i>pension-related</i>)	(2,005)	
(24,788)	Capital grants and contributions	(29,262)	
(8,641)			(17,372)
(30,771)	Surplus for the year on HRA services		(32,000)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2018/19 £000		2019/20 £000
0	Balance on the HRA at the end of the previous year	0
30,771	Surplus for the year on the HRA Income and Exp Account	32,000
(56,814)	Adjustments between accounting basis and funding basis under statute	(47,455)
<u>(26,043)</u>	Net increase before transfers to reserves	<u>(15,455)</u>
<u>26,043</u>	Contribution (to) / from renewal and repairs fund, via the General Fund	<u>15,455</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	
21,446	Charges for depreciation and impairment of non-current assets	29,273
(24,788)	Capital grants and contributions applied	(29,262)
(60)	Movement in the market value of investment properties	42
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(20,115)	Statutory provision for the financing of capital investment	(20,695)
(32,800)	Capital funded from revenue	(23,000)
	Adjustments primarily involving the Capital Receipts Reserve	
(2,382)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(18,540)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(567)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	13,113
	Adjustments primarily involving the Pensions Reserve	
3,910	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	3,288
(1,502)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,530)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
44	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	(144)
<u>(56,814)</u>		<u>(47,455)</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 2020 are as follows:

Types of Houses	2020		2019	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	285	4,051.00	285	3,970.00
2 Apartment	5,610	4,532.00	5,499	4,443.00
3 Apartment	10,207	5,262.00	10,103	5,159.00
4 Apartment	3,512	6,069.00	3,460	5,944.00
5 Apartment	521	6,496.00	514	6,366.00
6 Apartment	10	6,557.00	9	6,413.00
7 Apartment	4	6,336.00	4	6,212.00
8 Apartment	1	6,336.00	1	6,212.00
Mid-market rent dwellings				
2 Apartment	23	5,896.00	23	5,780.00
3 Apartment	84	7,240.00	84	7,098.00
4 Apartment	22	9,125.00	22	8,946.00
	<u>20,279</u>		<u>20,004</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £7.569m (£6.907m 2018/19) against which a provision amounting to £6.386m (£5.773m 2018/19), has been created in respect of non collectable debts.
- The total value of uncollectable void rents for main provision properties was £0.648m (2018/19 £0.624m). 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 2020

2018/19 £000		2019/20 £000	£000
(351,763)	Gross council tax levied and contributions in lieu		(366,569)
56,620	Less: - Exemptions and other discounts	58,696	
8,827	- Provision for bad debts	9,207	
24,294	- Council Tax Reduction Scheme	24,070	
4,091	- Other reductions	4,457	
<u>93,832</u>			<u>96,430</u>
(257,931)			(270,139)
<u>(1,504)</u>	Previous years' adjustments		<u>(905)</u>
<u>(259,435)</u>	Total transferred to General Fund		<u>(271,044)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 97.0% (2018/19 97.0%).

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 2018/19 and 2019/20.

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 2019/20

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	24,169	77	3,921	3,401	16,924	6/9	11,283	£851.60
B £27,001 - £35,000	48,061	67	3,811	6,854	37,463	7/9	29,138	£993.53
C £35,001 - £45,000	44,950	(9)	2,841	5,480	36,620	8/9	32,551	£1,135.47
D £45,001 - £58,000	40,615	60	2,651	4,342	33,682	9/9	33,682	£1,277.40
E £58,001 - £80,000	42,662	(5)	3,571	3,799	35,287	473/360	46,363	£1,678.36
F £80,001 - £106,000	25,923	(34)	1,559	1,995	22,335	585/360	36,294	£2,075.78
G £106,001 - £212,000	22,218	(126)	518	1,289	20,285	705/360	39,725	£2,501.58
H Over £212,000	4,133	(30)	125	197	3,781	882/360	9,263	£3,129.63
							Total	238,299
							Add: Contributions in Lieu	518
							Less: Provision for Non-Payment	<u>(7,165)</u>
							Council Tax Base	<u>231,652</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 2020

2018/19		2019/20	
£000		£000	£000
(476,081)	Gross rates levied and contributions in lieu		(477,545)
103,459	Less: - Reliefs and other deductions	104,041	
4,904	- Uncollectable debt written off and provision for impairment	5,095	
<u>108,363</u>			<u>109,136</u>
(367,718)			(368,409)
<u>7,867</u>	Previous years' adjustments		<u>25,591</u>
(359,851)	Net Non-Domestic Rates Income		(342,818)
0	Non-domestic rate income retained by authority		387
<u>(359,851)</u>	Non-Domestic Rate Income		<u>(342,431)</u>
	Allocated to:		
(360,532)	Contribution to Non-Domestic Rate Pool		(343,128)
681	City of Edinburgh Council		697
<u>(359,851)</u>			<u>(342,431)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2019	Number	Rateable Value £000
Shops, offices and other commercial subjects	16,078	650,228
Industrial and freight transport	2,775	81,508
Telecommunications	6	23
Public service subjects	357	50,564
Miscellaneous	3,979	172,259
	<u>23,195</u>	<u>954,583</u>

1. The amount distributed to the council from the national non-domestic rate income pool in the year was £365.250m (2018/19 £340.474m).

2. 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 49.0p per £ in 2019/20 (2018/19 48.0p per £).

Properties with a rateable value greater than £51,000 (2018/19 £51,000) had their rate charges calculated using the poundage of 51.6p per £ (2018/19 50.6p per £).

3. From 1 April 2008, the Scottish Government introduced the small business bonus scheme. Business properties with a rateable value of £18,000 or less may 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

* Businesses with multiple properties whose combined rateable value is £35,000 or less will be eligible for relief of 25% for each property with a rateable value of £18,000 or less.

4. The Business Rate Incentivisation Scheme (BRIS) permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government.

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. £123,000 of this funding has been used to fund Scott Monument lighting work and surveys, £33,000 on surveys and work at the City Observatory, £8,600 on engineering consultancy at the Queensferry Harbour, and £12,600 on surveys and work for the Portobello Municipal Clock.

The balance of the Common Good Fund is £5.695m as at 31 March 2020 (£2.352m 2018/19). This is split £3.872m in the fund and £1.823m in the planned property maintenance fund.

During 2019/20, the Common Good made a surplus of £3.343m. This surplus includes £3.036m, which is the proceeds from the sale of a lease at 329 High Street in the financial year. Recommendations for the use of the funds from lease will be submitted to the Finance and Resources Committee as part of the Common Good Annual Performance Report.

It is anticipated that the Common Good Annual Performance Report will be considered by the Finance and Resources Committee in September 2020, along with the Audited Annual Accounts.

COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2018/19	2019/20	
£000	£000	£000
Income		
(16) Investment income	(24)	
(1,684) Rent Income	(1,160)	
(1,189) Capital Funding	(71)	
0 Sale of Fixed Assets	(3,374)	
(1,680) Recharges Income	(2,175)	
<u>(4,569) Total Income</u>	<u>(6,804)</u>	
Expenditure		
51 Common Good Fund	67	
4,553 Common Good Property Costs	3,394	
<u>4,604 Total Expenditure</u>		<u>3,461</u>
<u>35 (Surplus) / Deficit for the Year</u>		<u>(3,343)</u>

COMMON GOOD FUND - BALANCE SHEET

31 March 2019 £000		31 March 2020 £000	£000
2,558	Community Assets	2,558	
<u>2,558</u>	Property, Plant and Equipment		2,558
20,828	Long-Term Debtors	20,828	
<u>147</u>	Heritage Assets	<u>147</u>	
<u>20,975</u>	Long-Term Assets		20,975
449	Short-Term Investments	1,616	
0	Debtors	4	
<u>1,880</u>	Cash and Cash Equivalents	<u>4,052</u>	
<u>2,329</u>	Current Assets		<u>5,672</u>
<u>25,862</u>	Net Assets		<u>29,205</u>
23,523	Capital Contribution	23,523	
<u>(13)</u>	Capital Adjustment Account	<u>(13)</u>	
<u>23,510</u>	Unusable Reserves		23,510
496	Common Good Fund	3,872	
<u>1,856</u>	Earmarked Reserve	<u>1,823</u>	
<u>2,352</u>	Usable Reserves		<u>5,695</u>
<u>25,862</u>	Total Reserves		<u>29,205</u>

The unaudited accounts were issued on 22 June 2020.

HUGH DUNN, CPFA
Head of Finance
22 June 2020

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 2019	2,558	2,558	147
Transfer from / (to) General Fund	0	0	0
At 31 March 2020	2,558	2,558	147
Net Book Value At 31 March 2020	2,558	2,558	147
At 31 March 2019	2,558	2,558	147
Cost or Valuation At 1 April 2018	965	965	103
Transfer from / (to) General Fund	1,593	1,593	44
At 31 March 2019	2,558	2,558	147
Net Book Value At 31 March 2019	2,558	2,558	147
At 31 March 2018	965	965	103

These asset categories are not depreciated.

1.2 Developing a Common Good Register

Significant progress has been made to collate information regarding properties considered by the Council to be 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 came 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.

The Council maintains a **web page** with a link to the latest Common Good Register on their website.

A further updated draft of the Common Good Asset Register is yet to be finalised because work had to be put on hold due to the imposed COVID-19 lockdown. Therefore, at the balance sheet date, the Council's balance sheet may hold heritage assets that belong to the Common Good.

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 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.

	2019/20		2018/19	
	£000	£000	£000	£000
Balance at 1 April		23,523		21,886
Movement of assets	0		1,638	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0		(1)	
Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Service		0		1,637
Derecognition of asset disposals		0		0
Balance at 31 March		<u>23,523</u>		<u>23,523</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.

	2019/20	2018/19
	£000	£000
Balance at 1 April	(13)	(22)
Movement in Year	0	9
Balance at 31 March	<u>(13)</u>	<u>(13)</u>

ANNUAL GOVERNANCE STATEMENT

Introduction

This governance statement provides assurance over the governance arrangements that have been in place for the majority of 2019/20 and it also identifies the changes that have been implemented in response to the COVID-19 emergency. The emergency has meant that the Council has had to make significant changes to its governance arrangements and as a result the Council's arrangements are under significant pressure but it is felt that they are still robust and sufficient for the current circumstances.

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.

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.

Council's Strategy and Vision

The Council's strategy can be divided into four sections:

- The Vision – In 2016, the City of Edinburgh began a conversation about its future to create a vision for 2050. A major public engagement and awareness raising campaign was launched in 2018. The Steering Group for the city vision has been established and is developing the 2050 Edinburgh City Vision with a view to launching it in 2020. The launch of the City Vision has been delayed due to the COVID-19 emergency but is expected to be a key element of the city's collective recovery to the COVID-19 with partners using the principles in 2050 City Vision to guide their recovery planning. The Council endorsed this approach at its Policy and Sustainability Committee on 28 May.
- The Business Plan - In 2017, the Council agreed the Business Plan which is built around 52 commitments that the administration has pledged to deliver over five years. The plan sets out what the Council aims to do and how it intends to do it. The plan will inform the decision making on how to use resources. The principles and actions set out will drive how the Council reshapes and redesigns the way it delivers services and the way it works with communities and partners.
- The Change Strategy - The 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.
- Underpinning these documents are a series of strategic plans providing detail on the Council's priorities such as poverty and sustainability. These will be incorporated into the Council's recovery planning going forward.

Decision making structures

Political Governance Arrangements

The Council operates an executive committee structure (see figure 1.1). 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, Homelessness and Fair Work, and Transport and Environment.

The Governance, Risk and Best Value Committee seeks assurance over the adequacy of governance and risk management frameworks and the internal control environment. It also scrutinises the Council's financial and non-financial performance, approves and monitors progress against 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.

ANNUAL GOVERNANCE STATEMENT

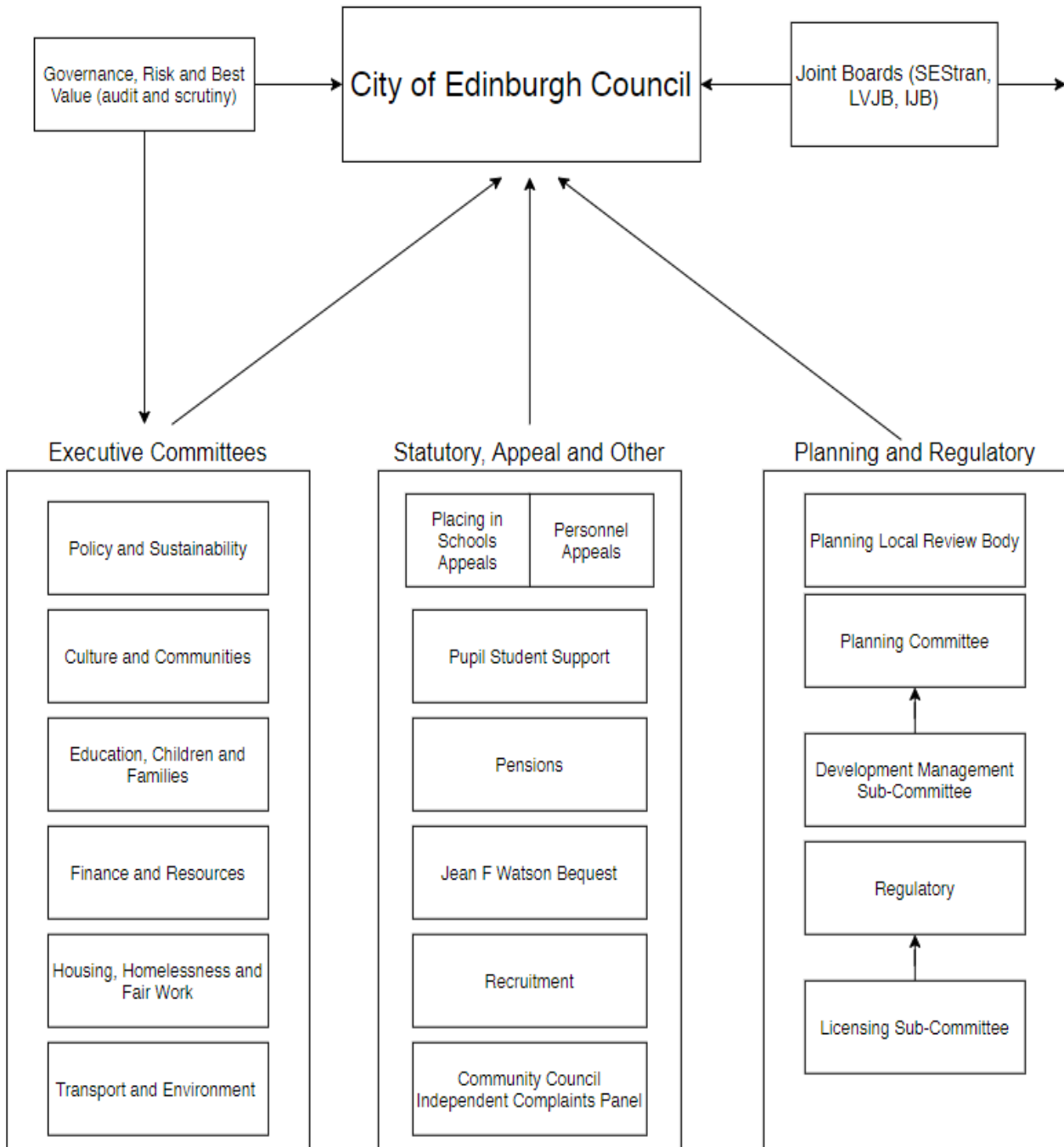


Figure 1.1 Executive Committee Structure

Officer Decision Making

The Corporate Leadership Team (CLT) meets weekly, led by the Chief Executive and includes all executive directors and key heads of service including the Head of Finance as the Council's Statutory Section 95 Officer (see figure 1.2).

It is supported by a range of groups covering key matters such as risk, health and safety and programme management. 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 at least quarterly and ensure escalation of risks.

ANNUAL GOVERNANCE STATEMENT

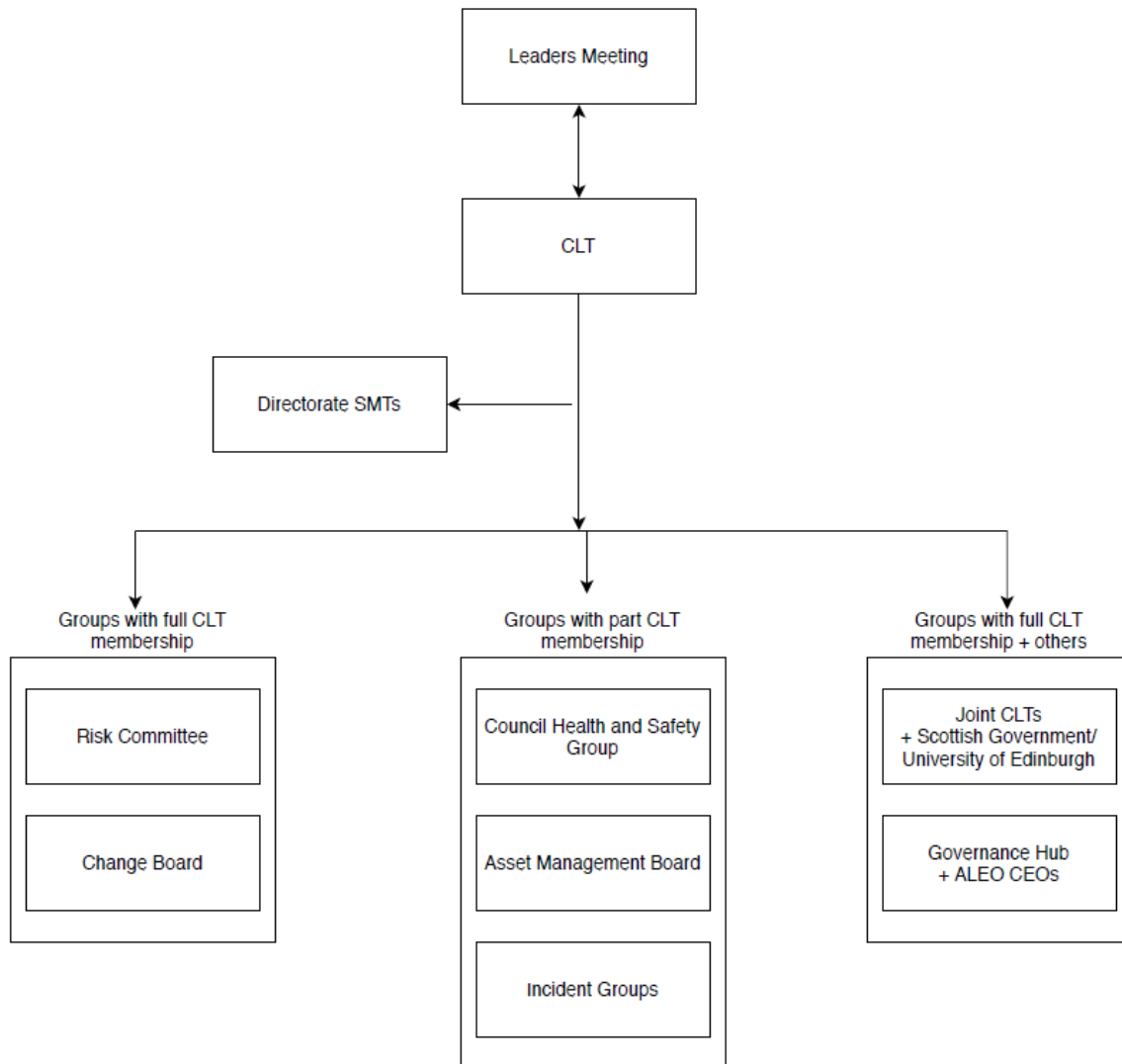


Figure 1.2 - CLT and Senior Management Team (SMTs) Structure

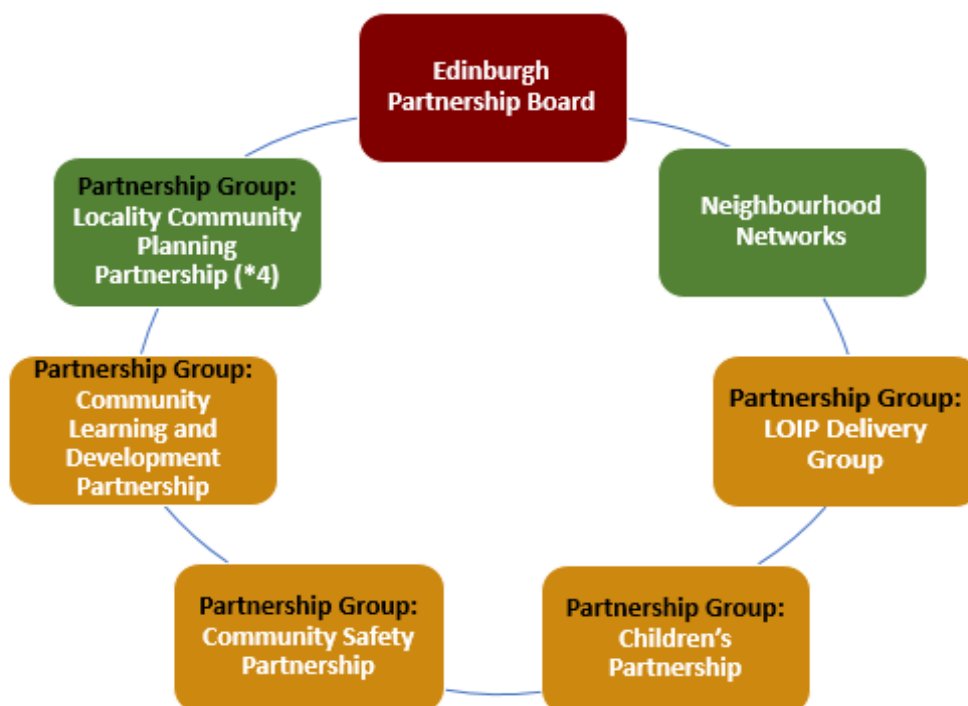
Partnership Working

The Council has four localities and is using this model to restructure and deliver a range of frontline services. This will ensure integrated local services and improved outcomes for citizens. This locality model operates in co-terminosity with our partners (such as police and fire services) enabling closer working and integration of services around our citizens. 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, the Community Planning Partnership in Edinburgh, and its new 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 new 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.

ANNUAL GOVERNANCE STATEMENT

Partnership Working - continued



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 has adopted a Corporate Governance Framework (CGF) as its local code. The CGF is based on the Chartered Institute of Public Finance & Accountancy and Society of Local Authority Chief Executives model framework Delivering Good Governance in Local Government. The CGF outlines how the Council embeds good governance throughout the organisation and is available on the Council's website.

Covid- 19 Arrangements

The Council implemented changes both to its operational and political management arrangements to support the response to the COVID-19 emergency

The groups below were all established to respond to the COVID-19 incident:

- Council Incident Management Team (CIMT) chaired by the Chief Executive with daily meetings from 13 March 2020
- Directorate Incident Management Teams with escalation to CIMT
- Specialist Incident Management Teams:
 - Health and Social Care Command, chaired by Edinburgh Health and Social Care Partnership's Head of Operations
 - Personal Protective Equipment operational group, chaired by the Chief Procurement Officer
 - Shielding, chaired by the Executive Director of Resources
 - Vulnerable and Volunteering, chaired by the Executive Director of Communities and Families
- Cross-Council Risk Forum, convened and chaired by the Head of Legal and Risk / Council's Monitoring Officer.
- Weekly meetings with the Trade Unions chaired by the Head of Human Resources.

The CIMT and directorate IMTs have provided a clear, easy to understand and effective governance structure for organising services during the emergency. Action notes have been kept for all meetings and executive directors have reported to the CIMT any issues for escalation. During March and April, the CIMT and directorate IMTs mostly met daily due to the pace of change and direction coming from Government. These meetings have reduced in frequency in recent weeks as the response to the emergency has stabilised but are all still in operation and operational business is still directed through these meetings.

ANNUAL GOVERNANCE STATEMENT

COVID- 19 Arrangements - continued

COVID-19 has had, and continues to provide, a very challenging environment for the Council and has resulted in decisions being made at pace but never without efficient and effective governance at the core.

The three principles that were set out at the beginning of the response have been the framework for every decision taken:

- protect the most vulnerable in our city;
- minimise the risks to our colleagues; and
- continue to provide services in challenging circumstances.

The Chief Executive established measures to ensure that decision making was as transparent as possible and that decisions were taken only by officers where absolutely necessary. The following principles were applied:

- The Chief Executive would be the only officer to take decisions in response to the COVID-19 emergency using powers outlined in the Scheme of Delegation to Officers;
- The Chief Executive would consult on all these decisions with the Leader and Depute Leader;
- Decisions would be considered and discussed at the Council's Incident Management Team;
- If possible, executive directors would discuss matters at their directorate incident management teams before escalating to the CIMT;
- Decisions would only be taken by the Chief Executive where urgent and they could not be considered in good time by the Leadership Advisory Panel; and
- Decisions would be reported to the Leadership Advisory Panel for information.
- When making decisions the potential risk and impact of those decisions, whether existing controls are effective and what new measures or controls may be required should be considered. This process should be as efficient and streamlined as possible.

To date the Council has implemented two phases of political governance arrangements in response to COVID-19 emergency. The first phase, agreed by the Chief Executive under emergency powers, was to extend the recess period of the City of Edinburgh Council from Friday 20 March 2020 to Sunday 29 March 2020 inclusive and from Monday 20 April 2020 to Sunday 26 April 2020 inclusive. The Leadership Advisory Panel was an existing committee that had the authority to take all decisions during recess periods. This was stood up and met twice during this period.

The second phase followed a report considered by the Leadership Advisory Panel on 23 April 2020 and agreed that the Policy and Sustainability Committee would meet every two weeks from May and would have the authority to make decisions on all matters of business. This committee has a larger number of elected members, includes a number of the executive committee conveners and is chaired by the Council Leader. All business, with the exception of quasi-judicial matters, should be submitted to this committee. The Development Management Sub-Committee and the Local Review Bodies would also meet from May when required and the Governance, Risk and Best Value Committee would meet again from 9 June 2020. This has re-established independent committee scrutiny and allowed audit activity to re-commence.

It was agreed that the Policy and Sustainability Committee would review political governance arrangements again in August 2020.

Risk management processes were put in place to ensure that the risks associated with COVID-19 were identified, recorded, and mitigated where possible. Nine strategic risks were identified and recorded in the COVID-19 Risk Management Plan (RMP) and continue to be actively managed:

- health and safety of citizens and service users;
- health and safety of employees delivering critical services;
- Council premises and physical security;
- supply chain risk;
- technology and information;
- financial and economic risk;
- Council response and governance;
- fraud and serious organised crime, including overseeing the proportionate system of internal controls put in place for a number of newly-introduced funding streams, including business grants and self-employment payments; and
- legal and commercial risk.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

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 and Directors of Finance of the Council's group companies.
- council officers' management activities;
- the Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- reports from the Council's external auditor; and
- reports by external, statutory inspection agencies.

Each Executive Director has reviewed the arrangements in their service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and will be subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered relevant third-party reviews and recommendations. Assurance has also been taken from 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 Internal Audit section operates in accordance with CIPFA's Code of Practice for Internal Audit and the Public Sector Internal Audit Standards. 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 (who is also the 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.

In compliance with standard accounting practice, the Head of Finance as the Council's Statutory 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 2020. It is the opinion of the Head of Finance that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including embedding of actions taken in response to previous recommendations, are still clearly required. In this context, the Head of Finance particularly highlights the continuing required improvements to address a number of systemic weaknesses in respect of payroll-related controls, particularly those to address historic, and prevent recurring, overpayments.

The Chief Internal Auditor will present her annual audit opinion on the adequacy and effectiveness of the system of internal control (including financial controls) to the Governance, Risk and Best Value Committee in August 2020. Due to COVID-related disruption and in-year delivery challenges, however, the opinion will necessarily be limited and based upon completion of 70% of the 2019/20 audit plan, subject to the receipt of requested support from Directorates.

The Council comprehensively reviewed its political management arrangements in May 2019, focussing on the levels of business at its main executive committees. Statistics showed a considerable strain on the Council's political management arrangements. The length of meetings showed a level of healthy democratic debate and as a result a level of scrutiny taking place at executive committees, however the volume of business was high and left little room and flexibility to scrutinise all committee business on an agenda. There was a risk of scrutiny being rushed for less high-profile areas of work because of these pressures. This pressure was not evident across all committees, but the structure was not sustainable, and the Council agreed to re-align its business so there was a more even spread across committees, with areas of business still grouped logically. The committee re-alignment also ensured that sustainability, one of the Council's key priorities, was considered by the newly re-titled Policy and Sustainability Committee chaired by the Council Leader. There was also a title change for the Housing and Economy Committee which was renamed Housing, Homelessness and Fair Work, again reflecting the Council's priorities.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- External Audit had highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all Councillors and senior staff having a clear understanding of their rights and responsibilities in relation to information held by the Council. A review of the Member/Officer protocol was commenced but the completion of the revised document was delayed by COVID-19. The review included member and officer groups and a facilitated joint meeting to build on the existing protocol before it will finally be considered by committee.
- An Internal Audit review confirmed that management; oversight; and scrutiny of the Council's major projects portfolio is generally adequate with some enhancements required. The review recognised significant progress made in the last year with the implementation of a portfolio governance framework that reflects best practice in a number of areas, and facilitates standardised reporting across the major projects' portfolio, enabling ongoing oversight and scrutiny by both the Change Board and the Governance, Risk and Best Value Committee. Since the review the system has further bedded in and the number of projects monitored by the Change Board increased significantly. Concern has been raised over the project governance for those projects that are too small for the Change Board and the need for directorates to improve their monitoring and challenge in this area.
- A major issue highlighted by both External and Internal Audit was the number of overdue findings from internal audit reports. The Corporate Leadership Team highlighted that resolving overdue findings was proving challenging due to their complexity. It was agreed that Directorates would review and refresh their agreed management actions for any findings that were more than three months overdue (including historic reopened findings) to assess whether alternative actions could be implemented to address the identified risks. This sustained effort significantly reduced the number of overdue findings and ensuring that management actions are completed on time is an agreed major priority for all directorates.
- 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.
- The Council's whistleblowing arrangements continue to include the oversight of an independent external service provider with the autonomy to decide who investigates the concerns raised, the Council or the service provider. The continuing involvement of an independent organisation helps ensure a robust, transparent and trustworthy process. The Council's approach is widely seen as best practice and as such the Council was invited to give evidence to the Scottish Parliament when an NHS whistleblowing service was being considered. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee.
- The division of scrutiny of the Council's Arm's Length External Organisations (ALEOs) between executive committees and Governance, Risk and Best Value Committee is essential to ensure that potential conflicts of interest are mitigated. However, the separation of scrutiny between GRBV and executive committees has not always been clear, and duplication of scrutiny has been common. A committee report in 2020 sought to clarify matters for the Council's committees and for individual ALEOs. These arrangements were agreed and implemented but the COVID-19 emergency has meant that it has not been possible to demonstrate that this was maintained. The Council's compliance with the principles set out in the Following the Public Pound Code is much wider than just committee consideration, it applies to the Council's interactions with its ALEOs at all levels. The Chief Executive intends to review how the Council works with its ALEOs, examining the shareholder agreements and Service Level Agreements in place to ensure a greater degree of consistency and clarity of relationship. Individual issues that have arisen with ALEOs such as the non-submission of annual accounts by Marketing Edinburgh are being supported by the relevant directorates.
- Each directorate's assurance schedule was scrutinised by the Governance, Risk and Best Value Committee.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- Internal Audit identified a number of significant control weaknesses in the design and application of the Council's policy management framework, across all Council directorates and divisions, that require to be addressed. Consequently, only limited assurance can be provided that policies are being effectively developed, managed, and communicated across the Council and are aligned with applicable legislation, regulations, and statutory requirements.
- In light of expected Scottish government proposal to further embed Human Rights into the Scottish Legal Framework, consideration needs to be given now as to whether the current approach to IIAs is adequate and sufficiently embedded in Council working to be fit for purpose.
- Directorate assurance schedules identified the need for a holistic, corporate tracking of actions and improvement actions associated with the assurance schedules, external audit and other regulatory bodies. Improvements are required to the administration of improvement actions and aligning this with the governance statement to provide adequate assurance that actions are being implemented and thus risks effectively managed.
- There are established, well exercised, resilience incident management processes and protocols in place to effectively plan for and respond to emergencies. The Council Resilience Group and Council Counter Terrorism Group are the two main groups that drive and monitor the Council Resilience Management Programme, reporting to the Council Leadership Team, with the flexibility to convene working groups as required, for example, for Brexit planning. In the event of an incident, there is a flexible framework including directorate and corporate levels, that can be stood up as required, reporting to the Council Leadership Team and the appropriate committee(s). The Council feeds in to Scotland's resilience structures on a multi-agency basis, through the Lothian and Borders Local Resilience Partnership and East of Scotland Regional Resilience Partnership. The incident management used for COVID-19 is a good example of the effectiveness and agility of these structures.
- 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
- There is a robust risk framework in place which identifies key risks and is effective at a corporate Council-wide level. However, there is a need to ensure that adequate resource is provided to ensure that the framework is effectively implemented at all levels of the Council and that all directorates are considering risk as part of their decision-making processes. It should be noted that health and social care risks remain separate from the Council process.
- The Council has adapted how it works on some of its key priorities enabling it to work flexibly with its partners with a view to achieving its ambitious objectives. An example of this is the Poverty Commission where the Council has worked with a newly created independent body and chair and agreed that recommendations proposed by the Commission will be used to inform future Council policies and actions to prevent, reduce, and mitigate poverty in Edinburgh. A further example is the partnership with the University of Edinburgh to appoint a climate commission. The flexible governance approach in these two examples have allowed the Council to be informed by external experts from across a range of sectors with the aim of achieving better outcomes. However, the final decision making remains with the Council and partner organisations.
- A Community Council review was carried out that improved the governance documentation supporting Community Councils. In addition, a new Code of Conduct was created for Community Councillors, with a Council committee created to consider the most serious cases.

The status of the previous year's actions is outlined below:

	Governance Issue	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
1	Health and Social Care – Further work is required to implement an effective risk escalation framework.	The Health and Social Care Partnership aim to complete the risk escalation framework	Chief Officer	Completed
2	To ensure workforce resources are managed properly, including compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Implementation of new HR/ system	Executive Director of Resources	Completed

ANNUAL GOVERNANCE STATEMENT

	Governance Issue	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
3	Partial compliance (Place Directorate) - Council staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	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	Completed
4	Ensure the Council's arrangements are fully compliant with relevant Scottish, UK and EU legislation and regulations.	Review of Political Management Arrangements	Chief Executive	Completed
5	Ensure the Council's arrangements are fully compliant with relevant Scottish, UK and EU legislation and regulations.	Review Annual Assurance process	Chief Executive	Completed
6	Decisions are made on the basis of objective information, the consideration of best value, risk, stakeholder views, rigorous analysis, and consideration of future impacts. This is formalised through appropriate structures. (i.e. SMT reporting).	A new balanced score card approach is to be implemented which looks to amalgamate all aspects of performance in a single format	Chief Executive	Completed
7	Projects are not always started with clear business cases or a formal project management approach adopted. Projects are started in relation to an issue or service change, but recognition not always given to other projects creating duplication. A Business Planning process is also being established.	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	Completed
8	An issue was identified by Internal Audit as part of a review of payments to contractors in Housing Property. Actions have been agreed with Internal Audit and are currently being implemented.	Review of developer contributions held in Finance database	Executive Director of Resources	Completed
9	An issue was identified by Internal Audit as part of a review of payments to contractors in Housing Property. Actions have been agreed with Internal Audit and are currently being implemented.	Review of historic developer contributions	Executive Director of Resources	Completed
10	An issue was identified by Internal Audit as part of a review of payments to contractors in Housing Property. Actions have been agreed with Internal Audit and are currently being implemented.	Review of Developer contribution process documentation and guidance	Executive Director of Resources	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:

	Assurance Statement	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.	Development of Business Forums for Finance/Property/HR to provide a risk-based approach to business management.	Executive Director for Communities and Families	October 2020
2	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	Roll out risk management framework across wider leadership teams and Partnership teams.	Chief Officer	March 2021
3		A decision whether to review and align the Directorate Risk Register with the specific risk registers which exist for Brexit, Cyber and Information Security and Change Programmes will be undertaken during the next financial year.	Executive Director of Resources	September 2020
4	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	The creation of the Edinburgh Learns Risk Board is to involve school colleagues in the management of relevant risks. It will act as a gatekeeper in terms of what is included in risk management and will provide isomorphic learning where the Service learns from within to manage the risks jointly, efficiently and effectively.	Executive Director for Communities and Families	October 2020
5	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	All Edinburgh Health and Social Care Partnership (EHSCP) and Place policies on the Policy Register will be reviewed with the support of the Governance team. A review framework will be introduced to ensure that the register is updated and relevant changes are applied accordingly.	All	December 2020
6		A review of the policy register will be carried out to ensure it is up to date and that the correct processes are easy to understand and implement.	Chief Executive/All	October 2020
7		Directorate to review SHE and the Essential Learning matrix and mechanism within the Service to be undertaken with Corporate Health and Safety to ensure that the portal is being used efficiently, effectively and necessary improvements are made.	Executive Director for Communities and Families	October 2020
8		To ensure that the Health & Safety Team Professional Advisor roles are recruited to a sufficient level, with posts filled by individuals with appropriate competency and qualification levels during the course of the next financial year.	Executive Director of Resources	March 2021
9	I have appropriate arrangements in place throughout my service area for recording, monitoring and managing customer service complaints and customer satisfaction.	Development of a carbon scenario tool with ECCI as part of the sustainability programme	Chief Executive	December 2020

ANNUAL GOVERNANCE STATEMENT

	Assurance Statement	Mitigation Action / Proposed Action	Responsible Party	Reporting Date
10	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.	There will be a development of a new Roads and Transport Infrastructure Improvement Plan. This will require the realignment of roads and transport services to implement the plan. This will ensure clear accountability for all programmes and projects.	Executive Director of Place	September 2020
11	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	The Finance Service will work with the Schools and Lifelong Learning Service to review the issues with the forecasting spreadsheet used in schools. This review will address the causal effects and seek to mitigate them.	Executive Director for Communities and Families	October 2020
12	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	A consolidated decision tracker for ensuring the implementation of Best Value, Assurance and Annual Accounts recommendations is created.	Chief Executive	December 2020
13	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	To ensure that a framework is in place for directorates to understand the requirements of the Annual Assurance Schedule and the Corporate Governance Framework	Chief Executive	December 2020

Conclusion

In conclusion, the Council's controls framework continues to evolve and improve. It is robust and a reasonable level of assurance can be taken. Improvements are needed in certain areas to ensure that the Council's and controls are implemented fully. Moreover, COVID-19 has put significant pressure on the Council's processes and controls and the Council will need to be vigilant to ensure that if the Council undergoes considerable transformation due to the emergency that it ensures that its governance controls remain effective.

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.

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 2019/20, the remuneration for the Leader of the City of Edinburgh Council was £52,414. 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 2019/20 this was £39,310. 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 £681,366. 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, Homelessness and Fair Work, 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, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory and Transport and Environment Committees	7	50%
Opposition Group Leaders - Conservative, Green and Liberal Democrat Groups	3	50%

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. 2019/20	Total Remun. 2018/19
	£	£	£	£	£
A. McVey, Leader of the Council	52,414	41	779	53,234	51,172
F. Ross, Lord Provost	39,310	194	4,560	44,063	44,346
C. Day, Deputy Leader of the Council	39,310	0	116	39,426	38,443
J. Griffiths, Depute Convener	26,208	0	216	26,424	25,693
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	32,759	26	508	33,293	32,743
A. Rankin, Convener Finance and Resources	32,759	0	170	32,929	32,036
R. Henderson, Convener Edinburgh Integration Joint Board (to 27.06.19)	32,759	0	756	33,515	32,939
I. Perry, Convener Education, Children and Families	32,759	0	440	33,199	32,457
J. Mowat, Convener Governance, Risk and Best Value	26,208	0	779	26,987	26,263
K. Campbell, Convener Housing, Homelessness and Fair Work	32,759	0	854	33,613	35,215
L. Macinnes, Convener Transport and Environment	32,759	0	134	32,893	32,247
N. Gardiner, Convener Planning	32,759	0	761	33,520	32,631
C. Fullerton, Convener Regulatory	32,759	31	90	32,880	32,072
N. Work, Convener Licensing Board	32,114	0	180	32,294	28,815
<u>Vice-Conveners</u>					
M. Child, Vice Convener Planning and North East Locality Chair (to 03.05.19)	26,208	0	108	26,316	25,280
M. Donaldson, Vice Convener Finance and Resources (to 29.01.19)	n/a	n/a	n/a	n/a	21,221
A. McNeese-Mechan, Vice Convener Culture and Communities	26,208	30	908	27,145	27,225
A. Dickie, Vice Convener Education, Children and Families	26,208	0	200	26,408	26,546
L M. Cameron, Vice Convener Housing, Homelessness and Fair Work (to 02.05.19) and Vice Convener Finance and Resources (from 02.05.19 to 21.10.19)	26,208	0	1,308	27,516	27,021
K. Doran, Vice Convener Transport and Environment	26,208	0	766	26,974	26,269
M. Main, Vice Convener Governance, Risk and Best Value (to 31.05.19) & Green Group Leader (to 29.06.18 & from 29.12.19)	19,725	0	94	19,819	18,855
<u>Locality Committee Conveners</u>					
M. Watt, Vice Convener Housing, Homelessness and Fair Work (from 02.05.19) and South East Locality Chair (to 03.05.19)	26,095	0	779	26,874	25,007
D. Dixon, Vice Convener Regulatory (from 31.05.19) and South West Locality Chair (to 03.05.19)	25,993	0	92	26,085	24,312

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2019/20 £	Total Remun. 2018/19 £
Council's Leader, Civic Head and Senior Councillors					
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	25,993	0	128	26,121	24,971
M. Campbell, Green Group Leader (<i>from 29.06.18 to 29.12.18</i>)	n/a	n/a	n/a	n/a	20,748
C. Booth, Green Group Leader (<i>from 29.12.2018</i>)	19,367	0	116	19,482	18,972
R. Aldridge, Liberal Democrat Group Leader	25,993	0	0	25,993	24,218
<u>Councillors</u>					
D. Key, Convener to the Lothian Valuation Joint Board	21,840	0	96	21,936	21,340

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2019/20 was £4,391.88 (2018/19 £4,251). 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):

	2019/20 £	2018/19 £
Salaries	1,422,542	1,380,111
Expenses		
<i>Claimed by councillors</i>	387	742
<i>Paid directly by the Council</i>	35,169	46,733
Total	<u>1,458,099</u>	<u>1,427,586</u>

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2019/20 £	Total Remun. Total £
Council's Senior Officers				
A. Kerr, Chief Executive	175,740	0	175,740	167,468
A. Gaw, Executive Director of Communities and Families	158,150	0	158,150	150,390
J. Proctor, Integration Joint Board Chief Officer (Note 1)	79,009	0	79,009	68,929
M. Miller, Interim Integration Joint Board Chief Officer (<i>to 30.06.18</i>) (Note 2)	400	0	400	37,977
P. Lawrence, Executive Director of Place	158,150	0	158,150	150,390
J. Irvine, Chief Social Work Officer (<i>from 30.7.18</i>)	109,100	0	109,100	69,407
S. Moir, Executive Director of Resources	158,150	0	158,150	150,390
H. Dunn, Head of Finance	115,230	0	115,230	108,720
Total	<u>953,929</u>	<u>0</u>	<u>953,929</u>	<u>903,671</u>

Notes:

1. J. Proctor took up the position of Chief Officer with 50% of her salary costs from 1 May 2018 reflected above.
2. M. Miller held the position of Interim Integration Joint Board Chief Officer until 30 June 2018. One payment of £400 Basic Pay was made in May 2019 as part of the 2018-19 backdated pay award.

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 2019 and 2018 respectively.

	Salary, Fees and Allowances	Bonus	Compensation Other Benefits	for Loss of Office	Total Remun. 2019/20	Total Remun. 2018/19
	£	£	£	£	£	£
Council's Subsidiary Companies						
E. Adair, Operations and Finance Director, EDI Group (to 30.06.18)	n/a	n/a	n/a	n/a	n/a	139,596
M. Dallas, Chief Executive, EICC	154,941	28,838	0	0	183,779	171,140
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd (Note 1)	5,440	0	0	0	5,440	139,200
R. Hunter, Chief Executive, Capital City Partnership	58,767	0	0	0	58,767	53,729
<u>Transport for Edinburgh</u>						
G. Lowder, Chief Executive	146,441	0	0	0	146,441	144,281
<u>Lothian Buses Ltd.</u>						
R. Hall, Managing Director (Note 2)	174,618	0	523	147,950	323,091	217,669
<u>Edinburgh Trams Ltd.</u>						
L. Harrison, General Manager	132,025	48,895	0	0	180,920	127,962
	<u>672,232</u>	<u>77,733</u>	<u>523</u>	<u>147,950</u>	<u>898,438</u>	<u>993,577</u>

Notes:

- Marketing Edinburgh Limited entered into a contract with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive to 11 April 2019. The cost of this contract is £5,440 in 2019/20, including VAT (2018/19 £139,200, including VAT).
- Compensation for loss of office includes contractually-due payment in lieu of six-month notice period agreed at the end of March 2020.

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.

	2019/20	2018/19		2019/20	2018/19
£50,000 - £54,999	410	197	£115,000 - £119,999	2	0
£55,000 - £59,999	218	132	£120,000 - £124,999	1	0
£60,000 - £64,999	134	44	£125,000 - £129,999	1	0
£65,000 - £69,999	70	35	£130,000 - £134,999	1	0
£70,000 - £74,999	16	32	£135,000 - £139,999	0	0
£75,000 - £79,999	34	20	£140,000 - £144,999	0	0
£80,000 - £84,999	20	3	£145,000 - £149,999	0	0
£85,000 - £89,999	17	4	£150,000 - £154,999	0	3
£90,000 - £94,999	2	0	£155,000 - £159,999	4	0
£95,000 - £99,999	2	2	£160,000 - £164,999	1	0
£100,000 - £104,999	2	8	£165,000 - £169,999	0	1
£105,000 - £109,999	11	1	£170,000 - £174,999	0	0
£110,000 - £114,999	1	1	£175,000 - £179,999	1	0
			Total No. of Employees	948	483

Notes:

- The 2019/20 remuneration includes the back dated pay awards for 2018/19 (3.5% for local government employees and 3% for teachers) which were paid in April/May 2019 and the subsequent pay increases for the 2019/20 tax year (3% for local government employees and 7% for teachers).

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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000							£000	£000
- Council	0	0	30	23	30	23	245	179
- Group companies	0	0	1	4	1	4	6	38
£20,001 - £40,000								
- Council	0	0	28	11	28	11	788	311
- Group companies	0	0	2	1	2	1	88	31
£40,001 - £60,000								
- Council	0	0	13	4	13	4	675	202
- Group companies	0	0	1	0	1	0	50	0
£60,001 - £80,000								
- Council	0	0	5	9	5	9	344	621
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	3	2	3	2	276	193
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	3	4	3	4	358	498
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	1	2	1	2	151	364
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	2	0	2	0	458	0
- Group companies	0	0	0	0	0	0	0	0
	0	0	89	60	89	60	3,439	2,437

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 2019/20 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £21,800 (2018/2019 £21,300)	5.50%
On earnings above £21,801 and up to £26,700 (2018/2019 £21,300 to £26,100)	7.25%
On earnings above £26,701 and up to £36,600 (2018/2019 £26,100 to £35,700)	8.50%
On earnings above £36,601 and up to £48,800 (2018/2019 £35,700 to £47,600)	9.50%
On earnings above £48,801 (2018/2019 £47,600)	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 2019/20, the equivalent of 8.3 FTE (across 18 individuals) of paid facility time was made available, with an associated cost of £0.26m. This sum equates to 0.04% of the Council's overall paybill.

Of the total time made available, six individuals spent 100% of time during the year on trade union-related activities, nil between 51% and 99%, and the remaining twelve 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 2020 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 31.03.2020	For year to 31.03.2019		As at 31.03.2020	Difference from 31.03.2019
	£	£		£000	£000
<u>Council's Leader and Civic Head</u>					
A. McVey, Leader of the Council	11,688	11,115	Pension	6	2
			Lump Sum	0	0
F. Ross, Lord Provost	8,766	8,336	Pension	6	1
			Lump Sum	0	0
C. Day, Deputy Leader of the Council	8,766	8,336	Pension	2	1
			Lump Sum	0	0
J. Griffiths, Depute Convener	5,844	5,557	Pension	3	0
			Lump Sum	0	0
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	7,305	6,947	Pension	8	1
			Lump Sum	2	0
A. Rankin, Convener Finance and Resources	7,305	6,947	Pension	5	1
			Lump Sum	0	0
R. Henderson, Convener Edinburgh Integration Joint Board (to 27.06.19)	7,305	7,010	Pension	7	1
			Lump Sum	2	0
I. Perry, Convener Education, Children and Families	7,305	6,947	Pension	7	1
			Lump Sum	2	0
J. Mowat, Convener Governance, Risk and Best Value	5,844	5,557	Pension	4	1
			Lump Sum	0	0
K. Campbell, Convener Housing and Economy	7,305	7,094	Pension	2	2
			Lump Sum	0	0
L. Macinnes, Convener Transport and Environment	7,305	6,947	Pension	2	2
			Lump Sum	0	0
N. Gardiner, Convener Planning	7,305	6,947	Pension	2	2
			Lump Sum	0	0
N. Work, Convener Licensing Board	7,162	6,113	Pension	6	1
			Lump Sum	2	0
<u>Vice-Conveners</u>					
M. Child, Vice Convener Planning and North East Locality Chair (to 03.05.19)	5,844	5,488	Pension	11	1
			Lump Sum	17	1
M. Donaldson, Vice Convener Finance and Resources (to 29.01.2019)	n/a	4,601	Pension	n/a	n/a
			Lump Sum	n/a	n/a
A. McNeese-Mechan, Vice Convener Culture and Communities	5,844	5,642	Pension	1	0
			Lump Sum	0	0
A. Dickie, Vice Convener Education, Children and Families	5,844	5,557	Pension	2	2
			Lump Sum	0	0
L M. Cameron, Vice Convener Housing and Economy (to 02.05.19) and Vice Convener Finance and Resources (from 02.05.19 to 21.10.19)	5,844	5,557	Pension	2	2
			Lump Sum	0	0
K. Doran, Vice Convener Transport and Environment	5,844	5,557	Pension	3	1
			Lump Sum	0	0
M. Main, Vice Convener Governance, Risk and Best Value (to 31.05.19) & Green Group Leader (to 29.06.18 and from 29.12.19)	4,399	4,090	Pension	3	1
			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 31.03.2020 £	For year to 31.03.2019 £		As at 31.03.2020 £000	Difference from 31.03.2019 £000
<u>Locality Committee Conveners</u>					
M. Watt, M. Watt, Vice Convener Housing, Homelessness and Fair Work (from 02.05.19) and South East Locality Chair (to 03.05.19)	5,819	5,280	Pension	2	2
			Lump Sum	0	0
D. Dixon, Vice Convener Regulatory (from 31.05.19) and South West Locality Chair (to 03.05.19)	5,796	5,280	Pension	3	0
			Lump Sum	0	0
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	5,796	5,280	Pension	6	0
			Lump Sum	2	0
M. Campbell, Green Group Leader (from 29.06.18 to 29.12.18)	n/a	4,488	Pension	n/a	n/a
			Lump Sum	n/a	n/a
R. Aldridge, Liberal Democrat Group Leader	5,796	5,280	Pension	5	0
			Lump Sum	2	0
<u>Councillors</u>					
D. Key (including role as Convener of Lothian Valuation Joint Board)	4,870	4,631	Pension	3	0
			Lump Sum	0	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2020 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 31.03.2020 £	For year to 31.03.2019 £		As at 31.03.2020 £000	Difference from 31.03.2019 £000
A. Kerr, Chief Executive	n/a	n/a	Pension	9	0
			Lump Sum	0	0
A. Gaw, Executive Director of Communities and Families	35,267	32,785	Pension	78	4
			Lump Sum	148	6
J. Proctor, Integration Joint Board Chief Officer (from 01.05.18)	35,238	30,053	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Miller, Interim Integration Joint Board Chief Officer (to 30.06.18)	n/a	8,196	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Lawrence, Executive Director of Place	35,267	32,785	Pension	29	4
			Lump Sum	n/a	n/a
J. Irvine, Chief Social Work Officer	24,329	15,131	Pension	33	32
			Lump Sum	37	37
S. Moir, Executive Director of Resources	35,267	32,785	Pension	9	9
			Lump Sum	0	0
H. Dunn, Head of Finance	25,696	23,701	Pension	79	23
			Lump Sum	151	46
Total	191,064	175,436			

REMUNERATION REPORT

Pension Benefits - continued Pension Rights - continued Senior Employees - continued

Notes:

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 2020, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 129.

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 2020 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2020 £	For year to 31.03.2019 £		As at 31.03.2020 £000	Difference from 31.03.2019 £000
E. Adair, Operations and Finance Director, EDI Group	n/a	30,061	Pension Lump Sum	n/a n/a	33 45
M. Dallas, Chief Executive, EICC	9,617	18,812	Pension Lump Sum	n/a n/a	n/a n/a
<u>Lothian Buses Ltd.</u>					
R. Hall, Managing Director	17,462	16,933	Pension Lump Sum	n/a n/a	n/a n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager	13,203	10,996	Pension Lump Sum	n/a n/a	n/a n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	12,929	11,112	Pension Lump Sum	14 11	2 1
Total	<u>53,211</u>	<u>87,914</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 2019 and 31 December 2018 respectively.

R. Hunter is the only current member of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total relevant service and not just their current appointment.

E. Adair left the Local Government Pension Scheme 1 November 2018.

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.

INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
 (as shown on page 20 of the Unaudited Financial Statements)

	£000	2019/20 £000	£000
Total Comprehensive (Income) and Expenditure			(296,572)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(139,697)	
Gains and losses relating to pension liability		(184,024)	
Other unrealised losses		(332)	
		<u> </u>	<u>(324,053)</u>
Deficit on provision of services, per CIES			27,481
<u>Amounts included in the CIES but required by statute to be excluded when determining the General Fund surplus for the year</u>			
Depreciation and impairment of fixed assets	(216,938)		
Net loss on sale of fixed assets	9,991		
Revenue expenditure funded from capital under statute	52,778		
Income from donated assets	53,177		
Use of Capital Fund	6,311		
Finance costs - statutory adjustments	(44,459)		
Net charges made for retirement benefits in accordance with IAS 19	<u>(134,764)</u>		
		(273,904)	
<u>Amounts not included in the CIES but required to be included by statute when determining the General Fund surplus for the year</u>			
Statutory provision for repayment of debt (includes voluntary repayments)	86,924		
Lease repayments (including element relating to PPP contracts)	11,505		
Capital expenditure charged to the General Fund balance	(52,778)		
Capital expenditure funded from revenue	29,581		
Change in fair value of Investment Properties	309		
Capital grants and contributions credited to the CIES	127,806		
Net transfer for holiday pay accrual	2,251		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	<u>69,455</u>		
		275,053	
<u>Transfers to or from the General Fund Balance that are required to be taken into account when determining the General Fund surplus for the year</u>			
Statutory transfer of HRA surplus to Renewal and Repairs Fund	2,545		
Net Transfer from earmarked reserves	<u>(6,117)</u>		
		<u>(3,572)</u>	
			<u>(2,423)</u>
General Fund Deficit reported in Financial Statements			25,058

	2019/20	
	£000	£000
Consolidation Adjustments		
Funds (drawn down from) / contributed to earmarked balances:		
- Unallocated General Fund	902	
- Balances set aside for specific investment	127	
- City Strategic Investment Fund	(757)	
- Council Priorities Fund	(5,868)	
- Council Tax Discount Fund	(14,327)	
- Devolved School Management and Pupil Equity Fund	(1,402)	
- Dilapidation fund	(493)	
- Energy efficiency	51	
- IFRS 9 gains	230	
- Insurance fund	512	
- Licensing income	398	
- Lothian Buses	(196)	
- Other minor funds	1	
- Outdoor Centres	(33)	
- Pre-paid PPP monies	365	
- Salix / CEEF	17	
- Spend to save	269	
- Trams to Newhaven	1,067	
- Unspent grants	1,239	
- Workforce management	(1,929)	
		<u>(19,827)</u>
General Fund Deficit		<u><u>5,231</u></u>

REVENUE BALANCES

	Balance at 31-Mar-19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance at 31-Mar-20 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	42,296	(12,110)	13,270	43,456
Workforce management	18,194	(7,160)	2,000	13,034
Council Priorities Fund	6,625	(9,154)	3,286	757
IFRS9 Gains	0	0	230	230
Dilapidations fund	5,721	(2,493)	0	3,228
Insurance funds	19,585	0	512	20,097
	<u>92,421</u>	<u>(30,917)</u>	<u>19,298</u>	<u>80,802</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration income	2,584	(118)	516	2,982
Lothian Buses	504	(196)	0	308
Other minor funds	203	0	1	204
Pre-paid PPP monies	2,953	0	364	3,317
Council Tax Discount Fund	18,631	(18,000)	3,673	4,304
Unspent grants	1,937	(1,484)	2,723	3,176
City Strategic Investment Fund	3,552	(902)	145	2,795
	<u>30,364</u>	<u>(20,700)</u>	<u>7,422</u>	<u>17,086</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy efficiency	244	0	51	295
Salix / CEEF	252	(217)	235	270
Spend to save	2,466	(28)	298	2,736
	<u>2,962</u>	<u>(245)</u>	<u>584</u>	<u>3,301</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Devolved School Management	6,073	(6,034)	4,632	4,671
	<u>6,073</u>	<u>(6,034)</u>	<u>4,632</u>	<u>4,671</u>
Unallocated General Reserve	<u>13,025</u>	<u>0</u>	<u>902</u>	<u>13,927</u>
Total General Reserve	<u>144,845</u>	<u>(57,896)</u>	<u>32,838</u>	<u>119,787</u>

City of Edinburgh Council

10:00am, Tuesday 30 June 2020

Revenue Budget 2020/21 Update – referral from the Policy and Sustainability Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

The Council is asked to approve the recommendations by the Policy and Sustainability Committee on the Revenue Budget 2020/21 Update.

Laurence Rockey

Head of Strategy and Communications

Contact: Louise Williamson, Committee Services

Email: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Referral Report

Revenue Budget 2020/21 Update

2. Terms of Referral

- 2.1 On 25 June 2020, the Policy and Sustainability Committee considered a report which provided an update on the current assessment of approved savings delivery, management of service pressures and, most materially, the emerging cost and income implications of the coronavirus pandemic on the Council and its ALEOs' activities.
- 2.2 The report set out an overall reduction in the in-year funding gap from £56.5m to £29.9m, mainly through management of savings delivery shortfalls and residual pressures, use of reserves and corporate budgets. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action was urgently required, with the enduring impacts also likely to require a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.
- 2.3 The Policy and Sustainability Committee agreed:
- 2.3.1 to note the updated estimated expenditure and income impacts of the COVID-19 pandemic on the Council and its ALEOs' activities and the potential sources of funding identified to address them;
 - 2.3.2 to note the extent of progress to date in identifying measures to mitigate both anticipated shortfalls in the delivery of approved savings and residual Directorate pressures;
 - 2.3.3 to note the significant remaining projected in-year shortfall and associated risks linked to further service disruption or slower-than-assumed recovery, with a resulting urgent requirement for increased control to be exercised over all aspects of Council expenditure;
 - 2.3.4 to note that the use of reserves other than for the intended purpose was not sustainable and reduced the ability to make available resources to facilitate economic recovery within the city;
 - 2.3.5 therefore to agree, as an initial step, earmarking the remaining £4.830m of unallocated funding provided as part of the 2020/21 Scottish Budget's Stage One Parliamentary consideration to address expenditure and income pressures arising from the pandemic;

- 2.3.6 to confirm the allocation of the previous in-principle £2m contribution to the Edinburgh Integration Joint Board;
- 2.3.7 to agree that any subsequent expenditure requests be considered only in cases where a specific funding source had been identified and expressly brought to the Policy and Sustainability Committee for scrutiny and political decision-making.
- 2.3.8 To refer the report to the Council for approval.

3. Background Reading/ External References

Minute of the Policy and Sustainability Committee of 25 June 2020.

4. Appendices

Appendix 1 – report by the Executive Director of Resources

Policy and Sustainability Committee

10.00am, Thursday, 25 June 2020

Revenue Budget 2020/21 Update

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 Members of the Policy and Sustainability Committee are asked:
- 1.1.1 to note the updated estimated expenditure and income impacts of the COVID-19 pandemic on the Council and its ALEOs' activities and the potential sources of funding identified to address them;
 - 1.1.2 to note the extent of progress to date in identifying measures to mitigate both anticipated shortfalls in the delivery of approved savings and residual Directorate pressures;
 - 1.1.3 to note the significant remaining projected in-year shortfall and associated risks linked to further service disruption or slower-than-assumed recovery, with a resulting urgent requirement for increased control to be exercised over all aspects of Council expenditure;
 - 1.1.4 to note that the use of reserves other than for the intended purpose is not sustainable and reduces the ability to make available resources to facilitate economic recovery within the city;
 - 1.1.5 therefore to agree, as an initial step, earmarking the remaining £4.830m of unallocated funding provided as part of the 2020/21 Scottish Budget's Stage One Parliamentary consideration to address expenditure and income pressures arising from the pandemic;
 - 1.1.6 to confirm the allocation of the previous in-principle £2m contribution to the Edinburgh Integration Joint Board; and
 - 1.1.7 to agree that any subsequent expenditure requests are considered only in cases where a specific funding source has been identified and expressly brought to the Policy and Sustainability Committee for scrutiny and political decision-making.

Stephen S. Moir
Executive Director of Resources

Contact: Hugh Dunn, Head of Finance
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Revenue Budget 2020/21 Update

2. Executive Summary

- 2.1 Following the earlier assessments considered by the Leadership Advisory Panel and Policy and Sustainability Committee on 23 April and 28 May respectively, the report updates members on the current assessment of approved savings delivery, management of service pressures and, most materially, the emerging cost and income implications of the coronavirus pandemic on the Council and its ALEOs' activities.
- 2.2 The report sets out an overall reduction in the in-year funding gap from £56.5m to £29.9m, mainly through management of savings delivery shortfalls and residual pressures, use of reserves and corporate budgets. Given the potential for this gap to increase further based on the pace of the city's recovery, however, action is urgently required, with the enduring impacts also likely to require a re-assessment of both the content and affordability of the 2020/23 revenue budget framework and ten-year capital budget strategy.

Additional net expenditure pressures:	£m	£m
Estimated COVID-19-specific expenditure and income		85.7
Net residual pressures/anticipated shortfalls in savings delivery		3.0
		88.7
Potential funding:		
Confirmed COVID-19 related funding	(18.2)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(19.6)	
Further potential timing-related and corporate savings	(16.2)	
	58.8	
Remaining shortfall		29.9

3. Background

- 3.1 On 20 February 2020, Council approved a balanced revenue budget for 2020/21 and indicative balanced budgets for the following two years, based on assumptions around future grant funding levels. The approved 2020/21 budget is underpinned by the delivery

of £34.9m of savings, as well as the management of around £15m of residual pressures once account is taken of the additional investment included within the budget framework.

- 3.2 As in previous years, Finance staff have undertaken an assessment of the implementation plans in place both to deliver approved savings measures and manage residual pressures. Based on this assessment, the report to the Committee's previous meeting on 28 May indicated that some £15.5m of savings and/or required mitigating measures were at risk of non-delivery and Executive Directors were therefore requested to bring back, to this meeting, proposed measures to address these in full.
- 3.3 In view of the profound and still-emerging impacts of the COVID-19 pandemic, however, the report's primary focus was on updated estimates of the related cost and income implications for the Council and its ALEOs. Based on an assumed six-month period of disruption, total expenditure and income estimates of £85.9m were identified which, when added to the £15.5m above, resulted in a need to identify internal and external funding and savings totalling £101.4m, primarily in 2020/21. Against this, confirmed or anticipated savings of £44.9m had been identified, leaving an overall shortfall of £56.5m.
- 3.4 The report therefore updates members on main three areas:
- (i) progress by Directorates in identifying additional offsetting measures to address, in full, projected shortfalls in savings delivery and/or management of pressures;
 - (ii) updated expenditure and income estimates of the impacts of the pandemic on the Council and its ALEOs' activities; and
 - (iii) based on the above and best indications of available external and internal funding, the extent of the remaining funding gap and identification of proposed further measures to ensure the Council's financial sustainability in both the immediate and more medium term.

4. Main report

Delivery of approved savings and management of residual pressures

- 4.1 Since 2012/13, the Council has approved for delivery over £350m of savings, equivalent to around a third of its current net budget. This level of savings has been required as a result of cost pressures arising from increasing, mainly demographic-led demand, legislative reform, inflationary uplifts and rising expectations and a level of available grant funding, Council Tax and other income that has not kept pace. The cumulative impact of successive years' savings requirements has inevitably made the delivery of further incremental reductions and management of pressures increasingly challenging.
- 4.2 Based on an assessment undertaken by Finance staff, the report to the Committee's previous meeting on 28 May highlighted a potential combined shortfall across approved savings and residual pressures (under an assumed six-month service disruption scenario) of £15.547m. While this sum is much smaller than the Council's financial exposure to the impacts of the pandemic, effective management of pressures and shortfalls in savings delivery is nonetheless fundamental to the sustainability and integrity of the budget framework.

- 4.3 As a result, in addition to seeking to maximise levels of external funding and identify available contributions from non-service budgets and reserves to address COVID-related costs, the report indicated that Executive Directors would be asked to initiate reviews to include rigorous scrutiny of discretionary expenditure, overtime and agency spend, together with an enhanced focus on identifying additional savings resulting from the Council's current reduced scale and prioritisation of activity in both the immediate and medium term. The proposed measures would be reported to the Committee's next meeting on 25 June.
- 4.4 Good progress has been made across all three Directorates affected, with a summary of the position shown in the table below. Of the estimated £11.070m of residual pressures and shortfalls within services, net potential mitigations totalling £8.070m have been identified, leaving a need to develop £3m of further measures.

Directorate	Gross pressures and unrealised savings per P&S report, 28 May (£m)	Net actual or potential mitigations identified (£m)	Remaining unmitigated pressures and shortfall (£m)
Communities and Families	2.854	(2.854)	0.000
Place	6.085	(3.085) ¹	3.000
Resources	2.131 ²	(2.131) ³	0.000
	11.070	(8.070)	3.000
Council-wide savings	3.623	(4.477)	(0.854)
Fees and charges income uplifts	0.854	0.000	0.854
Total	15.547	(12.547)	3.000

- 4.5 This sum assumes full mitigation of pressures and savings delivery shortfalls in both the Communities and Families and Resources Directorates, albeit each is dependent on tightened recruitment controls and, in the case of Resources, a vacancy freeze for the remainder of the year across the majority of the service. Within Place, while potential measures have been identified to address the majority of the previously-estimated level of pressures, work is continuing to identify additional newly-required actions to offset £1.6m of other pressures emerging from detailed analysis of the 2019/20 service outturn.
- 4.6 Of the measures identified by Executive Directors, the majority represent savings resulting from reduced levels of activity linked to decisions already taken as part of the city's pandemic response and, as such, do not require explicit approval. Further

¹ While £4.717m of potential mitigations have been identified, detailed analysis of the service outturn indicates an increase in underlying pressures and projected non-delivery of savings of some £1.6m, primarily in Waste, Fleet, Transport and Scientific, Bereavement and Registration Services.

² The target issued for Resources also reflected the need for full mitigation of a COVID-related pressure, estimated at £1.1m, relating to delayed implementation of staffing- and ICT-related measures within Customer and Digital Services. Corresponding measures to address this target in full have been identified.

³ The net mitigations identified for Resources also reflect the emergence of additional pay-related pressures within Property and Facilities Management of £0.530m.

measures identified within the Place Directorate will be reported, as appropriate, to members for consideration.

- 4.7 The report to the Committee's last meeting also highlighted a potential shortfall of £4.477m in non-service areas, linked to cessation of, or reductions in demand for, chargeable Council services and enforced delayed implementation of Council-wide reviews. As noted in the Capital Update report included elsewhere on today's agenda, in view of confirmed expenditure slippage of £18.6m in 2019/20 and estimated further slippage of £161m in 2020/21, these shortfalls are now expected to be managed through related reductions in loans charges.
- 4.8 While a full assessment will only be possible after the detail of the Council's revised operating model is available, the one-off nature of the majority of the measures identified thus far (mainly savings linked to reduced in-year levels of activity, with the additional costs and income losses separately captured as part of the Council's COVID impacts monitoring) means that they are unlikely, of themselves, to address the longer-term sustainability of the budget framework, with more fundamental service prioritisation required to address the unaffordability of current activity.

COVID-19 expenditure and income impacts – all services (including Council companies and Arm's Length Organisations)

- 4.9 An interim update has also been provided by service areas and the Council's ALEOs on COVID-related expenditure and income impacts, based on a three-month shutdown period and a gradual resumption of services over the following three months. While the overall position is largely unchanged, a number of elements have been updated and are shown in Appendix 1. **A more detailed update, including an assessment of the impact on the Council's ALEOs, will be provided to the Committee's meeting on 23 July.**
- 4.10 It is likely, however, that these estimates will increase further as the timing and nature of the recovery phase becomes clearer, particularly in respect of phased school re-opening and the associated implications for additional teaching and other support staffing costs, ICT, increased cleaning regimes and PPE. At this stage, it is being assumed that these costs, estimated at £12.7m for the period until the end of December 2020 (and not included in the above estimates) will be addressed through a combination of available flexibilities in the application of Early Years expansion, Pupil Equity and Scottish Attainment Challenge funding, alongside redirection of savings in Devolved School Management (DSM) budgets. Work is continuing, in partnership with the Scottish Government, around modelling a range of further re-opening scenarios.
- 4.11 There is a risk, however, either that costs increase or the full assumed flexibilities are not available, adding further to the funding requirement noted above. In addition, due in part to the impacts of continuing social distancing on the timing and costs to completion of relevant projects, a shortfall in available capital resources for the early years expansion programme is now anticipated.
- 4.12 The First Minister confirmed on 16 June that an additional £12.6m would be made available across Scotland to ensure the continuing provision of free school meals for eligible pupils during the summer holidays. While Edinburgh's precise allocation remains to be confirmed, it is being assumed that this funding will address, in full, previous cost

estimates included in this area. In addition, £15m of further funding will be made available to ensure continuing support to a range of households experiencing difficulty in accessing or affording food during the pandemic. The implications of this announcement for the support of wider food distribution within the city are being clarified and an update will therefore be provided at the Committee's meeting on 23 July.

- 4.13 On 16 June, the Cabinet Secretary for Finance also announced a £230m Scotland-wide Return to Work package of measures intended to stimulate the post-pandemic economy. The initiative covers construction, low-carbon projects, digitisation and business support and will provide a flow of work for businesses and support jobs. The package includes a number of elements (including funding for roads maintenance, regeneration projects, social distancing adaptations for buses and digitisation for education services) that may result in the provision of additional funding to local government. An update will be provided to the Committee at its meeting on 23 July.
- 4.14 At the meeting of the Policy and Sustainability Committee on 11 June, members agreed to the phased reintroduction of parking charges and associated enforcement with effect from 22 June. While this will clearly result in a decrease in overall income lost relative to the preceding three-month period, given uncertainty over levels of short-term demand once charges are reintroduced, no material change is proposed at this time to the current assumption of bringing in 50% of budgeted income over the period from July to September. As with all assumptions, the accuracy of this will be reviewed in light of actual expenditure and income levels.
- 4.15 Given the number of variables involved, no detailed financial modelling has yet been undertaken to assess the impact of any repeat waves of infection and associated lockdown. It seems safe to assume, however, that such events would only increase the overall funding gap, underlining the importance of identifying additional savings as a matter of urgency. Greater insight into the precise cost impacts of service resumption will also be obtained as the detail of the Council's recovery plan and, in particular, the Service Operations work programme, becomes available. More generally, while the expenditure and income impacts in the preceding sections are best-estimates, there are clearly downside risks should the city's recovery be slower than assumed and a number of variant scenarios are therefore also being considered.

Other changes since report to Policy and Sustainability Committee on 28 May

- 4.16 In addition to the changes outlined in the preceding sections, work has continued to identify additional funding sources to offset the expenditure impacts of current service disruption.

Furloughing application

- 4.17 On 10 June, the Council applied to HM Revenue and Customs to furlough some 430 staff roles in areas meeting the principal requirements of the Coronavirus Job Retention Scheme (CJRS), namely that:
- (i) service costs are mainly financed through fees and charges income;
 - (ii) current COVID-19 related activity has resulted in a significant loss of service income that has not been offset, or addressed, through grant or other funding;

(iii) the staff concerned cannot be redeployed to assist with the organisation's COVID-19 response; and

(iv) without financial support, the staff could be at risk of redundancy.

4.18 The staff for whom furloughing support has been sought are employed across the areas of outdoor education, corporate catering and the Council's cultural venues. As the Council will top up the employees' pay and all current terms and conditions are maintained, there will be no detriment to those in scope and a memorandum of understanding with the joint trade unions has been agreed and signed.

4.19 The employees' participation in the scheme will initially be for three weeks and subject to on-going review thereafter. Assuming approval by HM Revenue and Customs, accessing the scheme provides access to potential furlough income of more than £500,000 between June and, at the latest, October 2020.

Review of earmarked reserves and timing-related and other corporate savings

4.20 In view of the fragility of the Council's current-year financial position, a **further review of its earmarked reserves** has been undertaken to identify any sums that could additionally be applied in 2020/21. While this review has identified sums totalling **£8.35m**, it should be emphasised that application of these sums may expose the Council to increased risk, thus reinforcing the pressing need for recurring savings to be identified in the current and future financial years so as not to compromise its financial sustainability.

4.21 In addition to these sums and as noted at Paragraph 4.7, continuing low interest rates, confirmation of the capital outturn for 2019/20 and levels of projected slippage for 2020/21 have allowed, besides the £4.477m used to mitigate in-year shortfalls in Council-wide savings and fees and charges delivery, a further **£2.5m** in loans charge savings to be made available to address other pressures. These savings, along with **£2.65m** of anticipated recurring savings in Council Tax and past service pension costs (informed by analysis of the 2019/20 outturn), are also available to contribute towards the overall shortfall.

Updated overall position

4.22 The combined impact of the management of residual savings and pressures (£12.5m per Paragraph 4.4) and identification of additional potential contributions from reserves and other corporate savings (£13.5m per Paragraphs 4.20 and 4.21) has offset the influence of increased COVID-19 impacts in reducing the overall funding gap from £56.5m to £29.9m as shown in the following table:

Additional net expenditure pressures:	£m	£m
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Estimated COVID-19-specific expenditure and income		85.7
Net residual pressures/anticipated shortfalls in savings delivery		3.0
		88.7
Potential funding:		
Confirmed COVID-19 related funding	(18.2)	
2020/21 budget - unallocated additional monies	(4.8 ⁴)	
Use of earmarked reserves	(19.6)	
Further potential timing-related and corporate savings	(16.2)	
	58.8	
Remaining shortfall		29.9

- 4.23 It is becoming increasingly clear, however, that without the provision of additional resources at UK level triggering Barnett Consequentials for Scotland, any significant amount of further funding is unlikely to be forthcoming. Spend to date on the Scottish Government's pandemic response has exceeded available funding and is therefore understood to have used, in full, any additional resources relative to its planning assumptions resulting from the original UK 2020/21 Budget announcement in early March.
- 4.24 While the LGA has now chosen to lobby separately, co-ordinated activity across the four nations of the UK will continue, emphasising the need for both additional resourcing and further fiscal flexibilities. With this in mind, discussions between COSLA and the Scottish Government are continuing with the intention of jointly approaching the UK Treasury on these issues. A complementary Scotland-specific lobbying and engagement strategy is also being developed.
- 4.25 COSLA officials and Director of Finance representatives are also examining, with Scottish Government officials, other possible financial flexibilities including a number that, while not addressing the additional costs incurred, would at least spread their impact over a number of years.
- 4.26 If, after some or all of these measures have been applied and further representations made to the UK and Scottish Governments, a shortfall still remained, it would be possible to apply up to £13m from the Council's unallocated general reserve. This action is not recommended, however, due both to current wider risks and uncertainties and the fact that these reserves would then require to be replenished through the identification of further savings in future years and may require unbudgeted costs to be met from core service budgets, leading to reductions in service provision.

⁴ The available sum reflects the decision of the Policy and Sustainability Committee on 28 May 2020 to award continuing funding to a number of organisations previously supported by the Communities and Families grants programme.

- 4.27 As was emphasised in the previous update report to the Committee, given the magnitude of the funding deficit, options to reduce service levels significantly in non-priority areas are increasingly likely to be required.

Edinburgh Integration Joint Board (EIJB)

- 4.28 The cost and income estimates above do not include those for the EIJB which are captured in the Health and Social Care Partnership's (H&SCP) Mobilisation Plan. The current iteration of the plan indicates full-year expenditure of some £57.34m, the majority of which relates to other community care costs, although this estimate continues to be refined as the immediate and medium-term impacts of the pandemic become clearer. The plan also reflects the anticipated additional implementation cost of the 3.3% uplift to contract hourly rates to allow voluntary and independent social care providers to ensure that all social care support workers will have their pay increased to at least the Living Wage Foundation hourly rate of £9.30 from 6 April 2020. The Chief Officer of the H&SCP continues to engage with the Scottish Government on both issues with a view to ensuring that additional anticipated costs are appropriately recognised, although given the extent of the shortfall in funding announced thus far, there is a significant risk that these sums will not be met.
- 4.29 At the request of Local Government, however, an initial first tranche of funding of £50m was released to address expenditure incurred to date. The Edinburgh Health and Social Care Partnership's share of this sum is £4.056m and this has now been received.
- 4.30 The Chief Officer and her team also continue to develop the EIJB plan and associated savings and recovery programme necessary to deliver a balanced budget position for 2020/21. An update report was considered by the Board on 28 April and set out a revised projected savings target of £12.2m. Potential further actions and contributions of £7m have been identified, including the in-principle £2m contribution from the Council earmarked within the additional monies provided as part of the 2020/21 Scottish Draft Budget Bill's Parliamentary consideration, resulting in a residual in-year deficit of £5.2m. An additional range of options will continue to be investigated to address the remaining shortfall, with an update provided at the Board's next scheduled meeting on 21 July. In recognition of likely continuing increased demand and to provide greater certainty for these deliberations, it is recommended that members now formally approve the Council's £2m contribution.

Priority actions

- 4.31 While the report sets out, at Paragraph 4.22, a significant reduction in the residual funding gap, it is clear that the Council's financial position remains fragile and, as such, more urgent action is required, particularly given the potential for disruption to be more long-lasting than currently assumed. Actions taken thus far by Executive Directors have reduced the impact of residual pressures and savings delivery shortfalls to £3m, with an expectation that this sum will be fully addressed in the coming months, consistent with their responsibilities to maintain expenditure within budgeted levels as set out in the Financial Regulations.
- 4.32 Executive Directors will, nonetheless, continue to examine all means to reduce expenditure further by scrutinising all discretionary spend, overtime and agency spend

and re-doubling efforts to identify additional savings resulting from the Council's reduced scale of activity in both the immediate and medium-term. Given the impact of successive years' savings requirements, however, it is highly unlikely that these actions alone will be sufficient to address the remaining gap, either in 2020/21 or subsequent years. In addition, increased reliance on contributions from earmarked reserves for reasons other than they were established is clearly not a sustainable approach over the medium to longer term and restricts the Council's subsequent ability to support economic recovery.

- 4.33 Elected members have a key role in supporting the Head of Finance as the Council's statutory section 95 officer in all financial matters, including setting the Council's budget and subsequently ensuring that proper control is exercised through regular scrutiny and challenge of spend projections, such that expenditure is maintained within the level of resources available. In view of the seriousness of the current financial position, **as a first step, it is recommended that members now earmark, in full, the remaining £4.83m of monies provided at Stage One of the 2020/21 Scottish Draft Budget's Parliamentary consideration to address the residual funding shortfall.**
- 4.34 It is further recommended that members endorse the principle that any subsequent requests to Executive Committees or Council to incur additional, non-essential expenditure **are considered only in cases where a specific funding source has been identified.** This needs to take place, however, within the context of a more fundamental re-assessment of the Council's services, priorities and operating models as part of the Adaptation and Renewal Programme, informed by conversations with key stakeholders across the city. These conversations will also need to be conducted against a backdrop of on-going affordability, considering both service reduction and possible cessation.

5. Next Steps

- 5.1 The cost and income impacts of the Coronavirus pandemic will continue to be actively tracked and refined as additional clarity is received on the timing and nature of any relaxation of current lockdown restrictions. These estimates will be shared with COSLA and form part of liaison and negotiation with the Scottish and UK Governments around the provision of corresponding funding.
- 5.2 As noted in the main report, Executive Directors have brought forward additional measures to offset savings delivery shortfalls and residual service pressures. The impact of these measures, alongside any further available non-service savings, will continue to be regularly reported to elected members.
- 5.3 While a broad route map for the recovery phase has been set out by the Scottish Government, the speed and nature of this process (including the potential for further lockdowns) remains, by its nature, unclear. A slower recovery is, however, likely to add further to the funding gap due to continuing income losses for a range of Council services and, in particular, its ALEOs.

6. Financial impact

- 6.1 The report sets out a range of significant expenditure pressures, both in respect of Council services and impacts on the activities of the Council's ALEOs. While a number of potential funding sources and other measures have been identified to address, at least

in part, these shortfalls, it is likely that the affordability of the wider budget framework will require to be re-assessed, including the impacts of COVID-19 on the Council's capital investment programme. An initial report on this latter aspect is included elsewhere on today's agenda.

- 6.2 Initial analysis of the underpinning assumptions and savings approved for delivery as part of the 2021/22 and 2022/23 revenue budget indicates a number of measures, delivery of which may now require to be reassessed. These include the assumed on-going receipt of the Lothian Buses dividend, application of an IJB savings target and future increases in Council Tax and other fees and charges levels.
- 6.3 These sums have the potential to increase further should in-year pressures (including greater demand in such areas as homelessness) and shortfalls in savings delivery not be managed on a sustainable basis in future years. In addition, due to the wider economic outlook and consequent increase in public expenditure and reduction in taxation revenues, there may be implications for future years' revenue funding settlements.

7. Stakeholder/Community Impact

- 7.1 The scale and coverage of the impacts linked to the pandemic will require extensive and continuing engagement with key stakeholders as the city enters the recovery phase.

8. Background reading/external references

- 8.1 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 28 May 2020
- 8.2 [2020/21 Financial Plan](#), Edinburgh Integration Joint Board, 28 April 2020
- 8.3 [Revenue Budget 2020/21 Update](#), Policy and Sustainability Committee, 23 April 2020
- 8.4 [Council's Change Strategy: Planning for Change and Delivering Services 2020/23 – Progress Update](#), Finance and Resources Committee, 14 February 2020
- 8.5 [Council Change Strategy 2020/23: Risks and Reserves](#), Finance and Resources Committee, 14 February 2020
- 8.6 [Coalition Budget Motion](#), City of Edinburgh Council, 20 February 2020
- 8.7 [Revenue Monitoring 2019/20 – Month Eight Position](#), Finance and Resources Committee, 23 January 2020

9. Appendices

Appendix 1 – Revenue Budget 2020/21 – update of key assumptions

Revenue Budget 2020/21 - update of key assumptions

	£m	£m	£m	
	Per P&S, 28 May	Changes, June 2020	Revised total, June 2020	
Estimated COVID-19-specific expenditure and income	85.924	(0.232)	85.692	Change as comprised below
Increased estimates:				
Property rentals		3.000		Assumed further losses due to voids and/or tenant insolvency, bringing total to £9m
Housing Property Services		2.945		Estimated reduction in sums chargeable to the HRA
Roads		1.820		Reduction in staff salaries chargeable to the Capital Programme
Outdoor centres		0.500		Based on revised January 2021 re-opening date
Customer and Digital Services		0.424		Additional staffing (including overtime) for benefit claims, business grants processing and vulnerable/shielding support
Other changes		0.829		
Decreased estimates:				
Impact on ALEOs		(5.000)		Updated estimate based on revised assessment of available external support and income projections
Parking		(1.200)		Reduction in assumed net loss of income based on parking charge and enforcement reinstatement wef 22 June
Planning and building standards		(1.167)		Revised income forecast based on analysis of April and May income levels
Customer Organisational Review		(1.100)		Full mitigations now identified through recruitment freeze and use of earmarked fund
Food Fund		(0.730)		While allocations remain to be confirmed, following the First Minister's announcement on 16 June, it is being assumed that all costs incurred in continuing FSM provision over the summer holiday period will be addressed through the receipt of additional funding.
Other reductions		(0.553)		
Approved savings - anticipated shortfall in delivery	7.528			
Residual pressures	8.019	(12.547)	3.000	
Potential funding				
Confirmed COVID-19 related funding	(17.740)	(0.500)	(18.240)	Includes estimated furlough income for c. 430 staff roles to end of October
2020-21 budget - unallocated additional monies	(5.008)	0.178	(4.830)	Change reflects net commitment resulting from part-year funding for Communities and Families grants as agreed at Policy and Sustainability Committee, 28 May
Use of earmarked reserves	(11.212)	(8.350)	(19.562)	Please see below for detail
Further potential timing-related and corporate savings	(11.000)	(5.150)	(16.150)	Please see below for detail
Remaining shortfall	56.511	(26.601)	29.910	
Further use of earmarked reserves:				
Council Tax Reduction Scheme		(3.000)		Application of remaining unallocated element of 2018/19 in-year underspend and full 2019/20 underspend. The Scottish Government has confirmed that it will make available additional funding in 2020/21 should take-up exceed budgeted levels.
Risk management		(4.000)		Application of sums previously put aside to smooth changes in grant funding levels, including the influence of stability funding floor
Transformation		(1.350)		Release of uncommitted element of funding approved for previous transformational activity
Further potential timing-related and corporate savings:				
Council Tax		(2.000)		Increase in Council Tax base apparent from analysis of 2019/20 outturn
Past service pension costs		(0.650)		Sums released based on year-on-year reductions in required level of provision
Loan charges		(2.500)		Treasury management-related savings based on updated assessment of in-year funding requirement

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City of Edinburgh Council

10:00am, Tuesday 30 June 2020

Lothian Pension Fund Unaudited Annual Report (and Financial Statements) 2020 – referral from the Pensions Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

The Council is asked to note the unaudited Annual Report (and Financial Statements) for the year ended 31 March 2020 for Lothian Pension Fund and Scottish Homes Pension Fund.

Laurence Rockey

Head of Strategy and Communications

Contact: Lesley Birrell, Committee Services

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Referral Report

Lothian Pension Fund Unaudited Annual Report (and Financial Statements) 2020

2. Terms of Referral

- 2.1 On 24 June 2020, the Pensions Committee considered a report setting out the Unaudited Annual Report and Financial Statements for 2020 for the Lothian Pension Fund and Scottish Homes Pension Fund.
- 2.2 In the context of sizeable falls in both the global and UK equity markets over the financial year, the accounts showed that the Lothian Pension Fund (Group) net asset valuation had decreased from £7,817m to £7,479m, a reduction of 4.3%. Given its mature membership profile and gilts investment strategy, the Scottish Homes Pension Fund had remained static at £166m.
- 2.2 The Pensions Committee agreed:
- 2.2.1 To note the unaudited Annual Report (and Financial Statements) for the year ended 31 March 2020 for Lothian Pension Fund and Scottish Homes Pension Fund.
- 2.2.2 To refer the unaudited Annual Report and Financial Statements to the Council for noting.

3. Background Reading/ External References

Minute of the Pensions Committee of 24 June 2020.

4. Appendices

Appendix 1 – report by the Chief Finance Officer, Lothian Pension Fund



Pensions Committee

2.00pm, Wednesday, 24 June 2020

LPF Unaudited Annual Report (and Financial Statements) 2020

1. Recommendations

The Pensions Committee (Committee) is requested to:

- 1.1 note the unaudited Annual Report (and Financial Statements) for the year ended 31 March 2020 for Lothian Pension Fund and Scottish Homes Pension Fund; and
- 1.2 refer this report for the purpose of noting to the full Council, at its meeting on 30 June 2020.

John Burns

Chief Finance Officer, Lothian Pension Fund

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LPF Unaudited Annual Report (and Financial Statements) 2020

2. Executive Summary

- 2.1 The purpose of this report is to present the unaudited Annual Report (and Financial Statements) for the year ended 31 March 2020 for Lothian Pension Fund and Scottish Homes Pension Fund.
- 2.2 A copy of the unaudited Pension Funds' Annual Report 2020 is attached as Appendix 1.
- 2.3 In the context of sizeable falls in both the global and UK equity markets over the financial year, the Accounts show that the Lothian Pension Fund (Group) net asset valuation has decreased from £7,817m to £7,479m, a reduction of 4.3%. Given its mature membership profile and gilts investment strategy, the Scottish Homes Pension Fund has remained static at £166m.

3. Background

Statutory provisions and accounting guidance

Local Government (Scotland) Act 1973

- 3.1 Section 95 of the Local Government (Scotland) Act 1973 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”. The Head of Finance serves as the Section 95 Officer for all of the City of Edinburgh Council’s accounting arrangements, including those of the Pension Funds, however, this Section 95 responsibility has been delegated to the Chief Finance Officer, Lothian Pension Fund.
- 3.2 The Act stipulates that unaudited financial statements must be presented to the Council and the Controller of Audit within three months of the financial year end, that is 30 June. It is within the Pensions Committee’s remit to consider the unaudited Annual Report for the pension funds. Reflecting Audit Scotland guidance, the Annual Report should be referred to full Council for the purpose of noting. The next such Council meeting is on 30 June 2020.

Financial statements 2019/20 – timetable; emergency dispensation by the Scottish Government

- 3.3 The Scottish Government considers that the provisions made in *The Coronavirus (Scotland) Act 2020* are sufficient to allow each local authority to determine its own revised timetable for Annual Accounts. The Act sets out that a “Scottish public authority must comply with the duty as soon as reasonably practicable”. In that

regard Scottish Ministers consider that, at this time, it seems reasonable that a local authority publishes its Annual Accounts no later than 30 November 2020, and we are seeking local authority agreement on that. If the situation changes this date can be revisited as events unfold.

- 3.4 Lothian Pension Fund has not sought to utilise the provisions made in *The Coronavirus (Scotland) Act 2020* to revise the timetable for Annual Accounts.

Accounting and other guidance

- 3.5 The content of the “Pension fund annual report” is governed by Local Government Pension Scheme (Scotland) Regulations 2018, Regulation 55. This regulation states:

“(1) An administering authority must, in relation to each year beginning on 1st April 2015 and each subsequent year, prepare a document (“the pension fund annual report”) which contains –

- (a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
- (b) a report explaining the authority’s investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
- (c) a report of the arrangements made during the year for the administration of each of those funds;
- (d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 60 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
- (e) the current version of the statement under regulation 53 (governance compliance statement);
- (f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
- (g) an annual report dealing with –
 - (i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 57 (pension administration strategy); and
 - (ii) such other matters arising from a pension administration strategy as it considers appropriate;

- (h) the current version of the statement referred to in regulation 56 (funding strategy statement);
- (i) the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (statement of investment principles);
- (j) the current version of the statement under regulation 59 (statements of policy concerning communications with members and Scheme employers); and
- (k) any other material which the authority considers appropriate “

- 3.6 Local authorities are required to account for pension funds in accordance with the applicable Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The Code now requires that preparers have regard to Chartered Institute of Public Finance and Accountancy (CIPFA) guidance “Accounting for Local Government Pension Scheme Management Costs”.
- 3.7 In March 2016, CIPFA revised and updated this guidance. Whilst the underlying principle of transparency of investment cost remained unchanged, a degree of relaxation to full cost disclosure was introduced. Specifically, for complex “Fund of Fund” structures, “Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the (Pension) Fund Account.....If pension funds wish to provide information about the total cost of Fund of Fund investments, this should be included as part of the Investments section in the Annual Report”.
- 3.8 The financial statements of Lothian Pension Fund and Scottish Homes Pension Fund continue to include full transparency of all investment management fees.
- 3.9 With the, FCA regulated, investment services company, LPFI Limited, commencing trading on 28 February 2017, consolidated financial statements have again been prepared for Lothian Pension Fund for the year ended 31 March 2020. These consolidated financial statements combine those of the Fund (the parent entity) and its controlled entities (the investment staffing company, LPFE Limited, and now also LPFI Limited) as defined in International Accounting Standard (IAS) 27.

4. Main Report

LPF Unaudited Annual Report 2020

- 4.1 A copy of the unaudited Annual Report (and Financial Statements) for the year to 31 March 2020 for Lothian Pension fund and Scottish Homes Pension Fund is attached as Appendix 1.
- 4.2 In considering the unaudited Pensions Funds' Annual Report, Committee should note the following:

Financial Summary

- 4.3 In the context of sizeable falls in both the global and UK equity markets over the financial year, the Accounts show that the Lothian Pension Fund (Group) net asset valuation has decreased from £7,817m to £7,479m, a reduction of 4.3%. Given its mature membership profile and gilts investment strategy, the Scottish Homes Pension Fund has remained static at £166m.

Contingent liabilities

- 4.4 **Age Discrimination in Public Service Pension Schemes**

On 13 May 2020, the Scottish Public Pensions Agency (SPPA) advised that:

“In December 2018, the Court of Appeal found that the transitional protections introduced to the judicial and firefighters' schemes during the reform of public service pensions in 2015 discriminated on grounds of age. The UK Government sought permission to appeal this decision but this was not granted, and on 15 July 2019 the UK Government issued a written ministerial statement to confirm that as transitional protection was provided in all public service schemes, the ruling had implications for all those schemes, including the Scottish Local Government Pension Scheme (SLGPS). Details of the Court of Appeal ruling, hereafter referred to as *McCloud*, are available..... Whilst initial proposals to address the specific discrimination in the SLGPS have been shared with the scheme advisory board, there remains uncertainty around the timing and changes needed in light of *McCloud*. ”The Fund's IAS26 reporting from its actuary, as disclosed in Note 23, takes into account the appeal decision. There remains significant uncertainty over the remedy to be applied and associated costs to Scottish LGPS funds.

Employer Cost Cap considerations

In the same communication of 13 May 2020, SPPA stated:

“The reforms introduced to public service pensions from 1 April 2015 (or a year earlier in the case of the local government scheme in England and Wales) also included a new cost control mechanism, known as the employer cost cap. The purpose of the mechanism was to introduce a way of sharing pension cost increases

and savings between the employer (ultimately often the taxpayer) and scheme members..... The first cost cap valuation for LGPS Scotland was due to take place at 31 March 2017. As you are aware, GAD commenced this process however it has not yet been completed, as the cost cap element of scheme valuations was suspended by the UK Government in early 2019 pending the resolution of McCloud. In a written ministerial statement on 25 March 2020, the Economic Secretary to the Treasury outlined the UK Government's intention to provide an update on the cost cap mechanism alongside proposals to address McCloud. We realise the challenges that actuaries face in considering the uncertainties in *McCloud* and the cost cap, particularly given the tight timescales for completing valuations. We regret that we are currently unable to suggest how provision might be made for any running of the cost cap process but hope to have more clarity in the next two months. We will write to administering authorities to provide an update at the earliest opportunity."

Governance

- 4.5 The Annual Report includes an Annual Governance Statement which sets out details of how the Funds are governed and the internal controls that are in place to manage risk. This mirrors the requirement to have a similar statement within the Financial Statements of the Council.
- 4.6 The Annual Report also encompasses a Governance Compliance Statement, which is a requirement of the LGPS Regulations. Its purpose is to record the extent to which the constitutional governance arrangements comply with best practice guidance issued by the Scottish Public Pensions Agency.
- 4.7 Related to the Annual Governance Statement is the Statement of Responsibilities for the Statement of Accounts. This sets out the respective responsibilities of the Administering Authority and those delegated to the Chief Finance Officer, Lothian Pension Fund.
- 4.8 The funds have separate Actuarial Statements, prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. This provides a summary of the triennial valuation as at 31 March 2017, with commentary by the actuary of the experience over the subsequent years.

5. Financial impact

- 5.1 There are no direct financial implications as a result of this report.

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the funds and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 There are no adverse governance, compliance or regulatory implications as a result of this report.

7. Background reading/external references

- 7.1 None.

8. Appendices

Appendix 1 - Unaudited Annual Report (and Financial Statements) 2020 for Lothian Pension Fund and Scottish Homes Pension Fund

Appendix 2: City of Edinburgh Council – Statement on the system of internal financial control by Head of Finance

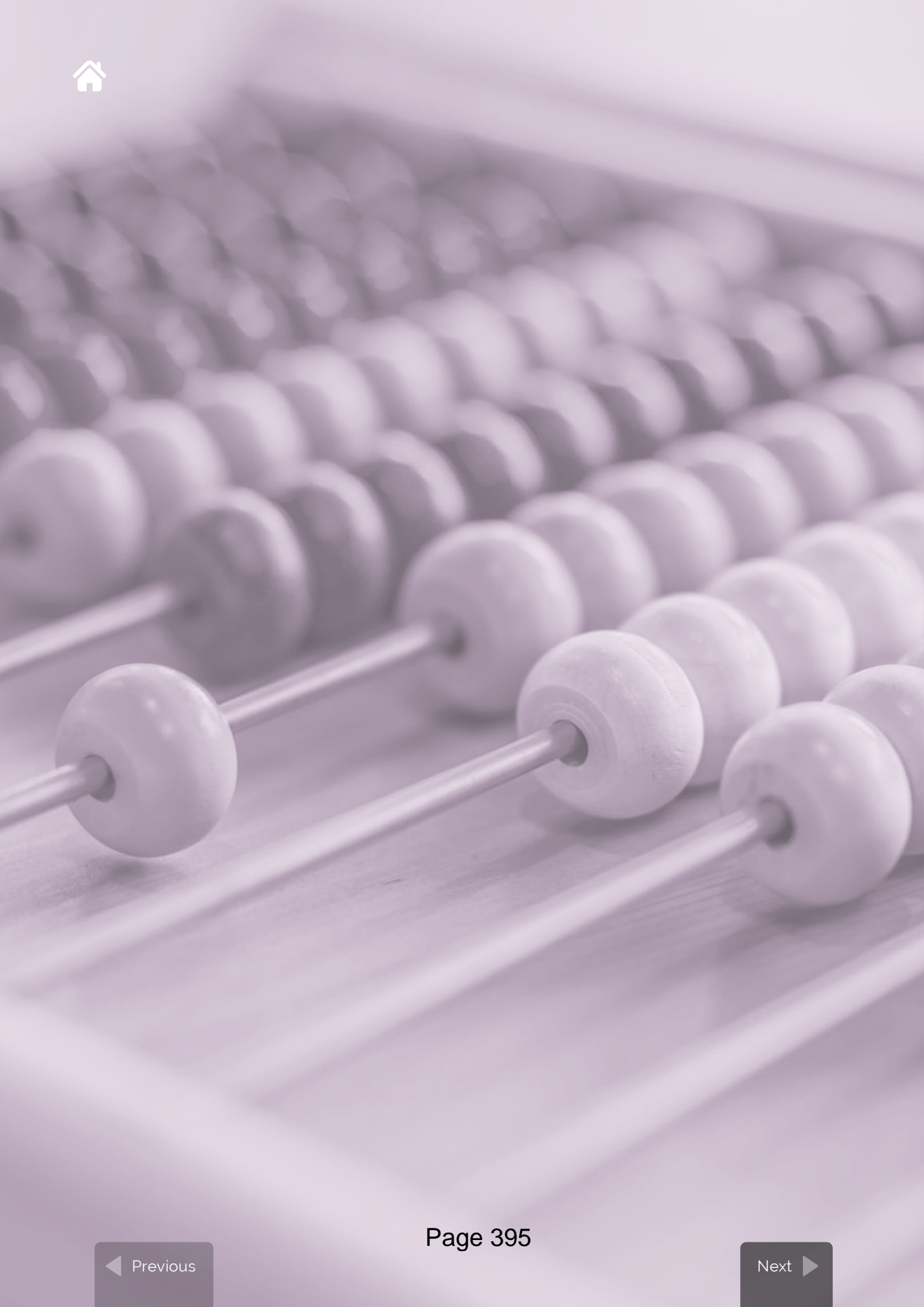
Appendix 3: Lothian Pension Funds – Statement on the system of internal financial control by Chief Finance Officer, Lothian Pension Fund



2019/20

UNAUDITED
ANNUAL REPORT
AND ACCOUNTS

**Lothian Pension Fund &
Scottish Homes Pension Fund**





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MANAGEMENT COMMENTARY / FOREWORD

Report by the Convener of the Pensions Committee

The end of this financial year has seen the world face an unprecedented situation with the Coronavirus affecting the lives of us all. During this period the team have shown professionalism and diligence to continue service delivery, and efforts continue to ensure this remains the case in the period that will follow. This challenging situation has affected some of the results reported in this publication and we have explained these areas and the effects throughout the report.



Turning to other issues, we still await further information on the Scheme Advisory Board in Scotland consultation on the LGPS structure started in 2018. Matters are progressing and we'll hear more about these in the future I am sure. We also await the specific remedies that follow the outcome of the McCloud case which relates to transitional protections given to scheme members in the judges and firefighters schemes which were found to be unlawful by the Court of Appeal on the grounds of age discrimination. In June 2019, it was announced that the Government had lost a case to appeal against the Court of Appeal ruling and the outcome of the case would apply to all public service schemes. While we wait for these remedies there continues to be an element of uncertainty on the value of liabilities.

At the end of the previous financial year the Fund appointed Doug Heron as Chief Executive Officer. During his first full year Doug and his leadership team have developed compelling plans for the Fund, supported by the Committee, and there are many examples of strategic progress including the implementation of a new front office system, a digital strategy for member service and the formation of a direct property investment team to manage the Fund's property assets internally.

The continued success of the Fund depends on the combined efforts of all and I would like to thank the Committee, Pension Board, employers and all the Fund's employees for their considerable work in delivering the service to members through difficult times.

Councillor Alasdair Rankin

Convener, Pensions Committee



MANAGEMENT COMMENTARY / FOREWORD

Report by the Convener of the Pensions Audit Sub-Committee

The Pensions Audit Sub-Committee's prime role is to monitor the operation of the Fund's internal controls, governance, risk and compliance arrangements and financial reporting.

We met three times during the year with a fourth meeting in March 2020 being cancelled due to the Coronavirus measures put in place at that time. Key activities included considering the Annual Report and Accounts as well as audit reports from both internal and external audit. Risk, compliance, fraud and investment custodian services were also considered.

The Sub-Committee plays a valuable role within the governance of the pension funds by providing additional scrutiny which adds value to members and employers.



Councillor Cameron Rose

Convener, Audit Sub-Committee

Report by the Chair of the Pension Board

The Pension Board comprises five representatives from both employers and members. The Board's primary function is to assist the administering authority in ensuring effective and efficient governance and administration of the fund. This includes compliance with the LGPS regulations and any other relevant legislation and requirements imposed by the Pensions Regulator in relation to the scheme.

The Board's deliberations are, of course, augmented by both officers of the Fund (on their specific areas of expertise) and by the Fund's Independent Professional Observer.

The Board usually convenes four times a year, however, due to restrictions of the 'Coronavirus Pandemic' it has only managed to meet three times. Board members have maintained regular communication via email and retained access to relevant information despite restrictions on face-to-face meetings. I'm glad to report that this limitation has not had any major impact on its continuing work over the past year and that meetings will now continue to be held remotely in line with the usual governance arrangements for the Fund.



Members of the Pension Board (and the Pensions Committee) are required by the Regulator to undertake regular training to be able to effectively undertake their



MANAGEMENT COMMENTARY / FOREWORD

important role. This necessary training is delivered jointly for both Board and Committee whenever possible. In addition, each member can also attend Conferences and other pension related external training to broaden their pensions knowledge.

Based on the above requirement, I can confirm that this year Board members carried out over 300 hours of training, which highlights their dedication to the delivery of this important role.

Along with its usual primary functions, one of the Board's other key tasks this year has been actively seeking ways of broadening our links with the other Boards within the Scottish LGPS. To facilitate this objective, we invited members from the other Pension Boards to come along both to meet with us, observe our meetings and enable us to share ideas and good practice. This new initiative is ongoing and in the coming year we hope to develop these relationships further.

In addition to this 'outreach initiative', the Board also undertook an internal in-depth review of its present functionality. As a result, the Board was able to update and improve our original processes and procedures to ensure that we continue to effectively fulfil our key role to the Fund and all its members.

My two years as the Chair of the Pension Board have now come to an end and I'd like to thank all my colleagues on the Board (both past and present), the Committee and all the Fund's officers and colleagues for their assistance in enabling me to carry out this important role. It has been in equal measure both a challenge and a privilege.

In accordance with the Board's Constitution, Sharon Dalli (Employer Board Representative) has been elected and now takes over from me as the new Chair of the Board. I'm certain that going forward the Board will be in very capable hands.

Jim Anderson

Union representative and Chair of the Pension Board



MANAGEMENT COMMENTARY / FOREWORD

Report by the Independent Professional Observer

I was appointed as the Fund's Independent Professional Observer in August 2018. My role helps strengthen Fund governance by providing the Pensions Committee and Pension Board with independent guidance and impartial knowledge independently from the Fund officers.



With more than 30 years of pension experience working with pension trustees on topics including investment, actuarial guidance and governance, I hold surgeries and provide quarterly updates to assist the Pensions Committee and Pension Board with their oversight of the pension funds, with funding, investment and collaboration being considered along with normal business of funds. To ensure that I'm available to assist all those involved in the governance of the Fund, I also attend the Pension Board meetings, the joint Investment Strategy Panel once a year and all of the LPF training events.

Andy McKinnell

Independent Professional Observer

WHAT OUR MEMBERS SAY:

'I have never received such a fantastic service. The staff were polite helpful and very professional.'





MANAGEMENT COMMENTARY / FOREWORD

We're proud to serve our key workers

Our vision and purpose is to deliver a valued retirement savings product for our members. Our 90,000 members all share a single common link: in their working lives, they serve or have served the public and we're incredibly proud of their work and their contribution to communities.



In our active membership we have 122 school crossing guards, 101 occupational therapists, 166 waste operatives and 558 social workers and we're working hard to provide them with a secure retirement. During the year we paid £252.4m in pensions to 31,500 pensioner members, or their dependants. We welcomed 7,489 new members and handled 60,000 enquiries with a 96% member satisfaction score.

During the year I was pleased to spend time in focus groups with our members and heard first-hand how much they value their LGPS benefits, the role we play in their lives and how they wish to see us develop as a fund. I took extensive notes from these sessions and the views shared form the basis of our plans for the years ahead.

A challenging year

Benefits payable to our members are protected by statute and so remain secure whatever happens in the financial markets. The final months of our financial year saw unprecedented disruption in our lives as a result of COVID-19 and the effect of this disruption weighed on the financial markets too, impacting some of our risk assets. Further detail is included in later sections of this report, but members should be unconcerned by how such investment markets affect their benefits with us. Our funding levels remain strong and our long-term horizon and statutory protections mean benefits are in safe hands.



MANAGEMENT COMMENTARY / FOREWORD

Of course the impact was not just felt in the financial markets, but in every aspect of our lives. We're sorry to report that a number of members sadly died from this infection, and we have offered assistance to their family and friends through efficient administration, payment of grants to help with expenses, and in prompt commencement of any benefits payable to dependants. The team have worked from their homes since 17 March and have faced many personal challenges with home-schooling and caring for relatives. I have been deeply humbled by their efforts to serve our members in these difficult times and I thank all 72 of them for their work, their resolve and their fortitude.

At the date of this report we're closely monitoring public health guidelines and the various aspects of the response with a view to ensuring the Fund, its members and our colleagues are protected. As a result, we continue to work from our homes and have adapted many ways of working to ensure we have sufficient resilience to deliver on our critical activities which includes serving our members.

Our employers have also been deeply affected by disruption and many of them face a year of significant financial uncertainty as a result of lost income or unplanned expenses. We're in close dialogue with our employers concerning their membership and obligations to the scheme.



Significant progress made

Despite the disruptions, 2019 / 20 was a year of significant progress for the team and there were many notable highlights. Within our team, we welcomed Helen Honeyman as Head of People and Communications, and Nicola Barrett and Lisa Pollock as we built a team to manage our directly held property assets internally, resulting in significant cost savings and increasing our level of control on how that strategy is executed. We also extended our investment partnerships with other LGPS funds and broadened the scope of the FCA authorisation for our investment firm, LPFI, establishing the potential for us to move beyond strategic advisory services to investment management.

On technology, we implemented an entirely paperless HR operating system, launched a new suite of websites, implemented member functionality to upload the documents we need, and we delivered an industry-leading investment order management system to streamline how our investment strategies are implemented. There's more to come here but I'm pleased with the momentum in our digital strategy.

Our new publication ENGAGE was launched in early 2020 with a positive reaction from stakeholders. We remain committed to being a responsible investor and we'll report on our key activities in this field in future issues of ENGAGE.



MANAGEMENT COMMENTARY / FOREWORD

Complexity in the LGPS

The Local Government Pension Scheme (LGPS) forms a core part of the employee proposition within the public services managed in local government and members enjoy secure benefits aiding attraction and retention of employees. Over time and with a number of well-intentioned policy interventions, the regulations on which those benefits are based and administered have developed multiple layers, become confusing for most members, and created a need for LPF and other LGPS schemes to offer increasing amounts of individual guidance to members. Our aim here is to make the complex as simple as we can, and to provide clear information from which members can make decisions about how and when to access their benefits according to their own circumstances. A simpler scheme with fewer layers would increase the potential for administrator efficiency, lower the operating costs of the scheme and allow members to more easily understand, and assign value to the benefits to which they're entitled. Setting the rules is beyond our remit but we stand ready to support any Government led initiatives that intend to achieve this outcome.

With McCloud, the Court ruling that age protections are discriminatory, we await an agreed remedy from HM Government, but the likelihood is that most members will reset back to the old rules and have a choice to elect into the new rules if they're beneficial. Such election may not be required when the remedy is finalised, and the member can therefore back a number of horses. This is likely to see us collate additional data on individual circumstances, generate tens of thousands of calculations and supply parallel benefit schedules to members each year. Ready for this we've closely examined our resourcing levels and started the process to train additional administrators, but our sponsoring employers will also feel the effect and we remain exposed to any limitations in their resourcing or systems.

Beyond McCloud, we look back to the driver of the 2015 rule changes and note this was intended to contain the cost of the scheme to employers. Some of the savings are given up with McCloud and so we expect to see either future benefit reduction or additional member contributions towards the cost of their benefits. This may well be another new schedule to complicate things further, although we can be absolutely certain that it won't contain transitional age protections given the discrimination ruling.



MANAGEMENT COMMENTARY / FOREWORD

The LGPS in Scotland

In 2018 the Scheme Advisory Board (SAB) launched a consultation on the future structure for the 11 LGPS Funds in Scotland. The responses can be viewed through the SAB website, with LPF indicating its support for a merger of like-minded funds to achieve a range of benefits. The SAB hasn't yet concluded its work but expects to conclude in the coming financial year. If the conclusion of this consultation is likely to impact our membership or create scope for us to merge with any other funds, we'll report in more detail as developments occur.

An operating plan for the year ahead

At the beginning of the current financial year (2020/21) we published our Operating Plan which set out the work we'll do under six broad target outcomes. Behind each are specific targets and I look forward to reporting to you on this work when we present our report and accounts next year. The target outcomes are:

- Provide secure and affordable benefits for our members
- Reduce complexity
- Manage our risks
- Create a place where great work happens
- Influence the LGPS of the future
- Be responsible

Finally, we must recognise those in our governance structure, primarily our Board and Committee, for their challenge, scrutiny and counsel during the year. Through these bodies we're able to access deep pools of experience, perspective and ideas and we value all such contributions.



Dr Stephen S Moir
Executive Director
of Resources
The City of
Edinburgh Council
24 June 2020



Doug Heron
Chief Executive Officer
Lothian Pension Fund
24 June 2020



GOVERNANCE AND RISK

Lothian Pension Fund (LPF) administers the Local Government Pension Scheme (LGPS) in Edinburgh and the Lothians. We're a multi-employer scheme with over £7.5 billion assets and 98% funded at our last valuation in 2017, managing 87,900 records of 81,500 members and 80 employers. Lothian Pension Fund is the second largest LGPS fund in Scotland.

We also manage the Scottish Homes Pension Fund on behalf of the Scottish Government. This a closed fund and has 1,550 deferred and pensioner members with £0.16 billion investments. Members of Homeless Scotland Action were transferred into this fund recently.

Our investment team is unique in Scotland in holding FCA authorisation. We manage over 85% of assets in-house via internal equity, bond and other real asset portfolios (e.g. infrastructure, property and timberland investments).



We established a regulated investment company providing resourcing, operational support, governance and deal execution for our private markets and gained FCA authorisation in 2015. This enables collaboration with other LGPS funds on investment strategy, private markets, and listed and indirect property investments.

In March 2017, we became the first UK Local Government pension fund awarded accreditation for the Pensions Administration Standards Association and have held the Customer Service Excellence Award for the last 10 years.

The day-to-day running of LPF is carried out by a specialist team who undertake pension administration, accounting and investment functions.

Our comprehensive website provides easy access to all relevant pension information at www.lpf.org.uk. This includes the Annual Report and Accounts of the Fund, Statement of Investment Principles, Funding Strategy Statement and Pensions Administration Strategy and Pensions Discretions Policy.



GOVERNANCE AND RISK

The Pensions Committee and Pensions Audit Sub-Committee

All LPF matters are overseen by the Pensions Committee of the Council, supported by the Audit Sub Committee, and its members act in a 'quasi trustees' capacity for the two funds.

The Pensions Committee normally hold four meetings and the Audit Sub Committee hold three meetings per year. However, the meetings to be held in March 2020 were cancelled due to the timing of the coronavirus pandemic. The Committee and Board nevertheless received a full cycle of papers for the March Committee, before certain critical items were approved at the Council's Leadership Advisory Panel under emergency powers. Notwithstanding any continued restrictions arising from the prevailing coronavirus pandemic, LPF's governance structures will now continue to operate as designed, with future meetings of the Committees and Board being held remotely until such time as they can revert to usual arrangements.

The table below shows the Committee members for the year 2019/20:

COMMITTEE MEMBERS FROM 1 APRIL 2019 - 31 MARCH 2020

PENSIONS COMMITTEE	PENSIONS AUDIT SUB COMMITTEE
Councillor Alasdair Rankin (Convener)	Councillor Cameron Rose (Convener)
Councillor Maureen Child	Councillor Maureen Child
Councillor Neil Ross	John Anzani (Member representative)
Councillor Steve Burgess (from June 2019)	
Councillor Cameron Rose	
Councillor Claire Miller (to June 2019)	
John Anzani (Member representative)	
Richard Lamont (Employer representative, VisitScotland)	



GOVERNANCE AND RISK

The Pension Board

The Pension Board was set up on 1 April 2015 as a result of the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014.

The role of the Pension Board is to help ensure that the operation of the Funds is in accordance with the applicable law and regulations. The Board attend all Pensions Committee meetings and two representatives also attend the Pensions Audit Sub-Committee meetings.

The membership comprises of ten members, five representatives appointed from the employer bodies and five representatives appointed by trade unions for the membership of LPF. The Pension Board membership for 2019/20 is shown in the table below. There were two vacancies as of 31 March 2020.

MEMBER REPRESENTATIVES

Jim Anderson	Unison (Chair)
Thomas Carr Pollock	GMB
Brian Robertson	Unite
Thomas Howorth	Unison
Vacancy	
Neil Reid	Unite (appointed 11/11/19 resigned 22/01/20)

EMPLOYER REPRESENTATIVES

Sharon Dalli	Police Scotland
Darren May	Scottish Water
Alan Williamson	Edinburgh College
Lesley Henderson	West Lothian Council (appointed 25/06/19)
Vacancy	
Sharon Cowle	Scottish Legal Complaints Commission (resigned 28/10/19)



GOVERNANCE AND RISK

The Committee and Board members must attend no less than 21 hours of training per year as outlined in LPF's training policy which is available on our website at www.lpf.org.uk.

All new members of the Pensions Committee and Pension Board attend induction training. Other training provided internally covered topics including governance, ESG, responsible investment, contribution stability mechanism and club vita.

Committee and Board representatives also attended external conferences including the LGC Seminar Scotland in October and the PLSA Conference in March.

All members of both the Pension Committee and the Pension Board achieved the required training hours during 2019/20 except for one Pension Committee member and one Pension Board member who joined the LPF governance arrangements later in the year. Pensions Committee members collectively attended 289 hours of training as at 31 March 2020 and members of the Pension Board undertook 318 training hours.

Joint Investment Strategy Panel

Investment strategy guidance to the Committee is provided by a Joint Investment Strategy Panel (JISP), working in collaboration with the Falkirk Council and Fife Council pension funds. The JISP meets quarterly and includes senior officers and external independent advisers (currently Scott Jamieson and Gordon Bagot).

The Pensions Committee of each pension fund agrees their own investment strategy but delegates the implementation of strategy, including selection of investment managers, to officers.

The JISP advises the three pension fund administering authorities on implementation of their respective investment strategies. The assets of Lothian Pension Fund, Falkirk Council Pension Fund and Fife Council Pension Fund remain separate.

A process is currently ongoing to re-procure the independent advisers on the JISP and, as part of that process, the three funds will look to put in place three independent advisers on the JISP, in addition to advisers from LPF's regulated investment vehicle, LPFI Limited (LPFI).



GOVERNANCE AND RISK

Lothian Pension Fund colleagues

LPF colleagues are employed by an arms-length company, LPFE Limited (LPFE), which is wholly owned by the Council (in its capacity as administering authority for the Fund). It's supervised by a board of directors, chaired by the Council's Executive Director of Resources and includes the Convener of the Pensions Committee. Our team carry out certain activities through our Financial Conduct Authority authorised vehicle, LPFI.

LPFI is also wholly owned by the Council (in its capacity as administering authority for the Fund) and is supervised by a board of directors chaired by the Council's Head of Finance. Both the boards of LPFI and LPFE comprise an independent non-executive director (Leslie Robb). A further non-executive director for each of LPFE and LPFI is anticipated to be appointed in the coming financial year.



All the operations, costs and liabilities in relation to LPF, including those of LPFE and LPFI, are borne by LPF.

The day-to-day running of LPF is carried out by a specialist investment and pensions team. Our functions include investment, pension administration, employer liaison, data quality, customer support, accounting, people and communications, ICT oversight and governance, legal, risk and compliance and general business support.

Our investment responsibilities include carrying out in-house investment management and the monitoring and selection of external investment managers, as well as external facing collaborative initiatives with other like-minded pension funds.

Over the year, the Senior Leadership Team (SLT) of the Lothian Pension Fund as at 31 March 2020 comprised:

- Doug Heron, Chief Executive Officer from February 2019
- Bruce Miller, Chief Investment Officer
- Struan Fairbairn, Chief Risk Officer, (Legal, Risk and Compliance)
- John Burns, Chief Finance Officer
- Mark Walton, Interim Head of People and Communications (until January 2020)
- Helen Honeyman, Head of People and Communications (from January 2020)

And, senior officers directly involved in the funds oversight structure from the City of Edinburgh Council were:

- Dr Stephen S Moir, Executive Director of Resources (Chair of LPFE board)
- Hugh Dunn, Head of Finance (Chair of LPFI board)
- Katy Miller, Head of Human Resources (Director on LPFE board)



GOVERNANCE AND RISK

Scheme Advisory Board

The Scheme Advisory Board for the Local Government Pension Scheme in Scotland was set up following the Public Service Pensions Act 2013. The Board's main function is to advise Scottish Ministers, when requested, on the desirability of changes to the Scheme. They can also provide advice to scheme managers and pension boards in relation to effective and efficient administration and management of the Scheme in Scotland.

The membership of the Scheme Advisory Board comprises of seven representatives each from member and employers with a Joint Secretary to support each group. During the year, Councillor Rankin was a member and Chair of the Scheme Advisory Board and Fund officers have also advised the Board and Joint Secretaries. There's more information on the Scheme Advisory Board at www.lgpsab.scot.

Risk Management

LPF has comprehensive risk management and assurance procedures in place across its business functions and group entities. These include maintaining a group risk appetite, risk register and assurance mapping process, in conjunction with other underlying business and compliance processes.

Our risk register is formally considered by the Risk Management Group quarterly but is also updated on an ad hoc basis where required. The Risk Management Group itself comprises senior officers of each function within the group, as well as the Senior Leadership Team (SLT).



The approved risk register is tabled and considered by SLT following sign-off to ensure additional oversight and ongoing engagement with any resulting actions. Those actions are tracked and followed up by the Legal, Risk and Compliance team, in conjunction with the wider business, on an ongoing basis. The risk register is also circulated to the conveners of the Pensions Committee and Audit Sub-Committee, Chair of the Pension Board and Independent Professional Observer on a quarterly basis, with summary analysis and reporting provided to those bodies each quarter. In addition, an in-depth risk report is provided to the Audit Sub Committee annually, which includes a review of the full register.



GOVERNANCE AND RISK

Importantly, LPF's risk appetite and assurance structure are designed to 'flex' to ensure that they continue to be proportionate to the size and nature of our business, and also adhere to the following industry best practice principles:

- Ensure that our risk appetite aligns with our strategy and is set by the senior management team without undue influence
- Integrates risk as a key component of our management and decision-making processes
- Engenders an open, 'live' and engaged risk culture which seeks to pro-actively identify current and future risks for the business, simplifying layers of controls to ensure this is not stifled, and so...
- Not establish or perpetuate systems, controls or processes which are out of line with, or disproportionate to, the group's risk appetite
- Remain aligned to LPF's existing resources and organisational development
- Ensure an effective and independent risk and compliance function is maintained
- Ensure appropriate levels of separation and independence of each of the 'four lines of defence', as a general principle and in line with the standards of the UK regulated financial services sector
- Ensure appropriate levels of co-operation and information sharing across the 'four lines of defence'

As at 17 February 2020, the last meeting of the Risk Management Group in the year, the most significant risks (after taking account of risk reduction controls and as assessed using a score out of 100) are shown in the table below. Please note that these scores don't reflect the considerations of the additional meeting of the Risk Management Group held in April 2020 to consider COVID-19 impacts, which will be reported in next year's annual report.

Description	Impact	Probability	Risk Score
Adverse investment performance leading to pressure on employer contributions	5	4	20
Adverse movement against non-investment funding assumptions leading to pressure on employer contributions	5	5	25
Failure of an employer to pay contributions causes either a significant fall in funding level or requires higher contributions from other employers	4	4	16
Failure of IT leading to poor ICT responsiveness, legal exposure and cost/risk implications	8	5	40
Colleague resource within the fund insufficient to carry out core task in conjunction with active or anticipated projects.	6	5	30



GOVERNANCE AND RISK

Separately, we maintain a detailed risk monitoring and assurance process for LPFI. That focuses on the specific risks associated with that entity and its regulated business as part of its Internal Capital Adequacy Assessment Process (ICAAP). The LPFI board has oversight of this process.

Risk Assurance

LPF operate a bespoke assurance framework designed to ensure we have effective controls and oversight across the 'four lines of defence', being:

1. Business units
2. Control functions and internal oversight bodies
3. Internal audit
4. External audit and other external assurance

We maintain an assurance overview and mapping document which is updated on an ad hoc basis and reviewed annually by our Audit Sub Committee.

All this is designed to ensure that we meet our objectives, are adequately resourced, managed to high professional standards, meet legislative requirements and have high customer satisfaction.





WE'RE PROUD TO SERVE
**101 OCCUPATIONAL
THERAPISTS**





INVESTMENT

Investment markets

For the 12 months to 31 March 2020, UK equities (FTSE All Share) returned -18.5%, while global equities (MSCI ACWI, in GBP) returned -6.7%. The fall in global equities for sterling-based investors was mitigated by a weaker pound (global equities returned -10% in local currency terms). Sterling had strengthened over 2019 as UK political uncertainty cleared with the election of a majority Conservative government in December 2019. However, it then sold off sharply in March 2020 (along with risk assets) in response to the widening COVID-19 (coronavirus) pandemic. 12-month equity returns were dominated by the outsized moves in the first quarter of 2020 when UK and global equities (in sterling) returned -25.1% and -16.0%, respectively.

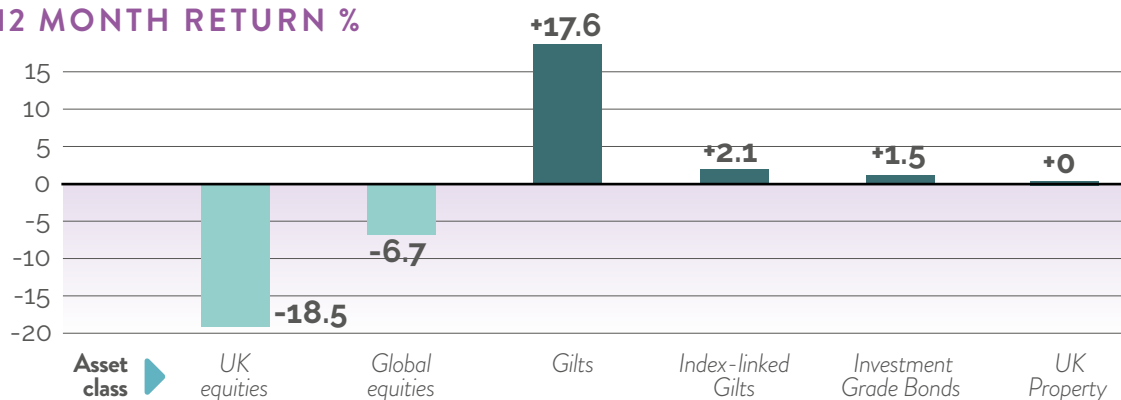


Government bond yields reached record lows in August 2019 as investors sought relative safety in the face of recession fears, in the process pushing the amount of negative yielding sovereign debt to an all-time high. However, the prospect of an initial trade agreement between the US and China buoyed risk assets and bond yields rose during the fourth quarter of 2019. Markets continued to perform strongly into early 2020, seemingly discounting any major economic impact from the January coronavirus outbreak in China. However, as international outbreaks emerged in mid-February, volatility rose.

At the beginning of March, Russia and Saudi Arabia started an oil price war as negotiations on production cuts to offset declining demand broke down. Combined with the increasing spread of the coronavirus pandemic, risk assets sold off sharply through to mid-March as equity market volatility rose to its highest level in the last 30 years. The Bank of England, the US Federal Reserve and other central banks reduced their benchmark interest rates close to zero to support their economies through the ongoing crisis. UK and US government bond yields ended the year to 31 March 2020 near their all-time lows.

The table below shows index returns over 12 months to 31 March 2020 for a range of asset classes.

12 MONTH RETURN %



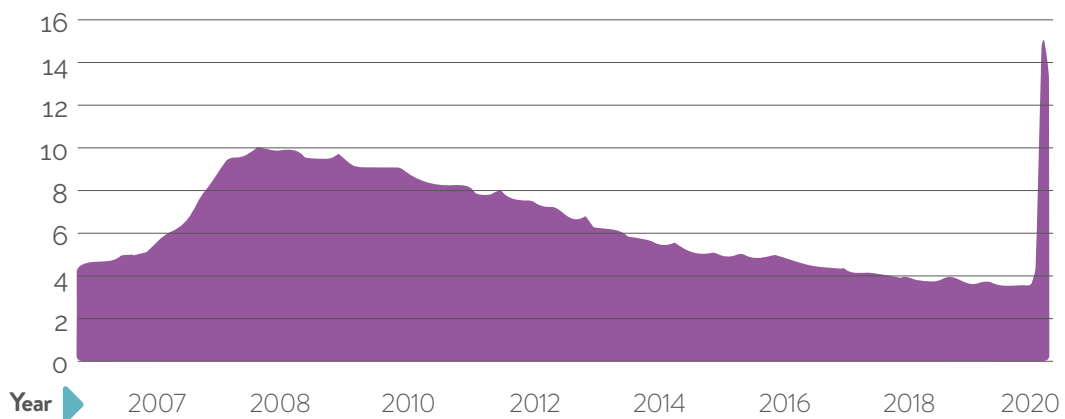
Source: Bloomberg and MSCI



INVESTMENT

The speed and severity with which lockdowns have impacted economies is illustrated in the chart below, which shows the surge in the unemployment rate in the US from 3.5% in February to 14.7% in April, vastly exceeding the peak of 10% during the global financial crisis.

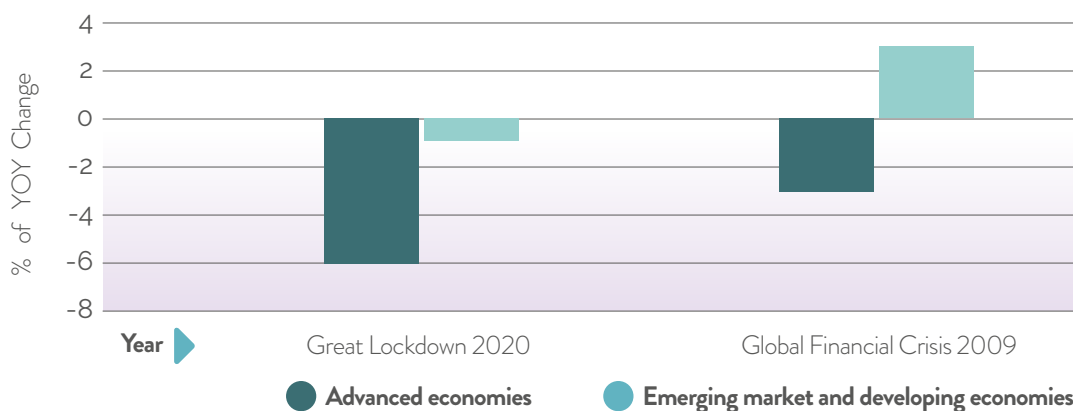
USA UNEMPLOYMENT RATE (%)



Source: US Bureau of Labor Statistics, Bloomberg

The most recent April 2020 forecasts by the IMF (in the chart below) also indicate that the damage to global growth will be worse than the downturn of 2008/2009.

REAL GDP GROWTH YEAR-ON-YEAR % CHANGE



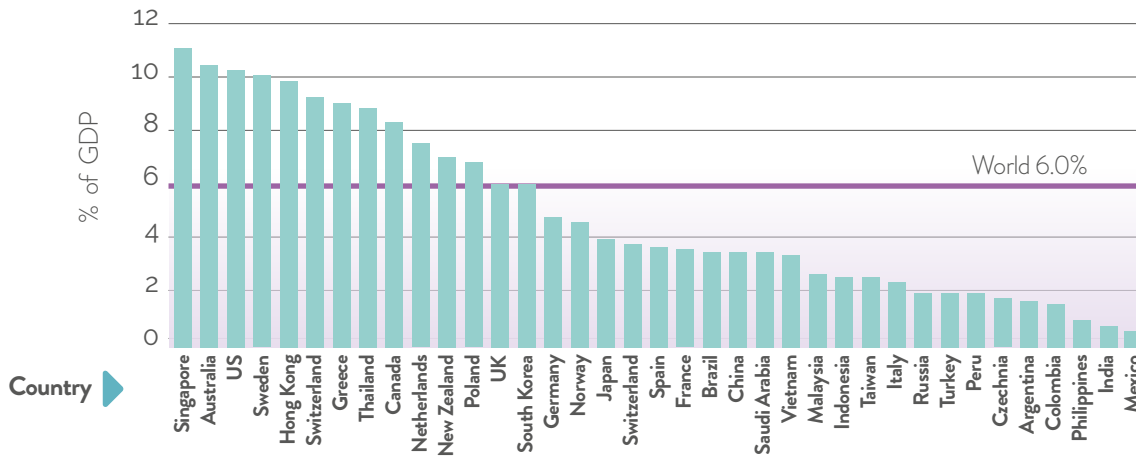
Source: IMF, blogs.imf.org, 14 April 2020



INVESTMENT

As the coronavirus crisis has unfolded, the scale of monetary and fiscal stimulus and support announced by central banks and governments worldwide has been unprecedented; fiscal stimulus measures alone have been estimated at c6% of global GDP (see chart below). Markets have responded positively with equities bouncing (at end April 2020) almost +30% off their mid-March lows. The market reaction suggests that many believe that the support may be enough to offset the deeply negative economic and business impacts, enabling a quicker return to normalised economic activity than more cautious observers are projecting.

NEW FISCAL STIMULUS MEASURES TO TACKLE COVID-19 IMPACT



Source: Macrobond, LGIM estimates, 24 April 2020

Investment strategies

The investment strategies for LPF reflect our long-term objective of maintaining an acceptable balance between contribution stability and the achievement of positive long-term real returns from the assets owned.

The most recent review of the investment strategies was undertaken in 2018/19, taking into account the results of the 2017 actuarial valuation. Investment strategies are set at the broad asset class level of Equities, Gilts, Non-Gilt Debt, Real Assets and Cash, which are the key determinants of investment risk and return. The strategic allocations for the Fund will be reviewed again following the results of the 2020 actuarial valuation.



INVESTMENT

Lothian Pension Fund

To provide suitable investment strategies for the differing employer requirements, the Fund currently operates four investment strategies. The strategies at 31 March 2020 are presented in the table below. The total fund strategy is simply a weighted average of the four individual strategies.

LOTHIAN PENSION FUND 31 March 2020	Main strategy	Mature Employer strategy	50/50 strategy	Buses strategy	Total fund strategy
Equities	65.0%	0.0%	32.5%	35.0%	62.0%
Real Assets	18.0%	0.0%	9.0%	18.0%	17.7%
Non-Gilt Debt	10.0%	0.0%	5.0%	20.0%	10.5%
Gilts	7.0%	100.0%	53.5%	27.0%	9.8%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%

More than 90% of employer liabilities are funded under the Main Strategy, which adopts a long-term investment strategy aiming to generate relatively high investment returns within reasonable and considered risk parameters and hence reduce the cost to the employer.

A small number of employers are funded in the Mature Employer Strategy, which invests in a portfolio of UK index-linked and nominal gilts to reduce funding level and contribution rate risk to a level appropriate to their circumstances. The liabilities funded by the Mature Employer Strategy represent less than 1% of total Lothian Pension Fund liabilities.

COLLEAGUE PROFILE **Albert Chen, Portfolio Manager**

Albert joined LPF in January 2017 as a Portfolio Manager with responsibility for the Fund's investments in credit, private debt and private equity. He also contributes on investment strategy as a member of the Asset Allocation Committee and supports the Fund in its work with collaborative partner funds and on LGPS issues. Albert says:

"I really enjoy being part of a team focused on generating positive investment outcomes for the Fund, its members and employers. Working with like-minded partners on shared investment challenges is an added bonus."





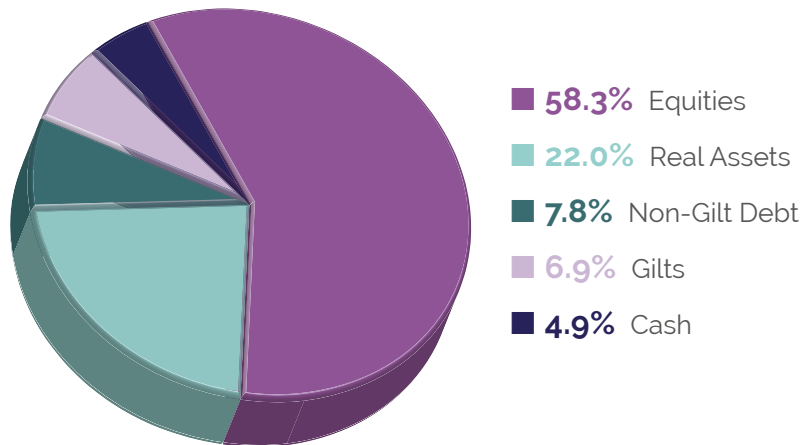
INVESTMENT

Just over 1% of liabilities are funded by the 50/50 Strategy, which is a combination of the above two strategies. The 50/50 Strategy is for employers who are closed to new members but who don't yet qualify for the Mature Employer Strategy.

Finally, the Lothian Buses employer is funded in the Buses Strategy. The liabilities associated with the Buses Strategy represent approximately 7% of Lothian Pension Fund liabilities.

The total fund strategy in the table above is the long-term target allocation to the five policy groups (or asset classes). The actual allocation at end March 2020 is presented in the pie chart below.

**LOTHIAN
PENSION FUND
ACTUAL ASSET
ALLOCATION
(%) AT 31/03/2020**



WHAT OUR MEMBERS SAY:

'I find the Fund staff very easy to talk to and helpful. The human element is very important, so please don't lose it.'



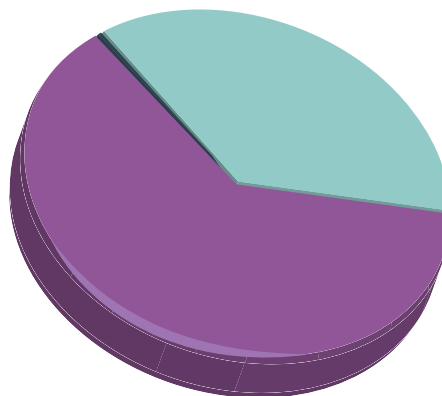
INVESTMENT

Scottish Homes Pension Fund

The investment strategy for the Scottish Homes Pension Fund is designed to minimise funding level risk. It's a relatively mature pension fund and is invested entirely in UK government securities (both index-linked and nominal gilts) and cash at 31 March 2020.

The implementation of the strategy reflects the nature of the liabilities, some of which are fixed and some of which are index-linked. The investments match the interest rate and inflation sensitivity of the liabilities as closely as possible. In addition, the cash flow of assets matches with future pension payments up to one year beyond the next actuarial valuation (end March 2020) to minimise transaction costs and funding level risk.

SCOTTISH HOMES PENSION FUND ACTUAL ASSET ALLOCATION AT 31/03/2020



- 63.6% Index linked gilts
- 35.6% Nominal gilts
- 0.8% Cash

Internal investment team

Investment strategies for the Fund are implemented and monitored by our experienced internal team of investment professionals supported by external advisers. Over recent years, our internal team has expanded with very positive effects on costs and capabilities.

During 2019/20, our internal team was expanded with the establishment of a team responsible for direct property investments to complement the existing property expert responsible for managing, monitoring and advising on indirect property for LPF and our collaborative partners. The team was also strengthened with the appointment of one senior and one trainee investment analyst. The majority of LPF's listed equity and publicly traded bond assets continue to be managed internally.

The focus on internal investment capabilities reflects the Fund's focus on cost-effective implementation of our investment strategy, but it also strives for improved governance, oversight and greater alignment of interest. One of our guiding principles is to use strong internal investment capabilities to their maximum potential and to retain external managers for specialist mandates.



RESPONSIBLE INVESTMENT

Responsible Investment (RI)

Lothian Pension Fund must deliver positive real returns on its investment portfolio over the long term to pay pensions. In our investing activities, we act in our members' interests by positively contributing to a more sustainable and resilient financial system, supporting sustainable economic growth and a thriving and fairer society.

We've been a signatory of the UN-backed Principles for Responsible Investment (PRI) since 2008 and align our practices and processes to their six principles and definition of Responsible Investment.

Our approach is informed by our investment beliefs, policies and priorities, together with regulations and statutory guidance. The six principles are embedded in our investment processes and everyday activities.

PRINCIPLE 1:

We'll incorporate ESG issues into investment analysis and decision-making processes

PRINCIPLE 2:

We'll be active owners and incorporate ESG issues into our ownership policies and practices

PRINCIPLE 3:

We'll seek appropriate disclosure on ESG issues by the entities in which we invest

PRINCIPLE 4:

We'll promote acceptance and implementation of the Principles within the investment industry

PRINCIPLE 5:

We'll work together to enhance our effectiveness in implementing the Principles

PRINCIPLE 6:

We'll report on our activities and progress towards implementing the Principles



PRI

‘RESPONSIBLE INVESTMENT IS AN APPROACH TO INVESTING THAT AIMS TO INCORPORATE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS INTO INVESTMENT DECISIONS, TO BETTER MANAGE RISK AND GENERATE SUSTAINABLE, LONG-TERM RETURNS.’



RESPONSIBLE INVESTMENT

PRI Annual Assessment

All PRI signatories agree to the PRI organisation undertaking a comprehensive annual assessment of their approach to RI. This independent appraisal is made publicly available on our website www.lpf.org.uk and a summary of Lothian Pension Fund's latest evaluation is shown below. It highlights that the Fund's processes and approach to Responsible Investment are rated at or above the median of asset owner signatories across all categories measured.

SUMMARY SCORECARD

AUM	Module Name	Your Score	Legend
	01. Strategy & Governance	A+	
Indirect - Manager Sel., App. & Mon			
<10%	02. Listed Equity	A	
<10%	05. Fixed Income - Corporate Non-Financial	A	
<10%	07. Private Equity	A	
<10%	08. Property	A	
10-50%	09. Infrastructure	A	
Direct & Active Ownership Modules			
10-50%	10. Listed Equity - Incorporation	A	
10-50%	11. Listed Equity - Active Ownership	A	

Our investment principles

Responsible Investment is a core part of our investment policy and we always operate within the policy, legal and regulatory frameworks that apply to us. We invest on behalf of our members and their dependants and have a fiduciary duty to act in a financially prudent manner and to consider factors of ESG in the context only of the financial risk that arises from the investment.

As an asset owner in the public sector, striving for high standards of transparency within the constraints of commercial sensitivities, we're understandably subject to considerable scrutiny of our investments. Lobby groups often present ethical arguments for divestment of specific investments. They create adverse publicity to further their campaigns, sometimes being selective in their use of facts to raise awareness and to create impact, often with an incomplete understanding of the investments that they oppose.

The issues raised by lobby groups often centre on complex social, legal or moral issues, and while we are unable to divest investments for these reasons, we can use the views of lobby



RESPONSIBLE INVESTMENT

groups, where supported by credible evidence, to support our assessment of financial risk. As a Responsible Investor, LPF engages with companies in whom we invest to influence improved ESG outcomes and our belief is that doing so as an active investor is more responsible than divestment.

Stewardship Code

The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting transparency and integrity in business. It sets the UK's Corporate Governance and Stewardship Codes. The full LPF [statement of compliance](#) with the UK Stewardship Code can be viewed on our website.

Collaboration

There are limits to the influence that we achieve as a single investor and the resources we can reasonably commit. We recognise that progress can be best achieved on ESG issues through collaboration with other investors and organisations. We're an active member and supporter of several Global and Industry ESG Initiatives:

[Principles for Responsible Investment \(PRI\)](#)

We've been a signatory to the PRI since 2008 and focus heavily on how to implement the six Principles of Responsible Investment into our everyday work to be good stewards of capital. PRI is an important partner, providing excellent guidance on responsible investment and we work closely with them on the future direction of the organisation.

[Federated Hermes EOS \(EOS\)](#)

We've been clients of Hermes EOS since 2008 and they manage most of our voting and engagement activity. Our Internal Equities team work closely with EOS in our collective approach to engagement, reflecting the areas of stakeholder interest and concern. Through working collaboratively with EOS, and alongside EOS's international client base, we're able to have a stronger voice when engaging with our investee companies.



RESPONSIBLE INVESTMENT

Climate Action 100+ (CA100+)

CA100+ is an international collaborative initiative encompassing investors representing over \$40 trillion in assets. Signatories to Climate Action 100+ are requesting the boards and senior management of companies to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risks and opportunities
- Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2°C above pre-industrial level
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below 2°C, and improve investment decision-making.

The Transition Pathway Initiative (TPI)

TPI is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, it assesses companies' preparation for the transition to a low-carbon economy, supporting efforts to address climate change. TPI:

- Evaluates and tracks the quality of companies' management of their greenhouse gas emissions and risks and opportunities related to the low-carbon transition
- Evaluates how companies' planned or expected future carbon performance compares to international targets and national pledges made as part of the Paris Agreement
- Publishes the results of this analysis online through a publicly-available tool hosted by its academic partner, the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE).

We're a public supporter of TPI and the extremely useful data it produces.

The Local Authority Pension Fund Forum LAPFF

LAPFF is a collaborative shareholder engagement group, comprising over 80 UK local authority pension funds and six of the LGPS pension fund pools in England & Wales. A member of Lothian Pension Fund's Pensions Committee, John Anzani, is on the executive board of LAPFF and has represented LAPFF and its member funds in high level engagement with company management.



RESPONSIBLE INVESTMENT

LPF also works closely with other asset owners in several semi-formal working groups including:

- The Cross-Pool RI Working Group: a group comprised of the heads of responsible investment at the English and Welsh local authority pensions pools, alongside representatives of many of the underlying schemes and the Scottish local authority pension funds
- The UK Asset Owners RI Roundtable: a group comprised of several UK asset owners including the local authority pools, many corporate schemes including Railpen, NEST and Unilever, and faith-based funds including the Church Commissioners and the Church of England Pensions Board
- The Scottish Asset Owners RI Roundtable: a new collaborative initiative between Scottish Asset owners. Members include local authority funds, Universities, and corporate defined-benefit and defined-contribution pension schemes.

All these groups aim to share best practice between asset owners with the aim of raising RI standards throughout the industry. We're very active in the initiatives of these groups.

Engagement

We believe that the best way to alter listed company behaviour for the better is through meaningful structured engagement with the management teams and boards of the companies that we hold.

The Fund commits significant resources to engagement activity, most of which is undertaken by the our voting and engagement service provider and partner, Federated Hermes EOS (EOS).



Federated Hermes EOS brings a focus and expertise to engagement activities, as well as scale, by representing a large number of like-minded clients.

As EOS engages on behalf of a wide shareholder base, they can effectively influence management to enact positive change in investee companies.

EOS consults with its clients to develop an engagement plan so that it can prioritise engagement activity. The latest plan (available on our website [\[insert link\]](#)) highlights 12 main themes for engagement over the three-year period 2019-21.



RESPONSIBLE INVESTMENT

In the diagram below, the themes surrounding the core subjects of engagement activity are: environmental matters; social issues; and strategy, risk and communication.

Each theme is described in detail in the engagement plan, including: background information on the importance of each theme; the main outcome objectives; the methodology for tackling each theme; and EOS's description of best practice in each area.

We stand behind EOS in achieving progress in each of these areas, and our Internal Equities team offers support and ideas to help them to carry out this vital work.

Our Internal Equities team undertakes formal and informal engagements during its many company management meetings each year. The highest profile of these is LPF's participant membership of Climate Action 100+, where the internal portfolio managers represent investors totalling \$40 trillion of assets in engagement with a major European utility company.





FORTUM

As part of climate action 100+, our internal team at lpf has been engaging with finnish utility company fortum to improve its carbon performance. While fortum is a leader in european renewables, it does have plenty of carbon intensive generation, particularly in its russian business. The company has also recently acquired a controlling stake in uniper, one of europe's largest fossil-fuel based generators. We've had a series of meetings with the cfo, ceo and chair of fortum and have delivered a [statement](#) (p50) at their 2020 virtual agm. There's a lot of work that fortum still needs to do, particularly around its plans for the acquired generation at uniper and forthcoming coal phase-out in europe, but the company is taking many of the right steps – it has been a long-time supporter of carbon pricing in europe, and its top management has entered an open and honest dialogue with the climate action 100+ engagement group.

Recent announcements of a commitment to net zero by 2035 in the uniper european business is a huge change in strategy for the business and we hope this will be followed by significant announcements on net zero and coal phase-out from fortum.



RESPONSIBLE INVESTMENT

Voting

We vote on the resolutions of 100% of the companies in which we're invested. Two of our external providers are charged with voting on the Fund's behalf based on pre-agreed policies. This is done by Baillie Gifford, who manage assets for LPF, and EOS, our voting and engagement partner.

Annual General Meetings (AGM) present asset owners with another opportunity to influence management on important issues. Shareholders can file resolutions which allow all other shareholders to vote on matters that aren't raised by management.



We co-filed a resolution for BP's AGM in May 2019, calling for greater transparency and disclosure on the company's approach to carbon emission and low-carbon transition planning. The resolution was backed by BP management and supported by 99.14% of investors. BP has since committed to provide investors with a new strategy consistent with the goals of the Paris Agreement, as well as providing further disclosure on capital expenditure and various company metrics and targets, including annual progress reports.

Climate Change

As of February 2020, 196 states and the EU had ratified or acceded to the Paris Agreement of the United Nations Framework Convention on Climate Change, with the only significant emitters still not parties being Iran and Turkey. Under this agreement, each country must determine, plan and regularly report on the contribution it undertakes to mitigate global warming. The three key aims of the agreement are:

- Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change
- Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that doesn't threaten food production
- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Separate to this, but part of the overall worldwide change in culture with regards to greenhouse gas emissions, the Financial Stability Board (FSB) of the Bank of England launched the Taskforce on Climate-Related Financial Disclosures (TCFD). TCFD aims to: "develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders." Further information is available at www.fsb-tcfd.org.



RESPONSIBLE INVESTMENT



As asset owners, we've been engaging with the companies in our portfolios to enhance disclosures on emissions in line with the recommendations of TCFD, as well as working alongside peer organisations to promote the aims of the TCFD and reporting the Fund's approach to climate change-related risks and opportunities in its PRI reporting.

As part of the TCFD resources, investors and asset owners also have guidance on how to report their approach to climate-related risks and opportunities. These recommendations are split into four key areas of reporting.

Governance relates to the organisation's governance and climate-related risks and opportunities.

Strategy relates to the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk management relates to the processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and Targets relates to metrics and targets used to assess and manage relevant climate-related risks and opportunities.



The TCFD is in its relative infancy and LPF is challenging companies to improve their disclosure and is rapidly integrating the specifics of climate change into the risk management and governance of the Fund. Over the last few years, we have undertaken substantial work on the issue.



RESPONSIBLE INVESTMENT

Climate Change – Governance

In accordance with training policy, the Pensions Committee and Pension Board are required to undertake a minimum of 21 hours training. Each year, the Fund's provider of voting and engagement services is invited to present to and interact with the Committee and Board. During 2019/20, they received training on climate change-related risks and opportunities, and climate-specific reporting, including a carbon footprint of the Fund's equity holdings, which is now updated annually. The Pensions Committee's approach to climate change risks are encapsulated in the recommendations agreed in June 2018:



- Reaffirm the Fund's commitment to integrate environmental, social and governance (ESG) considerations, such as carbon efficiency trends, into its decision-making
- Note that the Fund scrutinises and engages with investment managers to ensure that they are taking ESG issues, including climate change and carbon risk, into account in their investment decision-making
- Reaffirm the Fund's policy of not divesting solely on the grounds of non-financial factors
- Note that the Fund will monitor research on the link between ESG factors (including carbon-related factors) and financial performance to inform future investment strategy, such as stock selection criteria for quantitative strategies
- Agree that the Fund should aim to influence engagement activity based on its shareholdings of companies that perform poorly on carbon efficiency measurements.

The Committee and Board considers climate related issues as part of its annual review of the Fund's approach to Stewardship. In late 2018, LPF organised an event on our responsible investment approach and activities, to which major stakeholders and elected officials of local authority employers were invited. This provided the opportunity for discussion with investment managers, legal professionals, representatives from PRI and Hermes EOS and Committee and Board members. A recording of the whole event is available on our website, for those who want or need to understand the Fund's approach.

Climate-related risks and opportunities are an integral part of the overall investment process for LPF. The Pensions Committee is responsible for setting investment strategy and delegates investment decision-making to officers and investment managers with advice from the Joint Investment Strategy Panel. Climate-related risk management is reviewed as part of the regular monitoring process for all investment mandates and includes scrutiny of how ESG analysis is integrated into investment decision-making.



RESPONSIBLE INVESTMENT

Climate Change – Strategy and Risk Management

We recognise the outsized impact that some specific sectors and industrial activities have on climate change by virtue of the magnitude of their greenhouse gas emissions. While many prefer to label companies in carbon-intensive industries as 'bad' and those in low-carbon and alternative energy businesses as 'good', history shows that firms need to reinvent themselves to survive. LPF strives to influence and support positive changes by corporate leaders to achieve sustainability for their firms and for society. Consequently, we have a policy of engagement rather than blanket divestment, which allows us to exert influence on companies to improve their business practices, align with the Paris goals, and disclose internal climate-related risk and opportunity management with TCFD compliant reporting.

Academic research commissioned by Lothian Pension Fund suggests that divestment at best is ineffective, and at worst provides a clear disincentive for management to change.

The Fund's approach to engagement relies heavily on our engagement and voting partner, Hermes EOS. Hermes EOS engages with companies on a range of engagement issues including climate change. The internal management team also engages with company management on a regular basis as part of company roadshows and investment conferences.



In addition, LPF has joined the Climate Action 100+ investor initiative and is actively participating in engagement with one of the 167 target companies in the list of systemically important carbon emitters identified by the initiative.

Regular training and development for all colleagues on climate related issues is provided. This includes governance functions, management, investment decisions makers, and pensions administration colleagues. This creates an internal culture that's serious about the risks to capital posed by the carbon transition.

**University of Edinburgh Master's in Economics Dissertation, "In response to the recent Paris Agreement, how might pension funds contribute to helping reduce global climate change through investment policy?", Cooper, 2019*



RESPONSIBLE INVESTMENT

The Fund's investments can be broadly classified as follows: fundamentally managed equity; quantitatively managed equity; passively managed government debt; directly owned commercial property and externally managed funds (covering all asset classes). As part of the stock selection process for the fundamentally managed portfolios, any fundamentally material climate-related risks and opportunities (such as carbon pricing and the low carbon transition) are individually assessed and monitored by the managers. The quantitative portfolios are monitored for material risks arising from ESG issues on a regular basis. Both the fundamental and quantitatively managed equity funds utilise engagement with managers to improve practices. The selection and monitoring process for external managers incorporates ESG assessments, which continue to be refined as the industry evolves. Our internal managers continue to monitor opportunities in the green energy and future technology space, both in the public and private markets. Much of the public spending on green energy is undertaken by the incumbent energy providers (the diversification of carbon-extractive companies and carbon burning utilities).



With a research budget specifically allocated to data services targeting ESG and climate-related risks and opportunities, we produce an annual carbon footprint for listed equities. This measures the weighted average carbon intensity of the portfolio as a whole. More importantly, it allows us to identify important factors, such as high carbon emissions, to guide our company engagements and forward-looking analysis of the risks to the Fund's invested capital from the low carbon transition. To date, no divestments due to outsized climate-related risks have been made,

but there has been meaningful engagement activity as highlighted above.

While it's widely acknowledged that Climate Change is one of the great issues facing society, it's one of several risks that the Fund must mitigate. In that sense, it's no different to any other risk. We believe in a holistic, integrated approach to analysis taking all risks, including climate-related risk, into consideration.

Climate Change – Monitoring and Metrics

The Pensions Committee and Pension Board review ESG (including climate related) issues at least annually as part of oversight of the stewardship of Fund assets. Officers and the Joint Investment Strategy Panel of advisers monitor investment mandates and individual investments at least quarterly.

In-line with TCFD best practice, we report a measure of carbon efficiency (the weighted average carbon intensity, with units of tons CO₂/\$M sales). We use a carbon efficiency



RESPONSIBLE INVESTMENT

measure as it allows us to look on a granular basis at how well a company is managing its emissions, rather than simply what its absolute emissions are. By looking at companies with similar activities, it's possible to use this metric to separate those companies with good practices from those with bad practices. We weight these intensities according to the portfolio position sizes and add all the weighted intensities to give a figure for the portfolio and the index.

	2018 Weighted Average Carbon Intensity (tons CO2/\$M sales)	2019 Weighted Average Carbon Intensity (tons CO2/\$M sales)	Year on year change	2020 Weighted Average Carbon Intensity (tons CO2/\$M sales)	Year on year change
LPF All Equities	328.6	325.2	-1.0%	294.9	-9.3%
MSCI ACWI	218.9	200.2	-8.5%	178.1	-11.1%

Source: MSCI

These numbers are presented on the basis of Scope 1 and 2 carbon emissions.

As data from the Transition Pathway Initiative (TPI) and Carbon Action 100+ are developing and improving, it has become increasingly incorporated into the equity management process. The TPI data showing Paris Alignment is an important indicator for risk management purposes.

GRESB data in the infrastructure and real estate asset classes is being assessed and will be incorporated into reporting in these areas in future. Support for the Carbon Disclosure Project also allows access to useful research that's considered during due diligence on investments.

Carbon intensity numbers are currently treated as outputs of the investment process rather than targeted inputs into the investment process. This is because these numbers are fundamentally easy to "game". We firmly believe that global decarbonisation will provide benefits to society and the environment, and we therefore support efforts to reduce carbon emissions.

The carbon intensity numbers as reported could easily be brought down by selling the most carbon intensive stocks and replacing those investments with lower emission stocks. While this might be considered "good" optically, companies will continue to emit carbon in the same manner whether LPF sells or retains the shares.

Our involvement in Climate Action 100+ reinforces our belief that engaging with companies to help them pivot their businesses towards a lower carbon future is a far more responsible approach than being an irresponsible divestor. We'll continue to engage with our holdings rather than setting specific carbon intensity targets for our overall portfolio.

There is no reduction in global carbon output if LPF sells carbon intensive businesses.





RESPONSIBLE INVESTMENT

Infrastructure Investment

Infrastructure investments have the potential to generate attractive risk-adjusted returns, with cash flows often linked to inflation. The long-term and defensive nature of these assets can also provide an element of diversification to the Fund's investment strategy.

Over the last 15 years, LPF has developed our reputation, networking and execution capabilities to secure access to investment opportunities within this market niche. The Fund's experienced team appraises and invests in primary and secondary funds as well as co-investments, to achieve our target allocation in a cost-effective manner. An important element of the implementation strategy is to work closely with investment managers to ensure execution certainty and to diligence the commercial and legal terms. Collectively, with our collaboration partners, LPF committed over £300 million in infrastructure investment during 2019/20.

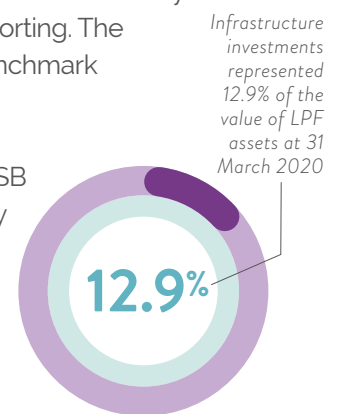
LPF has a long-standing commitment to responsible investment. In addition to becoming a signatory of the PRI (Principles of Responsible Investment) in 2008, we have subscribed to GRESB (Global Real Estate Sustainability Benchmark) to further enhance our analysis of environmental, social and governance (ESG) issues.

At 31 March 2020, 89% of the Infrastructure portfolio value was invested in assets/funds which were also signatories of the PRI and 32% of funds participated in the 2019 GRESB Infrastructure Assessment, a relatively new initiative. Most of Lothian Pension Fund's infrastructure funds also publish an internal ESG policy, outlining the consideration given to ESG issues within the decision-making and ongoing investment monitoring process, and this has become a standard requirement/consideration for manager selection.

Within the GRESB Infrastructure Assessments, participating funds and assets report annually to GRESB on their internal controls and policies. GRESB validates the submitted data and assesses the fund or asset with reference to a series of performance indicators, including the sustainability of its investment strategy, stakeholder relations and level of gender/diversity reporting. The aggregate scores determine a total fund or asset score which can be used to benchmark performance against its peer group.

Funds and assets across all infrastructure sub-sectors can participate in the GRESB Infrastructure assessments, but Transport and Renewable Power assets currently have the greatest participation rate within Lothian Pension Fund's portfolio.

Infrastructure investments represented 12.9% of the value of Lothian Pension Fund assets at 31 March 2020, comprising one of the largest and most diversified allocations among UK LGPS funds. Of the total infrastructure investment of £962 million (31 March 2019: £870 million), the majority is invested in the UK.



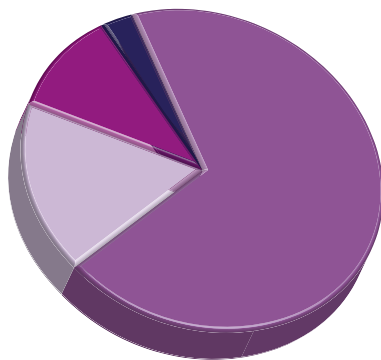


RESPONSIBLE INVESTMENT

During 2019/20, Lothian Pension Fund completed investments in eight secondary fund interests and made three co-investments. Approximately £165 million has been invested over the year in UK, European and Global infrastructure assets. During the same period, £187 million has been distributed/returned to the Fund. Of note, there were two successful realisations generating proceeds of £80 million and recording a net internal rate of return over 20% and a total value to paid-in multiple of 2x. A sale of another of the larger assets was agreed, which crystallises proceeds of approximately £39 million in April 2020.

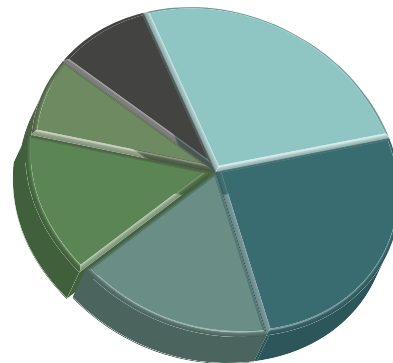
The geographic and sector diversification for Lothian Pension Fund infrastructure (as percentage of infrastructure asset value of £962m at 31 March 2020) is shown in the charts below.

GEOGRAPHIC DIVERSIFICATION



- **69%** UK
- **17%** Europe ex UK
- **11%** North America
- **3%** Rest of the world

SECTOR DIVERSIFICATION



- **26%** Utilities
- **26%** Social Infra.
- **17%** Renewables
- **14%** Transportation
- **9%** Telecom & Others
- **8%** Energy & Power

Infrastructure investments in the UK contributed 69% (or £661 million) of the total. The Fund's 20 largest UK investments, representing £407 million of value, are shown in the map below.

Investments are made across a diverse range of projects, in the areas of:

- Utilities (including regulated water, gas and electricity)
- Social infrastructure (including hospitals, schools and roads)
- Renewables, Energy and Power (including wind farms, biomass and natural gas pipelines)
- Transportation (including ports and rail); and
- Telecom and Others (including telecom towers and car parks).



RESPONSIBLE INVESTMENT

We recognise the role infrastructure investment can make to address part of the current environmental challenges related to climate change. Approximately, 17% of the infrastructure portfolio is invested in renewable energy.

During the year, the Fund allocated c. £32 million to new investments in UK renewable energy projects and new opportunities continue to be appraised.

Since March 2020, the impact of COVID-19 on the Lothian Pension Fund infrastructure portfolio has been closely monitored. The portfolio sector bias towards regulated utilities, social infrastructure and renewable energy, includes essential critical assets which benefit from contracted or regulated income streams, and is expected to largely insulate the portfolio from material adverse financial impacts derived from COVID-19.



WHAT OUR MEMBERS SAY:

'The service provided has been excellent in every way. Thank you.'



FUNDING STRATEGY STATEMENT

The Funding Strategy Statement covers the funding strategies for Lothian Pension Fund and Scottish Homes Pension Fund and can be viewed on our website www.lpf.org.uk/publications.

The purpose of the Funding Strategy Statement is to:

- Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward
- Support the regulatory framework to maintain as nearly constant employer contribution rates as possible
- Take a prudent longer-term view of funding those liabilities.



These objectives are desirable individually but may be mutually conflicting.

The Funding Strategy Statement also ensures that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the Funds (as defined by the Public Service Pensions Act 2013) are met.

Key policies, including the Fund's Admission Policy and Policy on Employers Leaving the Fund are appended to the Funding Strategy Statement. The policy on Employers Leaving the Fund sets out the Fund's approach to dealing with employer exits, including principles for determining payment of cessation debt.





FUNDING STRATEGY STATEMENT

The Funding Strategy Statement was revised at the 2017 Actuarial Valuation and reflects CIPFA guidance: "Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2016".

In addition, updates required as a result of changes to the Scheme Regulations and other pensions legislation included:

- The introduction of a new medium risk investment strategy intended to smooth the path to exit and reduce the deficit risk when an employer leaves the Fund
- The requirement for employers to provide written confirmation that minimum contribution rates set by the Actuary are not unaffordable.

As required by Scheme Regulations, the Fund consulted with employers as part of the review process. Further amendments were made in 2019 to incorporate changes to Scheme Regulations in 2018 and an update to the Fund's bulk transfer policy. The Funding Strategy Statement will be revised again as part of the 2020 valuation, with a further consultation exercise carried out as part of this process.

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy), or asset returns (derived from the investment strategy). A formal review of the Fund's investment strategies is undertaken at least every three years to ensure appropriate alignment with liabilities. Further information on the investment strategies can be found in the Fund's Statement of Investment Principles also available at www.lpf.org.uk.

The next triennial valuation for both Funds will be undertaken as at 31 March 2020. Member data will be supplied to the Actuary during Summer 2020, with results reported later in the financial year 2020/21.

COLLEAGUE PROFILE **Katy Bush, Trainee Solicitor**

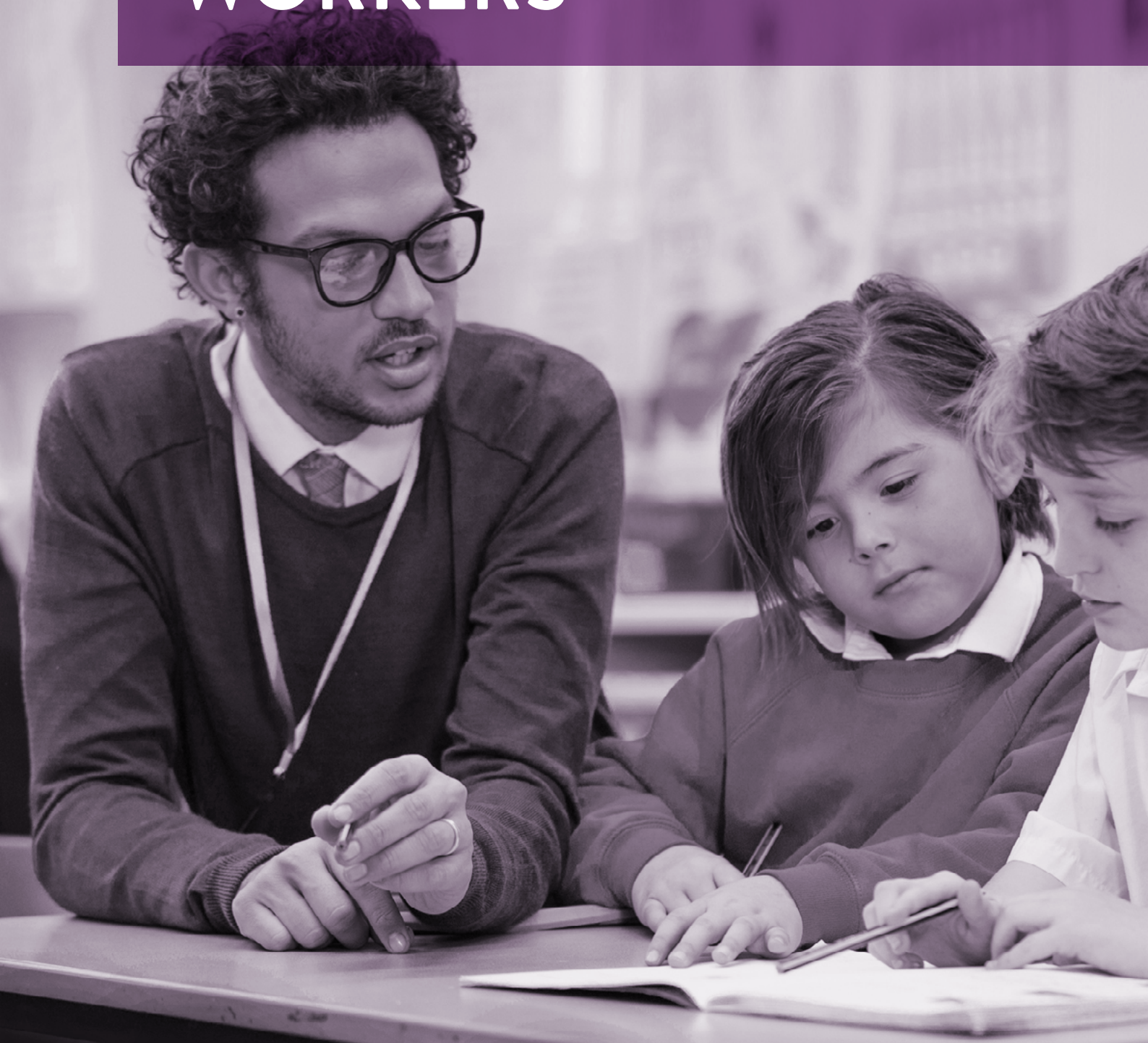
Katy initially joined LPF as a Trainee Solicitor on a six-month secondment from City of Edinburgh Council in March 2019. She returned on a permanent basis in March 2020 and starts as Legal Counsel in September 2020 when she qualifies. She says:

"My role is extremely varied but primarily I provide legal support to the Investment and Employer teams. There are lots of reasons I enjoy working at LPF – the work is really varied and interesting, the environment is friendly and inclusive, and I've always been motivated to use my legal skills to provide a public benefit."





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**932 PUPIL SUPPORT
WORKERS**





FINANCIAL PERFORMANCE

Administration expenses

A summary of the Fund's administrative expenditure for 2019/20, against the budget approved by the Pensions Committee, is shown in the table below.

The budget focuses on controllable expenditures, so excludes all benefit payments and transfers of pensions from the Fund. Similarly, income doesn't include contributions receivable and pension transfers to the Fund. The total net cost outturn of £31,812k against the budget of £32,951k represented an underspending of £1,139k (3.5%) for the Fund.

The most significant budget variances serving to generate this underspending were:

- **Employees – £537k underspending.** Following an organisational design review earlier in the year, recruitment delays led to an underspending. Most of these vacant posts have now been filled.
- **Supplies and Services – £526k underspending.** Budgetary provision for the investment front-office trading system, specifically property management functionality and additional user licences, didn't need to be fully utilised.
- **Other third-party payments – £147k underspending.** The provision for co-investment broken deal costs did not require to be called upon.
- **Support Costs – £285k underspending.** Contingency provision had been made in respect of full procurement of enhanced ICT provision. Formal procurement was initiated later than originally anticipated and therefore outlays were deferred. Appointment of an ICT provider is expected later in the financial year 2020/21.
- **Income – £322k under-recovery.** Budgeted income included anticipated receipts from collaborative partners for asset management services, following requisite FCA approval. This has been delayed until the 2020/21 financial year.

	Approved budget	Actual outturn	Variance
	£000	£000	£000
Employees	5,354	4,817	(537)
Transport and premises	255	289	(5)
Supplies and services	2,128	1,602	(526)
Investment managers fees*	24,900	24,932	32
Other third-party payments	1,439	1,292	(147)
Capital funding - depreciation	147	154	7
Direct Expenditure	34,223	33,047	(1,176)
Support costs	643	358	(285)
Income	(1,915)	(1,593)	322
Total net controllable cost to LPF	32,951	31,812	(1,139)

*Does not include performance element. In 2019/20, £2.9m was paid in fees in relation to the Fund's private market investments.



FINANCIAL PERFORMANCE

Reconciliation to total costs	Actual outturn
	£000
Actual outturn on budgeted items above	31,812
Add: Securities lending revenue included in income above	577
Investment management fees deducted from capital – performance related element	2,933
IAS19 LPFE retirement benefits	(77)
LPFE deferred tax on retirement benefits	(31)
Corporation tax	(9)
Total cost to LPF (inclusive of full cost investment management fees)	35,205
Per fund accounts	
Lothian Pension Fund Group	35,126
Scottish Homes Pension Fund	79
Total	35,205

Cash-flow

Cash-flow to and from a pension fund is very dependent on the profile of its membership. Specifically, a maturing membership, where the proportion of active to deferred and pensioner members is reducing, would be expected to see a reduction in contributions received, together with additional outlays on payments to pensioners.

The tables below show the projected cash flow, as reported to Pensions Committee on 25 March 2020, against the actual movement for the year. It's important to distinguish between the basis of preparation for these, with the projected figures prepared on a cash basis, i.e. from when cash is received by the Fund, compared to the accruals basis of the Financial Statements to reflect accounting standards.



FINANCIAL PERFORMANCE

LOTHIAN PENSION FUND

	2019/20 Projected	2019/20 Accruals basis	2019/20 Cash Basis
Income	£'000	£'000	£'000
Contributions from Employers	194,000	184,818	189,125
Contributions from Employees	50,000	49,508	50,705
Transfers from Other Schemes	5,000	6,036	6,036
	249,000	240,362	245,866
Expenditure			
Pension Payments	(180,000)	(179,229)	(179,229)
Lump Sum Retirement Payments	(70,500)	(65,809)	(68,077)
Refunds to Members Leaving Service	(750)	(723)	(723)
Transfers to Other Schemes	(36,000)	(30,660)	(30,660)
Administrative expenses	(2,500)	(2,521)	(2,521)
	(289,750)	(278,942)	(281,210)
Net Additions/(Deductions) From Dealings with Members	(40,750)	(38,580)	(35,344)

**Does not include performance element. In 2019/20, £3.1m was paid in fees in relation to the Fund's private market investments.*

LPF continued to experience a net reduction in value from our dealings with our members. This reduction increased by £24.1million in the year with outlays exceeding receipts by £38.6 million compared to £14.5million at 31 March 2019. It is worth highlighting that a majority of this increase was driven by the one off event of a bulk transfer of an employer, Barony Housing Association, to another scheme which accounted for £20.5million of the rise in outlays.



FINANCIAL PERFORMANCE

SCOTTISH HOMES PENSION FUND

	2019/20 Projected	2019/20 Accruals basis	2019/20 Cash Basis
	£'000	£'000	£'000
Income			
Administration charge	80	70	70
Expenditure			
Pension Payments	(6,545)	(6,653)	(6,653)
Lump Sum Retirement Payments	(655)	(625)	(666)
Transfers to Other Schemes	(100)	-	-
Administrative expenses	(80)	(45)	(45)
	(7,380)	(7,323)	(7,364)
Net Additions/(Deductions) From Dealings with Members	(7,300)	(7,253)	(7,294)

Scottish Homes Pension Fund is a mature fund with no active members. As a result, pension outlays are met from investment income, supplemented by asset sales. Net pension outlays were £7.3million representing a £1.7million change in position from 31 March 2019 (net withdrawals of £5.6million). 2018/19 figures do include the transfer of Homeless Action Scotland from Lothian Pension Fund to Scottish Homes which accounts for the £1.7m difference. Future cash flows are expected to be broadly consistent with 2019/20 figure going forward.

Membership statistics and funding statements from the Actuary are provided for both Funds in the Fund Accounts sections.



FINANCIAL PERFORMANCE

2017 Actuarial Valuations

The most recent triennial assessment of the funding position of the pension funds was undertaken by LPF's Actuary as at 31 March 2017. In general, the results showed that despite better than expected asset returns since the 2014 actuarial valuation, employer costs increased due to a reduction in future expected investment returns. The Funding Strategy Statement was reviewed and amended following consultation with employers.

For Lothian Pension Fund, the funding level increased from 91% at 31 March 2014 to 98% at this valuation. The deficit decreased from £417million at 31 March 2014 to £145million at 31 March 2017. Reflecting the differences in the employers in the Fund, a third investment strategy was introduced for employers which are closed to new entrants, but not close to exiting the Fund.

Lothian Pension Fund also introduced a requirement for employers to provide written confirmation that minimum contribution rates set by the Actuary are affordable as it's not in the best interests of the individual employers or the fund for employers to continue to accrue unaffordable pension liabilities. The fund continues to work with employers to put in place funding agreements to address repayment of debt when an employer leaves, to avoid employer default or insolvency.

The funding level for Scottish Homes Pension Fund at 31 March 2017 was 104.7%, increased from 88.8% from the 2014 actuarial valuation. Consultation was undertaken with the Scottish Government on the potential benefits offered by revising the Funding Agreement for this fund. However, it advised that it didn't want to revisit this and as a result the investments of the fund are now fully invested in UK government bonds and cash.

The next triennial valuation for both Funds will be undertaken as at 31 March 2020. Member data will be supplied to the Actuary during Summer 2020, with results reported later in the financial year 2020/21.





FINANCIAL PERFORMANCE

Investment management cost transparency

Local authorities are required to account for pension funds in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.



The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council, where these provide additional guidance. Guidance is still awaited from CIPFA as to how these costs should be standardised and reported in the Annual Reports of LGPS Funds.

The Chartered Institute of Public Finance and Accountancy (CIPFA) published this guidance in July 2014, which promoted greater transparency of investment management fees. These principles were adopted as best practice in the presentation of the Lothian Pension Fund audited Annual Report 2015. In June 2016, CIPFA revised its guidance including the following: "Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the Fund Account."

The revised guidance changed the disclosure of fees for fund of funds investment arrangements. A 'fund of funds' is an investment holding a portfolio of other investment funds rather than investing directly in funds. Typically, fees are payable to the 'fund of funds' manager as well as to the managers of the underlying funds. Generally, under the revised guidance from CIPFA, the second and third layer of fees would not be disclosed with just the fees from the 'fund of funds' manager stated.

In the preparation of the Fund's Annual Report for 2014/15 and 2015/16, the Fund made efforts to be completely transparent on the totality of costs incurred for managing its investment assets. The Fund's disclosures included all layers of fees. At its meeting on 28 September 2016, the Pensions Committee instructed the Committee Clerk to communicate



FINANCIAL PERFORMANCE

to CIPFA, Audit Scotland and the Scottish Local Government Pension Scheme Advisory Board (SLGPSAB), the Committee's and Convener's disquiet with the relaxation of the principle of full cost transparency of investment management fees, as explicit in CIPFA's revised guidance "Accounting for Local Government Pension Scheme Management Costs".

In May 2018, CIPFA published: "Proposals for LGPS Fund Reporting in a 'Pooled World.'" This sets out proposals for revised reporting for LGPS pension funds to meet several objectives, including:

- To further enhance reporting of costs reflecting the introduction of the LGPS SAB Code of Transparency for asset managers
- Initiatives underway by the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP) which aim to create more transparent and granular reporting standards for both providers and trustees

In March 2019, CIPFA published "Preparing the annual report – Guidance for Local Government Pension Scheme Funds (LGPS) 2019 Edition." The purpose of this guidance is to assist local government pension funds with the preparation and publication of the annual report required by Regulation 55 of The Local Government Pension Scheme (Scotland) Regulations 2018.

The Pensions and Lifetime Saving Association (PLSA) has also issued cost data templates to support its Cost Transparency Initiative. The aim of this initiative is to provide a standardised way for asset managers to report costs and charges to investors. Such further cost disclosure will be included within the notes to the financial statements.

The financial statements of Lothian Pension Fund and Scottish Homes Pension Fund continue to include full transparency for both Funds' internal and external investment management fees.



FINANCIAL PERFORMANCE

	Lothian Pension Fund		Scottish Homes Pension Fund	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Investment management expenses in compliance with CIPFA guidance	31,041	31,704	84	104
Investment management expenses per financial statements	36,102	32,659	84	104
Disclosure in excess of CIPFA guidance	5,061	955	0	0

Utilising its internal investment management expertise, the investment strategy of Lothian Pension Fund has evolved to move away from complicated and expensive investment vehicle structures, such as fund of funds, to increased direct investment, e.g. in infrastructure. This significantly reduces the layers of management fees incurred.

The Fund is now at the realisation stage of its fund of fund investments, with its holdings in listed private equity and infrastructure funds being reduced and those receipts serving to fund additional direct investments. This is the reason for the much lower disclosure in excess of CIPFA guidance in 2019/2020 (£955K), compared to the previous year (£5,061K). This trend is expected to continue for Lothian Pension Fund. Crucially, however, the disclosure of the full costs of investment management remains fundamental to effective comparison between LGPS funds, particularly given the common use of fund of fund investment vehicles.



FINANCIAL PERFORMANCE

Investment cost benchmarking

Investment strategy focuses on risk adjusted returns, net of costs. The Fund has participated in investment cost benchmarking provided by CEM, an independent benchmarking expert for global pension funds with a database of 332 pension funds representing £7.2 trillion in assets. To provide a fair comparison, CEM calculates a benchmark based on fund size and asset mix, which are key drivers of investment costs.

The latest analysis available (for the year to 31 March 2019) showed that LPF's investment costs of 0.39% of Fund assets were significantly lower than CEM's benchmark cost of 0.49%, an equivalent annual saving of approximately £7.0m. This saving largely reflects the fact that the Fund manages a relatively high percentage of assets internally compared with other similar pension funds and that it has low exposure to fund-of-fund investment vehicles.

WHAT OUR MEMBERS SAY:

'I feel very privileged and fortunate to be a member.'





PERFORMANCE AND ADMINISTRATION

Key Performance Indicators 2019/20

Our strong commitment to customer service drives continuous service development, ensuring the best possible service, whilst recognising potential demands of the future. We set challenging performance targets and measure these through both key indicators which are reported to our Pensions Committee and Pension Board, and internal indicators, which are reported to internal management. This year we've focused on improving the services we provide digitally to enable members quick and easy access to their personal information.

The table shows our performance against these targets.

2018/2019		Target	2019/2020
Retained	Maintain Customer Service Excellence Standard (CSE) (Annual assessment)	Retain	*outcome pending
Met	Audit of Annual Report and Accounts 2019/20	Unqualified opinion	Met
100%	Proportion of members receiving a benefit statement by August	100%	100%
92.7%	Overall satisfaction of employers, active members and pensioners measured by surveys	92%	96.0%
99.7%	Percentage by value of pension contributions received within 19 days of end of month to which they relate	99%	99.5%
Met	Investment performance and Risk of Lothian Pension Fund over a rolling five-year period	Meet benchmark	Not met
Met	Monthly pension payroll paid on time	Met	Met
3.9%	Level of sickness absence	4.0%	2.85%
100%	All colleagues complete at least two days training per year	Yes	100%
69%	Colleague engagement index	Greater than 70%	69%

* Due to the Coronavirus outbreak the assessment to be held in March 2020 was postponed and will take place as soon as circumstances allow.



STOP



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122 SCHOOL CROSSING GUIDES





PERFORMANCE AND ADMINISTRATION

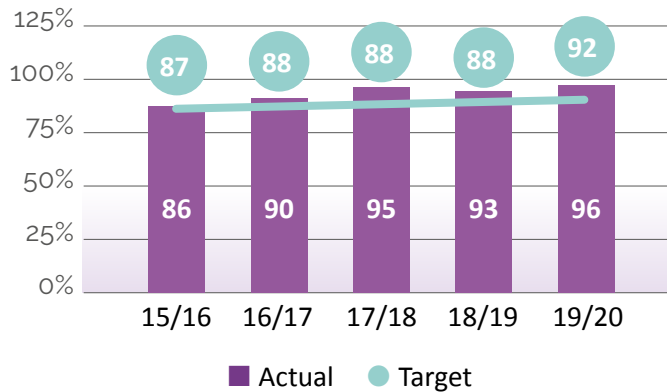
Value for Money

Value for Money is the term used to assess whether an organisation has obtained the maximum benefit from the services it acquires or provides, within the resources available to it. It has three components to take account of: economy, efficiency and effectiveness.

For several years, LPF has participated in benchmarking provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The purpose of this is to help identify the areas where we can make improvements to deliver better value for money. The benchmarking facilitates:

- Comparison between costs and performance
- The provision of evidence to support decisions on budget relating to the sustainability and capability of the investment and administrative teams to enhance customer satisfaction
- Sharing of information and ideas with peers
- A review of performance trends over time.

OVERALL SATISFACTION





PERFORMANCE AND ADMINISTRATION

The outputs and analyses have served to supplement internal performance management information. However, the Chartered Institute of Public Finance and Accountancy (CIPFA) has stated that, to protect its commercial interests, its benchmarking reports "cannot be put in the public domain. It is for internal uses only within the authority . . . and for contacting and communicating with other members of the club." We're therefore unable to include full information on the results in the Annual Report.



A summary of the benchmarking, based on 2018/19 data as reported to Pensions Committee in December 2019, is below:

- Lothian Pension Fund's cost per member of £22.09 falls within the very wide range of local authority funds of c£13 to £48. However, the cost is higher than the average of all funds of £21.34
- The composition of a fund's membership impacts costs. Active members represent 39.4% of the Fund membership compared with an average of 32.7%, and pensioners represent 29.9% compared with 25.5%, which means that deferred members represent a lower proportion of membership (23.6%) than the typical fund (30.5%). As deferred members are less demanding on administration services, these factors would tend to increase pension administration and payroll workload and therefore cost
- The proportion of colleagues holding relevant pension administration qualifications is significantly higher than the average (more than double)
- In addition, the Fund's administration performance is above average for 10 of the 13 industry standard indicators in certain instances, by a considerable margin.

The Fund participated in the pension administration survey carried out by CEM for the first time in 2019 to gain further insight into pension administration cost and quality of service.

Although CIPFA is exclusive to local authority funds, the CEM peer group also included UK private sector schemes. Participating funds, from both private and public sectors, were of significantly larger size. CEM's benchmarking results categorised the Fund's pension administration service as "low cost; high service standard".



PERFORMANCE AND ADMINISTRATION

Customer and complaint feedback

Listening to feedback is key to our services and LPF carry out surveys to monitor individual and overall satisfaction. Our overall satisfaction continues to improve and in 2019/20 remains above the 92% target at 96.0%.

We also monitor complaints and ensure we respond to and resolve all complaints where possible, within 20 working days.

We investigate and learn from both formal and informal complaints to ensure we're continuously improving our services. Complaints are split by those about the service we provide and those about how Scheme Regulations are applied.

We carried out 17,782 processes in 2019/20 and there were very few complaints made, less than 0.01%. Complaints covered a broader range of issues including taking small pensions as a cash lump sum and the time it took to pay a Cash Equivalent Transfer Value to new pension providers.

Internal Dispute Resolution Procedure (IDRP)

Pensions law requires that the Local Government Pension Scheme must have a formal procedure in place for resolving disputes arising from the running of the scheme. The IDRP is a two-stage process. An external independent appointed person deals with disputes at the first stage and the second stage is dealt with by the Scottish Ministers.

In 2019/20, there were four stage 1 disputes for investigation. If a member remains dissatisfied with the Stage 1 decision, they have six months to take their appeal to Stage 2. In 2019/20, there was one Stage two dispute and one remaining from 2018/19, both of which are included in the statistics below.

Reason for dispute	Stage 1 outcome	Stage 2 outcome	On-going
Transfer of Employment Protection of Undertakings (TUPE) transfer/protected Normal Retirement Date (NRD)	1 not upheld – complaint rested with SPPA	1 upheld	0
Overpayment	1	1 not upheld	0
Awards, e.g. early payment of deferred pension on health grounds	3	3 not upheld	0

Further information about the IDRP and complaints procedure is available on our website at www.lpf.org.uk/aboutus.



PERFORMANCE AND ADMINISTRATION

Our data

We issued 100% of benefit statements by the statutory deadline of 31 August 2019. This is the second year in a row we've achieved this target set by the Pensions Regulator in 2015. Previous years saw us achieve 99%.



We measure our pension record keeping standards against the Pension Regulator's best practice guidance. Poor record-keeping can lead to significant additional costs in areas such as administration, error correction, claims from members as well as fines from The Pensions Regulator.

All our employers submit monthly contribution and pensionable pay data through the Fund's employer data portal. The Fund audits the submissions to ensure the continuation of data accuracy.

The Fund utilises a Data Quality Service provided by the administration software supplier to determine the scores for our common and conditional data as required by the Pensions Regulator. The scores are based on the percentage of clean member records; those considered to be without a single data failure.

The following scores were submitted to the Pension Regulator for the 2019 annual scheme return. Lothian Pension Fund and Scottish Homes Pension Fund scored 98.3% and 96.5% respectively for common data and 95.4% and 96.7% for conditional data. The quality of data continues to be considered to be of a high standard.

COLLEAGUE PROFILE **Steph Duddy, People Business Partner**

Steph joined LPF in September 2019 as our People Business Partner. Steph's responsible for providing guidance to drive the delivery of the HR and people plans, including recruiting and development for our colleagues. Steph says:

"The favourite aspect to my role is helping to develop our colleague give them the skills to deliver great service for our members. The people and culture are what makes LPF a great place to work."





PERFORMANCE AND ADMINISTRATION

Guaranteed Minimum Pension (GMP)

Following the end of contracting-out of the Second State Pension (S2P) on 5 April 2017, HMRC committed to sending a statement to all individuals affected stating the amount of Guaranteed Minimum Pension (GMP) they'll receive and who is responsible for paying it. As implied, GMP is the underpin that guarantees benefits will be no lower than the additional state pension, a member would have accrued had their pension not contracted out. As different levels of indexation are applied to the GMP element of a member's pension compared to the balance, any incorrectly calculated GMPs can result in over or underpayment of benefits. The UK Government's deadline for pension schemes to reconcile the GMP values they hold for members with those calculated by HMRC was 31 March 2019.

As reported previously, the Fund reconciled GMP values held for its members with those calculated by HMRC, to within the accepted tolerance of £2 per week, by the statutory deadline of 31 March 2019. In total, 120 members were identified who had been underpaid GMP. This resulted in arrears of £37,597.90, which was paid in June 2019. Requisite increases to ongoing annual pensions totalled £4,028.

In respect of overpayments, the Local Government Pension Scheme (Increased Pension Entitlement) (Miscellaneous Amendments) (Scotland) Regulations 2019, provide that pensions currently in payment will remain unadjusted going forward. The Fund has calculated an annual total of such pension overpayment of £73,624.32, across 572 members' records, that is an average of £128.71 per member.



McCloud judgement

When public service pension schemes were reformed following the Public Service Pensions Act 2013, protections for older scheme members were introduced. In December 2018, the Court of Appeal ruled that the transitional protections included in the Judges' ("McCloud") and Firefighters' ("Sargeant") pension schemes constituted unlawful age discrimination. Following this, in July 2019 a Written Ministerial Statement confirmed that the UK Government believed that the ruling applied to all the main public service pension schemes and that the discrimination would be addressed in all the relevant schemes, including Local Government Pension Scheme (LGPS) in Scotland.

The Scottish Government is considering what this means for the LGPS and a remedy is expected later this year. Protection will compare the benefits payable under the current rules with the entitlements which would have been paid if the Scheme had not changed in 2015 and pay the higher. This protection will apply automatically and members who meet the qualifying criteria won't need to take any action.



PERFORMANCE AND ADMINISTRATION

Many members benefits won't change or will only see a small increase because of low salary growth since the new scheme was introduced. However, as the changes will be backdated to April 2015 and apply to qualifying members who left the LGPS after that date, implementing the remedy is expected to be extremely challenging from an administration perspective.

Pension administration

Our in-house pension administration team provides a dedicated service for the pension fund members. We monitor the time taken to complete our procedures. Key procedures include: processing of retirement and dependent benefits; providing information for new members; and transfers and retirement quotes. Despite the challenging environment, 93.53% of key procedures in 2019/20 were completed in target. However, in other areas, some delays were experienced while this key work was prioritised.

The table below shows the number and type of retirements in 2019/20.

Reason for dispute	Ill health	Early-age 60 to NPA	Early-age 55 to 59	Redundancy	Efficiency	Late	TOTAL
Lothian Pension Fund	118	907	140	115	61	165	1506
Scottish Homes Pension Fund	0	21	0	0	0	0	21



PERFORMANCE AND ADMINISTRATION

The table below shows performance against key procedures in 2019/20.

2018/19		Target	2019/20
92.2%	Proportion of critical pensions administration work completed within standards – individual performance within this indicator are shown below	Greater than 91%	93.53%
96.7%	Provide a maximum of one guaranteed Cash Equivalent Transfer Value (CETV) within 10 working days of receiving a request	90%	97.64%
97.5%	Pay lump sum retirement grant within seven working days of receiving all the information we need from the member	95%	98.84%
97.2%	Acknowledge of the notification of the death of a member to next of kin within five working days.	95%	97.62%
100%	Respond in writing within 20 working days to formal complaints that have escalated from frontline resolution, or recorded directly as an investigation	95%	100%
81.7%	Notify early leavers entitled to deferred benefits of their rights and options within 10 days of being informed of end of pensionable service.	90%	97.83%
73.6%	Proportion of non-key procedures completed within standard including Additional Regular Contributions, responding to member communications, updating nominations and maintaining the member database.	75%	75.18%
98.3%	Notification of dependant benefits within five working days of receiving all necessary paperwork	95%	92.81%
97.2%	Payment of CETV within 20 working days of receiving all completed transfer out forms	95%	94.75%
80.4%	Provide transfer-in quote within 10 working days of receiving the Cash Equivalent Transfer Value (CETV) from member's previous pension provider.	95%	64.21%
77.0%	Notify members holding more than three months, but less than two years' service, of their options at leaving. As there is a one month and a day lying period, the target is within 10 days of the end of the lying period or after the employer providing full leaving information if later.	80%	77.29%
87.7%	Pay a refund of contributions within seven working days of receiving the completed declaration and bank detail form.	90%	89.25%
82.3%	Estimate requested by employer of retirement benefits within 10 working days	90%	82.63%
92.7%	Pay any lump sum death grant within seven working days of receipt of the appropriate documentation	95%	90.76%



PERFORMANCE AND ADMINISTRATION

We also participate in the National Fraud Initiative which is a data matching exercise led by Audit Scotland and is carried out every two years. The 2018/19 data match against current pensioners and deferred pensioners identified 31 and 13 deaths respectively, that hadn't been reported. The total overpayment for current pensioners amounted to £52,026 and recovery is in progress.

In 2019/20, the total value of pension overpayments written off under delegated authority (overpayments up to £3,000) between 1 September 2018 – 31 August 2019 was £7,888.

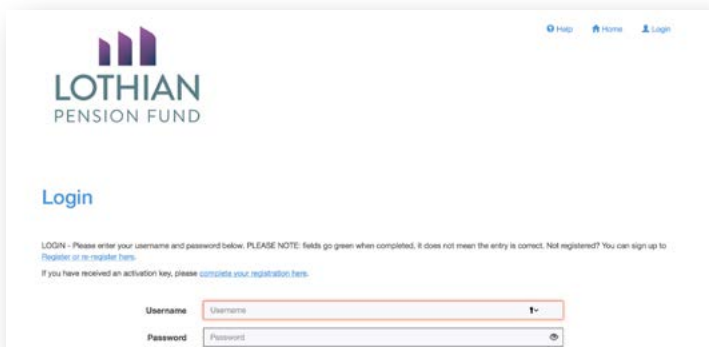
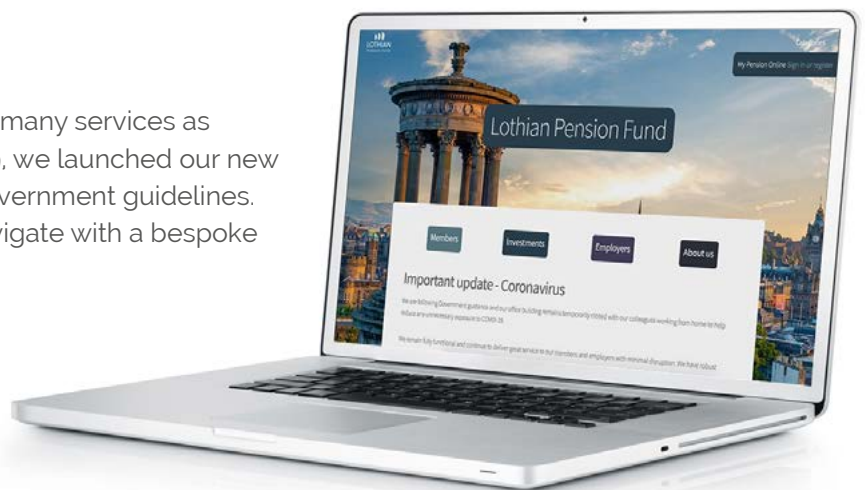
Online services

LPF is moving towards providing as many services as possible digitally. In December 2019, we launched our new accessible website to meet new Government guidelines. The website is clear and easy to navigate with a bespoke member area.

The My Pension Online service provides members with easy access to their personal information and we continue to investigate ways to improve the customer experience and services for our members.

Enhancements to our digital service have allowed us to provide retirement estimates and member documentation online, enable secure upload of documents to the Fund and completion of forms online.

We recently changed our refund process so now members can view, complete and return the forms and documents securely, all within our digital service.



We also introduced online payslips and P60s for all our members. 8,427 members (26.3% of existing pensioners) who were signed up to the digital service at the end of February no longer receive paper copies of their payslips or P60s.

All new pensioner members are automatically designated to receive electronic payslips and P60s, but they'll be given the option to retain paper service if that's their preference. We'll issue further communications to persuade existing pensioners to sign up to the online service.



PERFORMANCE AND ADMINISTRATION

Information for members is also available via email, phone and in person by visiting our office. We currently have 30,000 members registered for the online service with 44% of all active members being registered and we're continuing to work to increase these numbers.

Our employers provide monthly contribution returns via a portal that allows data to be automatically uploaded to the pension software system. This has significantly improved the provision of employer data and allowed for the automation of tasks that were previously done manually.

Unclaimed Monies Account

When a member leaves the Fund with less than two years membership they're entitled to a refund or transfer to another pension provider. Where we don't receive a response to any of our correspondence, we record these as 'Status 3: Exit – No liability' with a marker as unclaimed. At 1 April 2019 the unclaimed amount was £909,056 with 2,527 records with the unclaimed marker and on 1 April 2020 the figure was £914,306 with 2,571 unclaimed records.

Over the year we wrote to over 1,200 members reminding them of their options and we'll continue this work over the next 12 months by sending a reminder letter to those that haven't replied.

Although the unclaimed members and monies remain around the same level, new members who don't reply become unclaimed.

Employer performance

The Pensions Administration Strategy sets out the roles and responsibilities of both the Fund and employers, specifying the levels of services the parties will provide to each other and referring to four key areas where the Fund will pass on the costs of poor performance from employers:

- Late payment of contributions
- Late submission of membership information at the end of the year
- Failure to supply the Fund with information required to provide members with pensions savings statements
- Failure to provide details of member contributions monthly.

These areas are particularly important to ensure compliance with legislation, including accurate data to administer the career average pension scheme and the requirement to provide members with a pension forecast by 31 August each year. Charges for late payment of contributions are as stated in the Scheme Regulations whilst other recovery of costs has been set to reflect the additional time spent in resolving queries and pursuing late information.



PERFORMANCE AND ADMINISTRATION

Since the strategy was introduced, provision of early leaver and retiral information from employers has been well below the expected standard. This is despite our LPF officers taking a variety of approaches to improve employer performance, including:

- Providing training to payroll/HR colleagues
- Presenting performance updates at employer seminars and user groups
- Escalating to senior officers at annual employer meetings
- More frequent meetings and monitoring with employers where performance has been particularly poor.

To improve service to members, indirect costs can now be recovered from an employer should there be any persistent and ongoing administration failure occurs, with no improvement demonstrated or unwillingness to resolve the identified issues.

The Fund monitors employer performance against the standards set out in the Pension Administration Strategy. Results are reported to employers by way of an annual performance report, with more regular reporting for larger employers.

Overall employer performance for 2019/20 is shown below, with 2018/19 shown for comparison purposes.

Case type	Target (working days)	2018/19			2019/20		
		Number received	Number within target	% within target	Number received	Number within target	% within target
New members	20	4,379	N/A	N/A	7,489	4,554	61%
Leavers	20	3,628	1,715	47%	3,632	1,450	40%
Retirements	20	1,249	488	39%	1,374	512	37%
Deaths in Service	10	11	7	64%	16	10	63%



PERFORMANCE AND ADMINISTRATION

Reconciliation of data in Q1 affected the performance indicator for new starters significantly. The performance of our largest employers improved from Q2 onwards.

Whilst the provision of leaver information within target has decreased and the majority were received out of target, a huge amount of effort this year has gone into targeting historical cases. We continue to provide missing leaver queries to employers monthly and are confident that employers can focus on 'business as usual' cases in 2020/21.

Most retirement information continued to be provided out of target. Just over a quarter of retirements out of target are received between 10 and 19 days before the member's retirement date but just over 50% are received after the member's retirement date.

Employer	Number of late payments	Employer	Number of late payments
Scotland's Learning Partnership	5	Bellrock	1
Freespace Housing	3	Citadel Youth Centre	1
Visit Scotland	3	Hanover Housing Association	1
Granton Info Centre	3	Heriot Watt University	1
Edinburgh Cyrenians Trust	2	Pilton Equalities Project	1
Enjoy East Lothian	2	West Lothian College	1
Four Square	1	Edinburgh Festival Society	1
Edinburgh Development Group	1		
TOTAL			27

99.74% of contributions by value were paid on time. Of the 976 payments made, 27 were paid later than the 19th and these are shown in the table. The option to levy interest on overdue contributions was not exercised in 2019/20 as late contributions weren't received significantly later than the 19th.



PERFORMANCE AND ADMINISTRATION

Scotland's Learning Partnership

On 26 April 2019, the Scottish Public Pensions Agency (SPPA) advised that "Ministers have agreed that Scottish Government will provide a guarantee in respect of the liabilities for the staff from the former Community Learning Scotland who transferred to the Local Government Pension Scheme". This guarantee was signed on 3 June 2019.

Following the guarantee, Scotland's Learning Partnership received an updated valuation result with amended contribution rates and has agreed to settle an outstanding secondary rate payment by March 2022 via instalments. Whilst this means that the Fund hasn't yet received the minimum contributions in full, as certified by the Fund Actuary, the level of outstanding secondary rate contributions is not deemed significant and the Fund isn't exposed to default risk, given the guarantee by the Scottish Government. We have advised the Scottish Public Pensions Agency of the position.

WHAT OUR MEMBERS SAY:



'I can absolutely say that the Lothian Pension Fund has changed our lives for the better. We're now in a brand new home and we're very comfortably off. It was without doubt the best decision I made when I joined this fund in 1982'



OUR COLLEAGUES

Our Colleagues

Engaging our colleagues is critical to delivering our strategy and ambition. We firmly believe that having happy and motivated colleagues helps us deliver for our members, employers and stakeholders.

This year we were delighted to reach number 68 in the Sunday Times Top 100 Not for Profit Companies 2020 and number 38 in the Best Companies to work for in Scotland.



Our core values

We're passionate about pensions and our values are enduring principles that inform, inspire and instruct our day to day behaviour. We're proud to be:

- Agile and dependable
- We approach work with an open and flexible attitude and take responsibility to manage our work effectively and efficiently. We also embrace new processes in a consistent and reliable way.
- Self-motivated and team players
- We actively participate as individuals, taking pride and responsibility in what we do. At the same time, we show awareness for the team and ensure our objectives support the team's objectives.
- Challenging and respectful
- We appreciate the need to challenge status quo and ask questions in a constructive and respectful way.
- Innovative and prudent
- We always look to improve processes and practices and ensure we do this in a way that's safe and protects LPF from unnecessary risk.

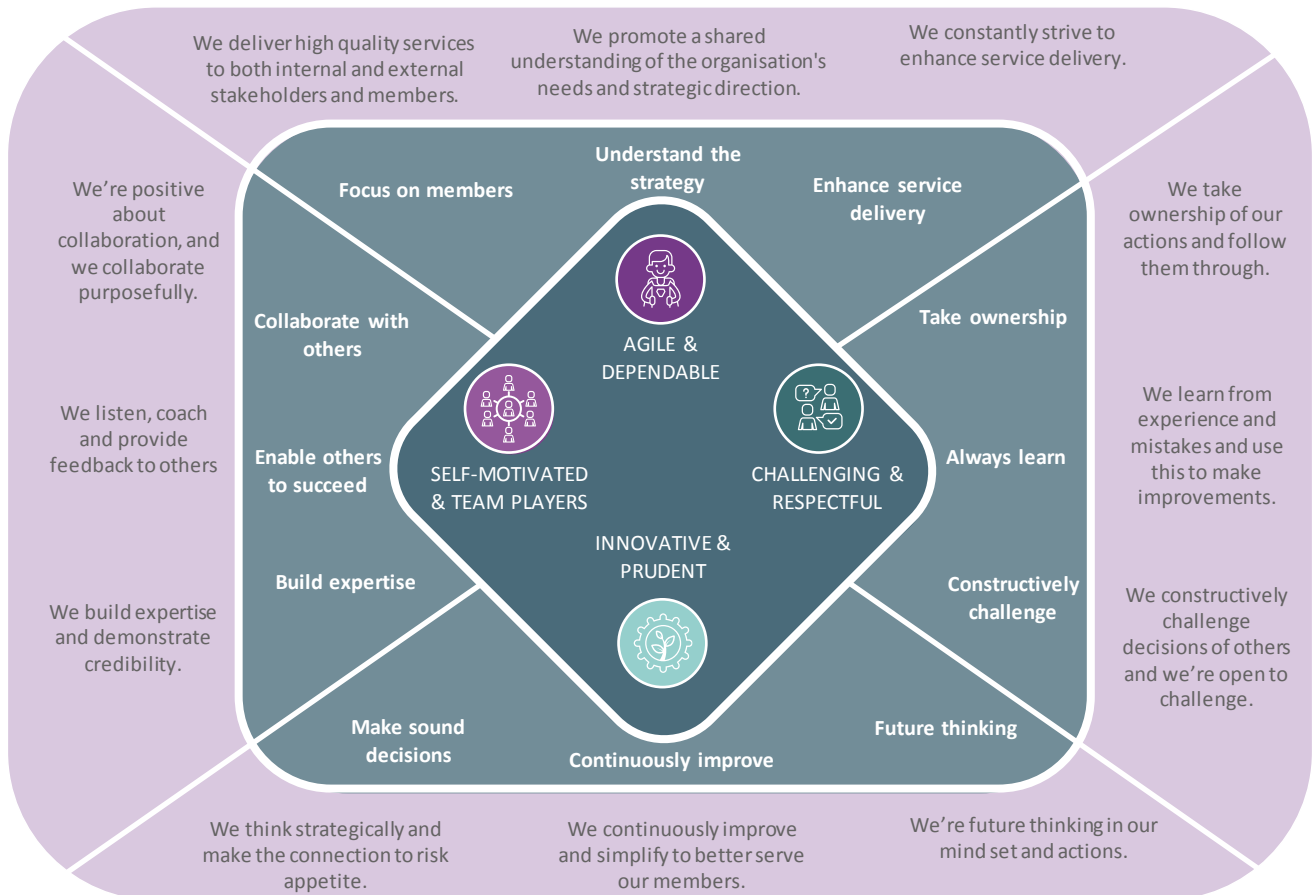
Inclusivity

We're one team, but we represent many ideas, experiences and backgrounds. We value everyone's contributions and believe that everyone should be their whole self at work. We want a diverse, inclusive and respectful workplace and this will be achieved by driving a positive environment. As at 31 December 2019 our permanent headcount was 68; 53% female 47% male.

We recognise the many strengths and talents our diverse colleagues bring to the workplace so we're taking steps to make sure that LPF is as inclusive as possible for both our colleagues and members:



OUR COLLEAGUES



- In 2019, we signed up to Disability Confident and more importantly, committed to review and improve everything we do with respect to recruitment and employment. Through Disability Confident, we'll work to ensure that disabled people and those with long term health conditions can fulfil their potential and realise their aspirations with us as an employer
- We're proud to be one of the firms in Scotland to partner with Future Asset and offer work experience placements for senior school girls. Future Asset aims to raise aspirations and confidence in girls in S4-S6, encouraging them to choose ambitious career paths, and informing them about rewarding opportunities in investment
- We've joined several organisations supporting the Scottish launch of a nationwide initiative focused on increasing diversity and inclusion in the asset management, professional services and financial services industries
- We helped launch the Scotland chapter of the Diversity Project, which aims to accelerate progress toward a more inclusive culture in the investment and savings sectors across all demographics, including gender, ethnicity, sexual orientation, age and disability



WE'RE PROUD TO SERVE
**558 SOCIAL
WORKERS**





OUR COLLEAGUES

Gender Balanced

We continue to work towards our goal of being fully gender balanced across the organisation by 2030.

- As at 31 December 2019 we have, on aggregate, 35% women in our top three leadership layers. Over the year, we've increased our female management roles by three which equates to 33% women in our top three leadership layers
- Our mean gender pay gap is 36.15% (median: 4.33%) and the mean bonus pay gap is 43% (median 21%)
- Our positive action approach for gender, which is benchmarked externally, is helping to ensure that our people policies and processes are inclusive and accessible, from how we attract and recruit, to how we reward and engage our colleagues. We're confident this approach is the right one and through time, it will help us achieve a better balance of diversity throughout the organisation. Between August and December 2019, we recruited seven colleagues, 57% of these were women, and all of these colleagues were recruited above median pay.



Performance and Reward

Our approach to performance management provides clarity for our employees about how their contribution links to our ambition and all our employees have goals set across a balanced scorecard of measures. We continue to ensure colleagues are paid fairly for the work they do and are supported by simple and transparent pay structures in line with industry best practices. We keep our HR policies and processes under review to ensure we do so.

This clarity and certainty on how we pay is also helping to improve our employees' financial wellbeing. Our rates of pay continue to exceed the Living Wage and we ensure employees performing the same roles are paid fairly. We make sure that colleagues have a common awareness of the financial and economic factors affecting LPF's performance through quarterly 'your FORUM' events led by our Group Chief Executive Officer and Senior Leadership Team. More information on our remuneration policies and employee share plans can be found later in this document.



OUR COLLEAGUES

Developing Skills and Capabilities Culturally

Becoming a learning organisation is one of our priorities. We ensure that colleagues have the required skills and qualifications to perform their roles and prepare them for the future. We're committed to developing colleagues in key areas we've identified that will help build the right knowledge, skills and behaviours to help them stay relevant and employable and support our ambition and purpose. In addition, we're encouraging agility and shifting mindsets so that a focus on the future, continuous learning, knowledge-sharing and reflective practice becomes the norm.

Professional standards are important to us and we offer a wide range of learning to support professional development. We work closely with a wide range of professional bodies, government agencies and our peers to maintain and grow professional standards across the industry.



Investing in Colleagues

We've also transformed our colleagues' experience by deploying new digital tools. Bamboo HR was implemented as a new digital HR platform in August 2019, and includes a mobile app, giving colleagues an experience on par with the digital experience our customers enjoy.

Health and Wellbeing

We firmly believe that colleague wellbeing is linked to a successful and happy workforce. We partner with a community enterprise initiative to source fruit baskets and make these available to colleagues to encourage healthy eating. All colleagues have access to our free Employee Assistance Programme which offers help and advice on topics like health, legal, finance and lifestyle.

We take our colleagues' mental health very seriously and support mental health and wellbeing initiatives including Time to Talk Day, Purple Tuesday and we work with Enable to ensure that colleagues have the support, confidence and trust they need to talk about any concerns they may have.

Management commentary approved by:

Andrew Kerr

Chief Executive Officer
The City of Edinburgh Council
24 June 2020

Doug Heron

Chief Executive Officer
Lothian Pension Fund
24 June 2020

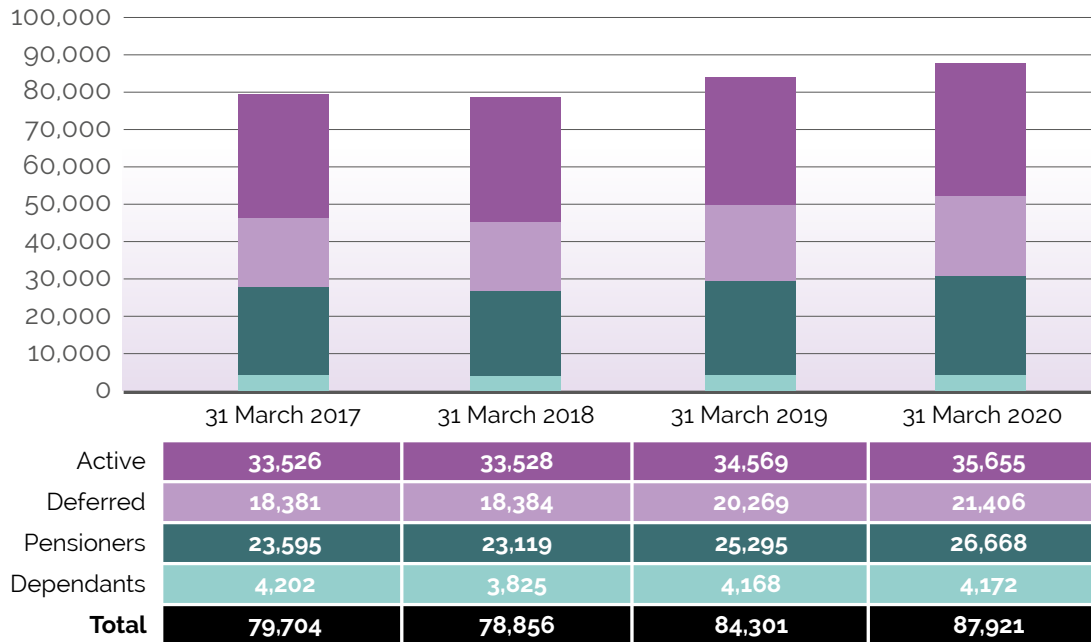
John Burns

Chief Finance Officer
Lothian Pension Fund
24 June 2020



LOTHIAN PENSION FUND ACCOUNTS

LOTHIAN PENSION FUND MEMBERSHIP



Homeless Action Scotland (HAS) ceased its membership of LPF with effect from 12 July 2018 and, following Ministerial Direction, its members transferred into the Scottish Homes Pension Fund. At the point of transfer, HAS had eleven deferred members, four pensioner members and one dependant member. The figures for 2019 have been adjusted to show this reduction. Further information on the transfer is shown in the Scottish Homes account section.

Investment Strategy

In order to provide suitable investment strategies for the differing requirements of employers, the Fund currently operates four investment strategies. Most employer liabilities are funded under the Main Strategy, which adopts a long-term investment strategy, aiming to maximise the investment return within reasonable and considered risk parameters and minimise the cost to the employer. The investment strategy is set at broad asset class or policy group levels, which are the key determinants of risk and return. These policy groups consist of Equities, Other Real Assets, Non-Gilt Debt, Gilts and Cash.

The Fund's (Main) investment strategy was approved by the Pensions Committee in December 2018. This adopts a long-term investment strategy, aiming to maximise the investment return within reasonable and considered risk parameters and hence minimise the cost to the employer. The strategy retains significant exposure to real investments, such



LOTHIAN PENSION FUND ACCOUNTS

as Equities and Infrastructure, which have a history of protecting or enhancing purchasing power over the long term.

A small number of employers are funded in the Mature Employer Strategy, which invests in a portfolio of UK index-linked and nominal gilts to reduce funding level and contribution rate risk as they approach exit from the Fund. The liabilities funded by the Mature Employer Strategy represent approximately 1% of total liabilities.

The 50/50 Strategy enables another small group of less mature employers to fund liabilities with a 50/50 mix of the Main Strategy and the Mature Employers Strategy. The liabilities funded by the 50/50 strategy represent a further 1% of total liabilities.

The Buses Strategy was introduced on 31 January 2019 when the assets and liabilities of Lothian Buses Pension Fund were consolidated into the Lothian Pension Fund. In June 2019, the Committee agreed that the Buses Strategy should be adjusted in line with the investment strategy that it had previously approved for the Lothian Buses Pension Fund. With a maturing liability profile, the strategy reduced the risk / return profile of the assets over a five-year period. As the estimated funding level improved more quickly than expected, risk reduction was achieved during 2019/20 by reducing the equity allocation from 51.5% to 35% and increasing the allocation to gilts and non-gilt debt.

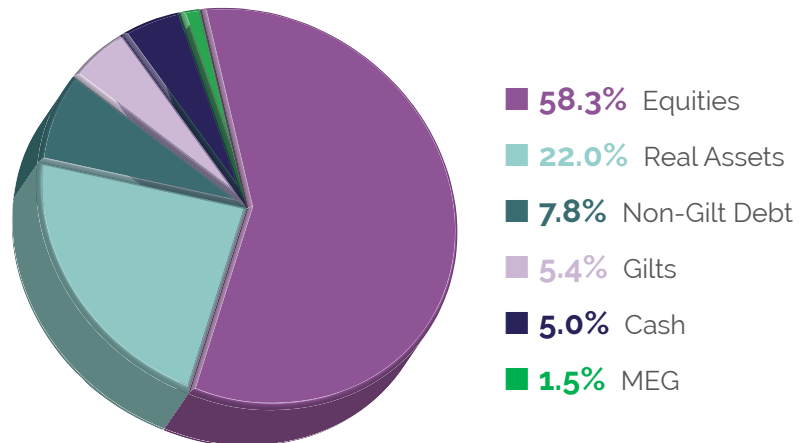
The table below presents total fund strategy, which is the weighted average of the four employer strategies also shown.

LOTHIAN PENSION FUND 31 March 2020	Main strategy	Mature Employer strategy	50/50 strategy	Buses strategy	Total fund strategy
Equities	65.0%	0.0%	32.5%	35.0%	62.0%
Real Assets	18.0%	0.0%	9.0%	18.0%	17.7%
Non-Gilt Debt	10.0%	0.0%	5.0%	20.0%	10.5%
Gilts	7.0%	100.0%	53.5%	27.0%	9.8%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%



LOTHIAN PENSION FUND ACCOUNTS

ACTUAL ASSET ALLOCATION TOTAL FUND STRATEGY 31 MARCH 2020



A key objective of the Fund's investment strategy is to avoid unrewarded risk, and significant steps were taken more than six years ago to achieve this. The current equity strategy evolved by shifting from a regional to a global manager structure with a significant proportion of assets managed internally. The intention was to create relative stability appropriate to a long-term pension fund. The current equity investment strategy has remained broadly unchanged for several years now. With the structure of the equity exposure in more of a 'steady-state', there were no major changes over 2019/20.

Almost 85% of the Fund's listed equities are managed internally, with the majority of this in low cost, low turnover strategies which are expected to enhance the Fund's risk-adjusted returns over the long-term. The Fund also hedges exposure to the currencies of overseas listed equities with the explicit aim of reducing volatility rather than seeking to generate improved returns. The Fund therefore maintains exposure to currencies that are expected to reduce volatility, such as the US Dollar and Japanese Yen which tend to fall as equities rise, and hedge exposure to currencies that are expected to increase volatility, such as the Australian Dollar, which tends to rise as equities rise.

Over recent years, the Fund's strategy has been to increase the actual allocation to the Real Asset policy group, which includes investments in property, infrastructure and timber funds and assets. The long term and defensive nature of most of these assets provides an element of diversification to the overall investment strategy and the objective is to provide attractive risk-adjusted returns that are expected to be somewhat lower than listed equities over the long term. Most of these investments are unlisted and increasing exposure is dependent on sourcing attractive opportunities. The Fund's longstanding commitment to infrastructure investing has resulted in a large and diverse portfolio of real assets. The Fund's actual allocation has increased slightly this year from 20% to 22%. Almost 60% of this exposure is invested in infrastructure and approximately one third is investment in property. A small team of property professionals was recruited over 2019/20 to manage the commercial real estate portfolio, including both direct UK properties and indirect property investments.



LOTHIAN PENSION FUND ACCOUNTS

The Non-Gilt Debt allocation has been increasing in recent years as the Fund strives to improve diversification and secure returns in excess of gilt yields. The actual allocation was increased gradually over 2019/20 from 5.2% to 7.8% with additional commitments to private debt as well as the drawdown of existing commitments and new investments in investment grade corporate bonds. Given very low sovereign bond yields and historically low spreads in credit markets, the Fund remains below the long-term strategic allocation.

The Fund's allocation to Gilts declined over the year, from 9% to 7%, which is below the long-term strategy target of 10%. The risk associated with index-linked gilts was raised by the UK government plans to align RPI with CPI between 2025 and 2030 – this would have a meaningful detrimental impact on future returns, which are already negative in real terms and expensive in an international context – yields are relatively low and inflation expectations relatively high. The Fund retains exposure as index-linked gilts do provide diversification, some insurance against an unexpected rise in inflation and a return broadly in line with the Fund's liabilities.

Investment performance

The Fund's performance over the last year and over longer-term timeframes is shown in the table below.

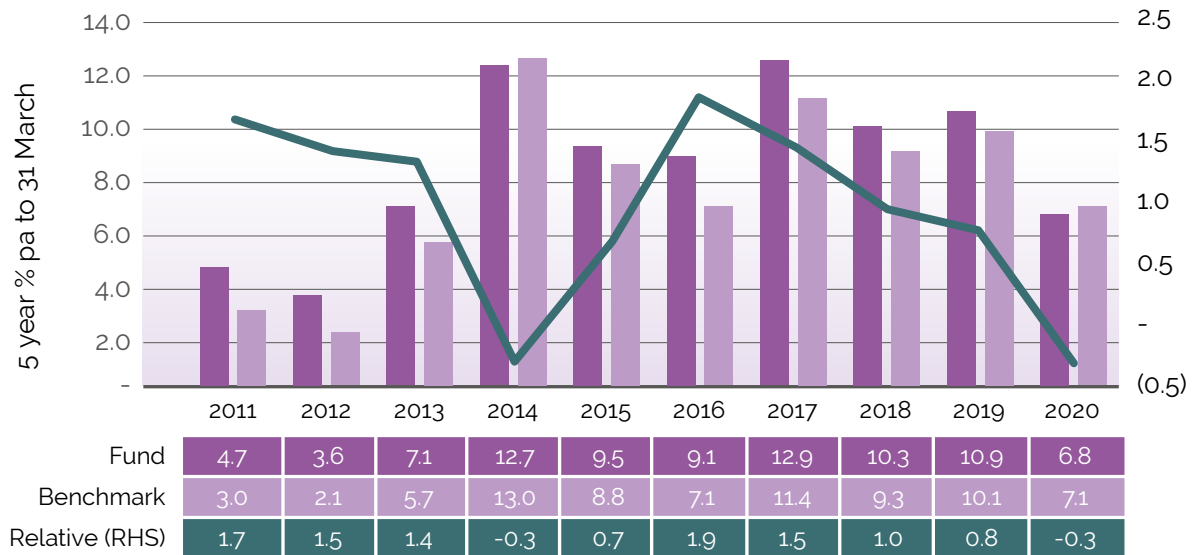
Annualised returns to 31 March 2020 (% per year)	1 year	5 years	10 years
Lothian Pension Fund	-3.6	6.8	8.1
Benchmark*	-0.2	7.1	7.9
Average Weekly Earnings (AWE)	1.5	2.4	2.0
Consumer Price Index (CPI)	1.5	1.7	2.0

*Comprises equity, 'gilts plus', gilts and cash indices



LOTHIAN PENSION FUND ACCOUNTS

ANNUALISED 5 YEARLY RETURNS ENDING 31 MARCH (% PER YEAR)



The investment objectives of the Fund are to achieve a return on Fund assets which is sufficient over the long term to meet the funding objectives as outlined in the Funding Strategy Statement. In effect, the Fund aims to generate adequate returns to pay promised pensions and to make the scheme affordable to employers now and in the future, while minimising the risk of having to increase contribution rates in the future. The Fund aims to achieve a return in line with its strategic benchmark allocation, over the long term, with a lower-than-benchmark level of risk.

The Fund return was relatively weak over the past year but remains broadly in line with its objective of meeting the strategic benchmark return over five and ten-year periods with lower risk. It should be noted that the Fund is not expected to behave like the benchmark in the short term for two main reasons: portfolios are not constructed to track the market capitalisation benchmarks and private market market benchmarks are not readily available nor assets well suited to short term measurement. UK CPI and Average Weekly Earnings have grown at low and relatively stable rates for many years, although liability values have grown faster than asset values as interest rates have almost reached zero.



LOTHIAN PENSION FUND ACCOUNTS

The Fund's focus on risk-adjusted returns and lower volatility has been broadly in place since 2013 involving a change in structure that included a greater focus on lower volatility equities. One way of assessing the success of the strategy is by measuring the direction of the Fund's performance when markets are increasing and decreasing. Over the period since the change in structure, the Fund's returns have been delivered with lower volatility than the benchmark.



From March 2015 to March 2020, the Fund performed:

- better than the strategic allocation when markets fell (19 out of 60 months) with average performance of 0.3% better than the strategic benchmark and,
- worse than the strategic allocation when markets were rising (41 out of 60 months) with average performance 0.2% behind the strategic benchmark demonstrating that the Fund is positioned relatively defensively, in line with strategy.

The Fund's independent performance measurement provider, Portfolio Evaluation, also reports that the Fund's annualised ex-post active risk has been lower than the strategic benchmark over the most recent five-year (7.3% vs. 8.0%) and ten-year (7.3% vs. 7.7%) periods.

COLLEAGUE PROFILE **Ruth Hunter, Investment Administrator**

Our investment Administrator Ruth has been with LPF for eight years. Ruth provides administrative support for the Investment team which is a varied role and includes co-ordinating the Fund's investment reporting cycle, preparing reporting data and co-ordinating data between our collaborating partners. Ruth says:

"The LPF team are all great to work with and I really enjoy the challenges of my role and the direction the Fund is moving in."





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LOTHIAN PENSION FUND ACCOUNTS

Fund Account for year ended 31 March 2020

This statement shows a summary of the income and expenditure that the Pension Fund has generated and consumed in delivering the Local Government Pension Scheme. Included are employers' and employees' contributions and investment income, as well as the cost of providing benefits and administration of the Fund.

Lothian Pension Fund			Lothian Pension Fund		
Parent	Group		Parent	Group	
Restated 2018/19	Restated 2018/19		2019/20	2019/20	
£000	£000	Note	£000	£000	
Income					
175,672	175,672	Contributions from employers	5 /	184,818	184,818
47,416	47,416	Contributions from members	6	49,508	49,508
3,852	3,852	Transfers from other schemes	7	6,036	6,036
226,940	226,940			240,362	240,362
Less: expenditure					
167,962	167,962	Pension payments including increases	8	179,229	179,229
50,270	50,270	Lump sum retirement payments	9	58,809	58,809
5,542	5,542	Lump sum death benefits	10	7,081	7,081
720	720	Refunds to members leaving service		722	722
(82)	(82)	Premiums to State Scheme		1	1
14,754	14,754	Transfers to other schemes	11	30,660	30,660
2,281	2,530	Administrative expenses	12a	2,496	2,467
241,447	241,696			278,998	278,969
(14,507)	(14,756)	Net (withdrawals)/additions from dealing with members		(38,636)	(38,607)
Returns on investments					
190,975	190,975	Investment income	13	232,842	232,842
503,624	503,624	Change in market value of investments	15, 20b	(500,295)	(500,295)
(35,938)	(36,102)	Investment management expenses	12b	(32,827)	(32,659)
658,661	658,497	Net returns on investments		(300,280)	(300,112)
644,154	643,741	Net increase in the Fund during the year		(338,916)	(338,719)
7,175,080	7,173,722	Net assets of the Fund at 1 April 2019		7,819,234	7,817,463
7,819,234	7,817,463	Net assets of the Fund at 31 March 2020		7,480,318	7,478,744



LOTHIAN PENSION FUND ACCOUNTS

Net Assets Statement as at 31 March 2020

This statement provides a breakdown of type and value of all net assets at the year end.

Lothian Pension Fund			Note	Lothian Pension Fund	
Parent	Group			Parent	Group
31 March 2019	31 March 2019			31 March 2020	31 March 2020
£000	£000		£000	£000	
Investments					
7,788,872	7,788,872	Assets		7,444,652	7,444,652
(1,912)	(1,912)	Liabilities		(1,965)	(1,965)
7,786,960	7,786,960	Net investment assets	14	7,442,687	7,442,687
Non current assets					
3,457	3,457	Debtors	24	5,256	5,256
430	430	Computer systems		658	658
60	-	Share Capital		590	-
-	393	Deferred tax	29a	-	424
3,947	4,280			6,504	6,338
Current assets					
884	884	The City of Edinburgh Council	28	4,924	4,924
35,897	36,238	Cash balances	21, 28	38,168	39,038
22,345	22,568	Debtors	25	18,118	18,447
59,126	59,690			61,210	62,409
Non current liabilities					
-	(2,309)	Retirement benefit obligation	30	-	(2,232)
-	(13)	Creditors		-	(15)
-	(2,322)			-	(2,247)
Current liabilities					
(30,799)	(31,145)	Creditors	26	(30,083)	(30,443)
(30,799)	(31,145)			(30,083)	(30,443)
7,819,234	7,817,463	Net assets for the Fund		7,480,318	7,478,744

The unaudited accounts were issued on 24 June 2020 and the audited accounts were authorised for issue on XX September 2020.



LOTHIAN PENSION FUND ACCOUNTS

John Burns FCMA CGMA, PgC

Chief Finance Officer,
Lothian Pension Fund

Notes to the net asset statement

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is discussed in the Actuarial Valuation section of this report and these financial statements should be read in conjunction with that information. In addition, as required by IAS26, the Actuarial Present Value of Promised Retirement Benefits is disclosed in the notes to these financial statements.





NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Accounting Policies

The statement of accounting policies for both Funds can be found on page 157.

2 Prior Year Adjustment

Ministerial Direction – Homeless Action Scotland

The admission to Local Government Pension (LGPS) membership of Homeless Action Scotland (HAS) was terminated by Lothian Pension Fund (LPF) with effect from 12 July 2018. The Actuary to LPF calculated the liabilities that remained on cessation at £641,000. Following specific request by LPF, on 31 March 2020, the Scottish Ministers issued a direction to the effect that:

(a) Scottish Homes Pension Fund (SHPF) be substituted for Lothian Pension Fund as the appropriate fund for the Scheme employer as at 11 July 2018 and that all assets and liabilities of Lothian Pension Fund relating to the Scheme employer are transferred to SHPF as at that date;

(b) with effect from 11 July 2018, City of Edinburgh Council, as the administering authority of SHPF, shall admit the Scheme employer as an admission body of SHPF; and

(c) the administering authority must by 30 June 2020 execute all documents and do all things necessary to complete the substitution of SHPF for Lothian Pension Fund as the appropriate fund for the Scheme employer as at 11 July 2018 and the transfer of all assets and liabilities of Lothian Pension Fund relating to the Scheme employer to SHPF as at that date.

	2018/19 Audited	Adjustment	2018/19 Restated
	£000	£000	£000
Transfers to other schemes	13,028	1,726	14,754
Pension Payments	167,997	(35)	167,962
Administrative Expenses	2,532	(2)	2,530
Change in Market Value of Investments	503,734	(110)	503,624
Investment Assets	7,790,671	(1,799)	7,788,872



NOTES TO THE FINANCIAL STATEMENTS

3 Lothian Pension Fund Group

Basis of consolidation, presentation of financial statements and notes

Replace text with: The consolidation of the group accounts was prepared prior to the LPFE and LPFI boards approval of their respective audited financial statements for 2019/20. The figures used in the consolidation are therefore the unaudited financial statements.

The Consolidated Financial Statements for Lothian Pension Fund are prepared by combining the Financial Statements of the Fund (the parent entity) and its controlled entities (LPFE Limited and LPFI Limited) as defined in accounting standard IAS27 - Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the Consolidated Financial Statements. All inter-entity balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation.

Because the controlled entities activities are primarily focused on the provision of services to the Fund, its consolidation has a limited impact on the figures included in the Fund Account and Net Assets Statement of Lothian Pension Fund. An additional column has been added in both the Fund Account and Net Assets Statement, with the figures prior to consolidation being identified as "Parent" and after consolidation as "Group". In the notes to the accounts, where there is a difference between the parent and group figures they are identified as either "Parent " or "Group".

Notes	Description
27	Related party transactions and balances Describes transactions during the year and balances at year end which relate to the parent and the companies.
28a	Consolidated Lothian Pension Fund group - LPFE Limited - deferred tax Describes the deferred tax non-current asset of the Company. See 2 f) ii) in the Statement of Accounting Policies and General notes for more information.
28b	Consolidated Lothian Pension Fund group - LPFE Limited and LPFI Limited - share capital Describes the share capital of the Company.
29	Retirement benefits obligation - group Provides the information on the retirement benefits obligation of the Company as required under IAS19 - Employee Benefits. See 2 q) ii) in the Statement of Accounting Policies and General notes for more information.

The consolidation of the group accounts was prepared prior to the LPFE and LPFI boards approval of their respective audited financial statements for 2019/20. The figures used in the consolidation are therefore the unaudited financial statements.



NOTES TO THE FINANCIAL STATEMENTS

4 Events after the Reporting Date

There have been no events since 31 March 2020, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

5 Contributions from employers

The total contributions receivable for the administering authority, other scheduled bodies and admitted bodies were as follows:

	2018/19	2019/20
By category	£000	£000
Primary Contribution (future service)	160,778	170,896
Secondary Contribution (past service deficit)	8,057	7,821
Strain costs	4,082	2,931
Cessation contributions	2,755	3,170
	175,672	184,818

	2018/19	2019/20
By employer type	£000	£000
Administering Authority	59,830	64,051
Other Scheduled Bodies	92,644	96,189
Community Admission Bodies	22,414	23,402
Transferee Admission Bodies	784	1,176
	175,672	184,818

Employer contributions, as calculated by the Fund Actuary, comprise two elements:

- An estimate of the cost of benefits accruing in the future, referred to as the "primary contribution rate" previously referred to as the "future service rate", which is expressed as a percentage of payroll and;
- an adjustment for the solvency of the Fund based on the benefits already accrued, known as the "secondary contribution rate". If there is a surplus, there may be a contribution reduction; if there is a deficit there may be a contribution increase. For all employers, contributions to cover any Past Service Deficit are expressed as a fixed monetary sum, rather than as a percentage of payroll and are payable on a monthly basis that is one twelfth of the annual total.



NOTES TO THE FINANCIAL STATEMENTS

2018/19 contributions included a £107k accrual covering revised sums in respect of assumed pensionable pay due by City of Edinburgh Council in relation to the financial period 2015/16 to 2017/18. These payments were transferred to the Fund in the first quarter of 2019/20, however there may still be revisions to these figures that are yet to be monetised due to back dated pay awards.

Where an employer makes certain decisions which result in benefits being paid early, this results in a "strain" on the Fund. The resulting pension strain costs are calculated and recharged in full to that employer.

Any employer that ceases to have at least one actively contributing member is required to pay cessation contributions

6 Contributions from members

	2018/19	2019/20
By employer type	£000	£000
Administering Authority	16,437	17,508
Other Scheduled Bodies	24,507	25,295
Community Admission Bodies	6,217	6,375
Transferee Admission Bodies	255	330
	47,416	49,508

7 Transfers in from other pension schemes

	2018/19	2019/20
	£000	£000
Group transfers	-	-
Individual transfers	3,852	6,036
	3,852	6,036



NOTES TO THE FINANCIAL STATEMENTS

8 Pensions payable

	2018/19 restated	2019/20
By employer type	£000	£000
Administering Authority	76,932	80,152
Other Scheduled Bodies	75,860	82,455
Community Admission Bodies	14,958	16,383
Transferee Admission Bodies	212	239
	167,962	179,229

Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 [Section 31] allows employers to pay additional pensions on a voluntary basis.

As is typical within the Local Government Pension Schemes (LGPS), arrangements exist whereby additional teachers' pensions and employee pensions are paid with the payment of funded pensions. In order that such are not regarded as "unauthorised payments" by HMRC, these pension payments are met by the administering authority through a general fund bank account and recharged to the body or service which granted the benefits.

As "unfunded payments" are discretionary benefits, they are not relevant to the sums disclosed in the Fund accounts. As such, Lothian Pension Fund provides payment and billing services to certain employers on a no charge agency agreement basis.

The Fund has requested that responsibility for these "unfunded transfer payments" should transfer to the Scottish Public Pension's Agency (SPPA). A response from SPPA is awaited.

9 Lump sum retirement benefits payable

	2018/19	2019/20
By employer type	£000	£000
Administering Authority	17,374	19,335
Other Scheduled Bodies	27,818	31,809
Community Admission Bodies	5,053	7,420
Transferee Admission Bodies	25	245
	50,270	58,809



NOTES TO THE FINANCIAL STATEMENTS

10 Lump sum death benefits payable

	2018/19	2019/20
By employer type	£000	£000
Administering Authority	2,943	2,874
Other Scheduled Bodies	2,049	2,497
Community Admission Bodies	550	1,635
Transferee Admission Bodies	-	75
	5,542	7,081

11 Transfers out to other pension schemes

	2018/19 restated	2019/20
	£000	£000
Group transfers	1,726	20,504
Individual transfers	13,028	10,156
	14,754	30,660

Following a Direction from the Scottish Ministers, Barony Housing Association transferred to Strathclyde Pension Fund on 31 January 2020.

The data transfer was successfully carried out to allow payment of pensions from February 2020 onwards. The Actuary calculated the Bulk transfer amount to be £20,504,175 based on asset values at the transfer date and this sum was paid to Strathclyde Pension Fund on 24 March 2020. In summer 2020, once the actual investment returns for the period to the payment date are known, a post payment date adjustment will be calculated by the Actuary. If the resulting Bulk Transfer Value is higher than the amount paid on the Payment Date, Lothian Pension Fund will make a top up payment to the Strathclyde Pension Fund equal to the difference, or if the reverse should be the case, then Strathclyde Pension Fund will be required to make a corrective payment to the Lothian Pension Fund equal to the difference.



NOTES TO THE FINANCIAL STATEMENTS

12a Administrative expenses

	LPF Parent 2018/19	LPF Group 2018/19	LPF Parent 2019/20	LPF Group 2019/20
	£000	£000	£000	£000
Employee Costs	1,494	1,540	1,501	1,484
System costs	304	305	417	419
Actuarial fees	72	72	103	103
External/Internal audit fees	49	52	69	71
Legal fees	20	20	12	12
Printing and postage	111	111	152	152
Depreciation	45	45	34	34
Office costs	100	100	116	116
Sundry costs less sundry income	86	71	92	115
IAS19 retirement benefit adjustments - see note 30	-	249	-	(25)
Deferred tax on retirement benefit obligation - see note 29a	-	(42)	-	(10)
Corporation tax	-	6	-	(4)
	2,281	2,529	2,496	2,467

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. The Fund has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific Fund are charged to the relevant Fund, costs that are common to the two Funds are allocated on a defined basis.



NOTES TO THE FINANCIAL STATEMENTS

12b Investment management expenses

	LPF Parent 2018/19	LPF Group 2018/19	LPF Parent 2019/20	LPF Group 2019/20
	£000	£000	£000	£000
External management fees - invoiced	4,977	4,977	4,423	4,423
deducted from capital (direct investment)	17,657	17,657	16,772	16,772
deducted from capital (indirect investment)	5,062	5,062	955	955
Securities lending fees	189	189	115	115
Transaction costs - Equities	1,498	1,498	2,479	2,479
Property operational costs	2,615	2,615	3,121	3,121
Employee costs	2,075	2,165	2,560	3,251
Custody fees	356	356	390	390
Engagement and voting fees	114	114	119	119
Performance measurement fees	92	92	94	94
Consultancy fees	125	125	71	71
Research fees	329	329	462	462
System costs	441	442	555	559
Legal fees	134	137	201	267
Depreciation	16	16	118	118
Office costs	76	76	127	127
Sundry costs less sundry income	182	(57)	265	(586)
IAS19 retirement benefit adjustments - see note 30	-	345	-	(52)
Deferred tax on retirement benefit obligation - see note 29	-	(59)	-	(21)
Corporation tax	-	23	-	(5)
Corporation tax losses utilised by CEC group	-	-	-	-
	35,938	36,102	32,827	32,659

Investment costs directly attributable to a specific fund are charged to the relevant Fund, costs that are common to all three funds are allocated based on the value of the Funds as at the year end.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions or in the proceeds of investment sales (see note 14 - Reconciliation of movements in investments and derivatives).



NOTES TO THE FINANCIAL STATEMENTS

The external investment management fees (deducted from capital) above include £2.9m (£2.8m direct, £0.1m indirect) in respect of performance-related fees compared to £8.5m in 2018/19 (£6.1m direct, £2.4m indirect).

It should be noted that Lothian Pension Fund's disclosure on investment management fees exceeds CIPFA's Accounting for Local Government Pension Scheme Management Costs revised guidance on cost transparency which came into effect from 1st April 2016. Consistent with previous years, the Fund recognises fees deducted from investments not within its direct control (such as fund of fund fees) to give a full picture of its investment management costs. Further details can be found in the "Investment management cost transparency" section of the Management Commentary. This further disclosure highlights an extra £1m in costs (2019 £5.1m).

12c Total management expenses

In accordance with CIPFA guidance, the analysis below considers the combined administration and investment management expenses in notes 12b and c and splits out the costs to include a third category covering oversight and governance expenditure.

	LPF Parent 2018/19	LPF Group 2018/19	LPF Parent 2019/20	LPF Group 2019/20
	£000	£000	£000	£000
Administrative costs	1,988	2,176	2,255	2,251
Investment management expenses	34,422	34,629	30,403	30,128
Oversight and governance costs	1,811	1,829	2,665	2,747
	38,221	38,634	35,323	35,126



NOTES TO THE FINANCIAL STATEMENTS

13 Investment income

	2018/19	2019/20
	£000	£000
Income from bonds	4,483	3,526
Dividends from equities	159,953	163,388
Unquoted private equity and infrastructure	5,005	40,419
Income from pooled investment vehicles	2,432	3,134
Gross rents from properties	23,501	23,914
Interest on cash deposits	2,156	2,213
Stock lending and sundries	943	577
	198,473	237,171
Irrecoverable withholding tax	(7,498)	(4,329)
	190,975	232,842

Included within the dividend from equities income for the year is cross border withholding tax yet to be received. The Fund's custodian Northern Trust manages this process and due to the high certainty of success it is assumed that the Fund will make full recovery of these reclaims. For the period of 2019/20 £7,673k of the stated income relates to tax yet to be received. At the 31st March 2020 £14,900k (including prior periods) of investment income receivable related to cross border withholding tax. The Fund monitors these claims to ensure its optimum tax efficiency and provides an annual progress report to the Pensions Audit Sub-Committee.



14 Net investment assets	Region	Restated 31 March 2019	31 March 2020
Investment assets		£000	£000
Bonds			
Public sector fixed interest	UK	158,219	-
Public sector index linked gilts quoted	UK	695,412	457,536
		853,631	457,536
Equities			
Quoted	UK	641,038	569,679
Quoted	Overseas	3,918,803	3,627,410
		4,559,841	4,197,089
Pooled investment vehicles			
Private equity, infrastructure, private debt & timber	UK	616,556	705,173
Private equity, infrastructure, private debt & timber	Overseas	633,487	690,020
Property	UK	90,358	86,954
Other	UK	31,978	174,366
		1,372,379	1,656,513
Properties			
Direct property	UK	411,978	367,494
		411,978	367,494
Derivatives			
Derivatives - forward foreign exchange		3,025	15,228
		3,025	15,228
Cash deposits			
Deposits		569,190	681,472
		569,190	681,472
Other investment assets			
Due from broker		1,037	44,128
Dividends and other income due		17,791	25,176
		18,828	69,304
Total investment assets		7,788,872	7,444,636
Investment liabilities			
Derivatives			
Derivatives - forward foreign exchange		(854)	(22)
		(854)	(22)
Other financial liabilities			
Due to broker		(1,058)	(1,927)
		(1,058)	(1,927)
Total investment liabilities		(1,912)	(1,949)
Net investment assets		7,786,960	7,442,687



NOTES TO THE FINANCIAL STATEMENTS

15a Reconciliation of movement in investments and derivatives

	Market value at 31 March 2019*	Purchase at cost & derivative payments	Sale & derivative receipts	Change in market value	Market value at 31 March 2020*
	£000	£000	£000	£000	£000
Bonds	853,631	338,698	(777,727)	42,934	457,536
Equities	4,559,841	1,638,264	(1,372,045)	(628,971)	4,197,089
Pool investment vehicles	1,372,379	448,073	(253,708)	(89,769)	1,656,513
Property	411,978	2,571	(22,304)	(24,751)	367,494
Derivatives - futures	-	-	-	-	-
Derivatives - forward foreign exchange	2,171	12,606	(4,382)	4,811	15,206
	7,200,000	2,440,212	(2,430,166)	(516,208)	6,693,838

Other financial assets / liabilities

Cash deposits*	569,190			15,921	681,472
Broker balances*	(21)			(8)	42,202
Investment income due*	17,791			-	25,175
	586,960			15,913	748,849
Net financial assets	7,786,960			(500,295)	7,442,687

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions and in the proceeds from sales and are therefore included in the tables above.



NOTES TO THE FINANCIAL STATEMENTS

	Market value at 31 March 2018*	Purchase at cost & derivative payments	Sale & derivative receipts	Change in market value	Market value at 31 March 2019*
	£000	£000	£000	£000	£000
Bonds	736,478	227,909	(152,586)	41,830	853,631
Equities	4,287,464	1,090,848	(1,122,578)	304,107	4,559,841
Pool investment vehicles	1,264,553	219,829	(261,125)	149,122	1,372,379
Property	392,743	21,290	-	(2,055)	411,978
Derivatives - futures	-	30	(30)	-	-
Derivatives - forward foreign exchange	11,917	8,223	(12,199)	(5,770)	2,171
	6,693,155	1,568,129	(1,548,518)	487,234	7,200,000

Other financial assets / liabilities

Cash deposits*	426,380	16,376	569,190
Broker balances*	(2,211)	14	(21)
Investment income due*	17,163	-	17,791
	441,332	16,390	586,960
Net financial assets	7,134,487	503,624	7,786,960

*As per CIPFA disclosures the change in market value intentionally does not balance opening/closing market values

15b Reconciliation of fair value measurements within level 3

	Market value at 31 March 2019	Level 3 transfers		Purchases at cost & derivative payments	Sale & derivative receipts	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31 March 2020
	£000	in	out	£000	£000	£000	£000	£000
Pooled investments								
Infrastructure	844,860			176,081	(170,304)	(13,750)	98,683	935,570
Property	48,983	-	-	33	(826)	(2,105)	442	46,527
Private Equity	76,159			1,642	(22,790)	(10,154)	18,017	62,874
Timber	124,028			-	(563)	6,043	199	129,707
Private debt	204,996	-	-	89,399	(30,706)	3,841	(491)	267,039
Freehold property	411,978	-	-	2,571	(22,303)	(34,917)	10,165	367,494
	1,711,004	-	-	269,726	(247,492)	(51,042)	127,015	1,809,211

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.



NOTES TO THE FINANCIAL STATEMENTS

16 Derivatives - forward foreign exchange

Summary of contracts held at 31 March 2020

Contract settlement within	Currency bought	Currency sold	Local currency bought	Local currency sold	Asset value	Liability value
			000	000	£000	£000
Up to one month	GBP	AUD	63,581	116,121	6,274	-
Up to one month	CAD	GBP	138,338	228,396	8,948	-
One to six months	CHF	USD	812	835	-	(22)
One to six months	USD	CHF	3,238	3,148	6	-
Open forward currency contracts at 31 March 2020					15,228	(22)
Net forward currency contracts at 31 March 2020						15,206

Prior year comparative

Open forward currency contracts at 31 March 2019	3,025	(854)
Net forward currency contracts at 31 March 2019		2,171

The above table summarises the contracts held by maturity date, all contracts are traded on an over-the-counter basis.

In order to maintain appropriate diversification of investments in the portfolio and take advantage of wider opportunities, the Lothian Pension Fund invests over half of the fund in overseas markets. A currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the extent to which the Fund is exposed to certain currency movements.



17 Investment managers and mandates

Manager	Mandate	Market value	% of total	Market value	% of total
		at 31 March 2019 Restated	31 March 2019 Restated	at 31 March 2020	31 March 2020
		£000	%	£000	%
In-house	UK all cap equities	144,692	1.9	212,547	2.9
In-house	UK mid cap equities	121,698	1.6	91,095	1.2
Total UK equities		266,390	3.5	303,642	4.1
In-house	European ex UK equities	125,418	1.6	197,939	2.7
In-house	US equities	160,148	2.1	202,460	2.7
Total regional overseas equities		285,566	3.7	400,399	5.4
In-house	Global high dividend	1,006,587	12.9	1,016,988	13.7
In-house	Global low volatility	1,249,276	16.1	980,951	13.2
In-house	Global multi factor value	993,535	12.8	899,426	12.1
Harris	Global equities	278,794	3.6	177,602	2.4
Nordea	Global equities	306,617	3.9	290,006	3.9
Baillie Gifford	Global equities	123,103	1.6	121,808	1.6
Total global equities		3,957,912	50.9	3,486,781	46.9
In-house	Currency hedge	1,925	-	15,222	0.2
Total currency overlay		1,925	-	15,222	0.2
Total listed equities		4,511,793	58.1	4,206,044	56.6
In-house	Private equity unquoted	76,159	1.0	62,875	0.8
In-house	Private equity quoted	78,382	1.0	65,591	0.9
Total private equity		154,541	2.0	128,466	1.7
Total equity		4,666,334	60.1	4,334,510	58.3
In-house	Index linked gilts	595,360	7.6	400,458	5.4
In-house	Mature employer gilts	114,296	1.5	113,039	1.5
Total inflation linked assets		709,656	9.1	513,497	6.9
In-house	Property	35,421	0.5	86,954	1.2
Standard Life	Property	516,767	6.6	464,317	6.2
In-house	Infrastructure unquoted	844,860	10.8	935,570	12.6
In-house	Infrastructure quoted	24,819	0.3	26,087	0.4
In-house	Timber	124,029	1.6	129,707	1.7
Total real assets		1,545,896	19.8	1,642,635	22.1
Baillie Gifford	Corporate bonds	31,835	0.4	32,211	0.4
In-house	Private debt	204,996	2.6	267,039	3.6
In-house	Sovereign bonds	165,183	2.1	168,108	2.3
In-house	Investment Grade Credit	-	0.0	116,394	1.6
Total debt assets		402,014	5.1	583,752	7.9

**17 Investment managers and mandates (cont)**

Manager	Mandate	Market value at 31 March 2019 Restated	% of total 31 March 2019 Restated	Market value at 31 March 2020	% of total 31 March 2020
		£000	%	£000	%
In-house	Cash	462,976	5.9	367,144	4.9
In-house	Transitions	84	0.0	1,149	0.0
Total cash and sundries		463,060	5.9	368,293	4.9
Net financial assets		7,786,960	100.0	7,442,687	100.0

Over the last two years no single investment represented more than 5% of the net assets of the Fund.

18 Securities lending

During the year Lothian Pension Fund participated in a securities lending arrangement with the Northern Trust Company. As at 31 March 2020, £132.6m (2019 £407.2m) of securities were released to third parties. Collateral valued at 107.0% (2019 107.3%) of the market value of the securities on loan was held at that date.

19 Property holdings

	2018/19	2019/20
	£000	£000
Opening balance	392,743	411,978
Additions	21,290	2,096
Disposals	-	(22,303)
Net change in market value	(2,055)	(24,277)
Closing balance	411,978	367,494

As at 31 March 2020, there were no restrictions on the realisability of the property or the remittance of income or sale proceeds. As at 31 March 2020 the Fund is contractually obliged to further construction costs of £140k.

The future minimum lease payments receivable by the Fund are as follows.

	2018/19	2019/20
	£000	£000
Within one year	23,257	17,886
Between one and five years	58,867	52,629
Later than five years	92,633	69,701
	174,757	140,216



NOTES TO THE FINANCIAL STATEMENTS

20 Financial Instruments

20a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

All financial instruments are marked to market (at fair value) in the Fund accounting records, hence there is no difference between the carrying value and fair value.

Classification of financial instruments - parent	Restated 31 March 2019			Restated 31 March 2020		
	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost
Investment assets	£000	£000	£000	£000	£000	£000
Bonds	855,430	-	-	457,536	-	-
Equities	4,559,841	-	-	4,197,089	-	-
Pooled investments	1,372,379	-	-	1,656,513	-	-
Property Leases	2,284	-	-	-	-	-
Derivative contracts	3,025	-	-	15,228	-	-
Margin balances	-	-	-	-	-	-
Cash	-	569,189	-	-	681,472	-
Other balances	-	18,828	-	-	69,304	-
	6,792,959	588,017	-	6,326,366	750,776	-
Other assets						
City of Edinburgh Council	-	884	-	-	4,924	-
Cash	-	35,897	-	-	38,168	-
Share Capital	-	60	-	-	590	-
Debtors - current	-	22,345	-	-	18,119	-
Debtors - non-current	-	3,457	-	-	5,256	-
	-	62,643	-	-	67,057	-
Assets total	6,792,959	650,660	-	6,326,366	817,833	-



NOTES TO THE FINANCIAL STATEMENTS

Classification of financial instruments - parent (cont)	Restated 31 March 2019			Restated 31 March 2020		
	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost
Financial liabilities	£000	£000	£000	£000	£000	£000
Investment liabilities						
Derivative contracts	(854)	-	-	(22)	-	-
Other investment balances	-	-	(1,058)	-	-	(1,927)
	(854)	-	(1,058)	(22)	-	(1,927)
Other liabilities						
Creditors	-	-	(30,799)	-	-	(30,084)
Liabilities total	(854)	-	(31,857)	(22)	-	(32,011)
Total net assets	6,792,105	650,660	(31,857)	6,326,344	817,833	(32,011)
Total net financial instruments			7,410,908			7,112,166
Amounts not classified as financial instruments			410,125			368,152
Total net assets - parent			7,821,033			7,480,318



NOTES TO THE FINANCIAL STATEMENTS

20a Classification of financial instruments (cont)

Classification of financial instruments - adjustments to parent to arrive at group	Restated 31 March 2019			Restated 31 March 2020		
	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost
Other assets	£000	£000	£000	£000	£000	£000
Cash	-	341	-	-	870	-
Share Capital	-	(60)	-	-	(590)	-
Debtors - current	-	223	-	-	328	-
Debtors - non-current	-	393	-	-	424	-
	-	897	-	-	1,032	-
Assets total	-	897	-	-	1,032	-
Other liabilities						
Retire. benefit obligation	-	-	(2,309)	-	-	(2,232)
Creditors	-	-	(346)	-	-	(359)
Creditors - non current	-	-	(13)	-	-	(15)
Liabilities total	-	-	(2,668)	-	-	(2,606)
Total net assets	-	897	(2,668)	-	1,032	(2,606)
Total net financial instruments			(1,771)	(1,574)		
Total net assets - parent			7,819,262	7,478,744		

20b Net gains and losses on financial instruments

	2018/19	2019/20
	£000	£000
Designated as fair value through fund account	489,399	(491,457)
Loans and receivables	16,390	15,913
Financial liabilities at amortised cost	-	-
Total	505,789	(475,544)
Gains and losses on directly held freehold property	(2,055)	(24,751)
Change in market value of investments per fund account	503,734	(500,295)



NOTES TO THE FINANCIAL STATEMENTS

20c Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities and unit trusts.

Quoted investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private equity, infrastructure, timber and European real estate are based on valuations provided by the general partners to the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of International Financial Reporting Standards (IFRS). The valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.



NOTES TO THE FINANCIAL STATEMENTS

20c Fair Value Hierarchy (cont)

	31 March 2020			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment assets				
Designated as fair value through fund account	4,238,265	646,379	1,441,718	6,326,362
Non-financial assets at fair value through profit and loss	-	-	367,494	367,494
Total investment assets	4,238,265	646,379	1,809,212	6,693,856
Investment liabilities				
Designated as fair value through fund account	-	(22)	-	(22)
Total investment liabilities	-	(22)	-	(22)
Net investment assets	4,238,265	646,357	1,809,212	6,693,834

	Restated 31 March 2019			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment assets				
Designated as fair value through fund account	4,563,196	926,654	1,299,026	6,788,876
Non-financial assets at fair value through profit and loss	-	-	411,978	411,978
Total investment assets	4,563,196	926,654	1,711,004	7,200,854
Investment liabilities				
Designated as fair value through fund account	-	(854)	-	(854)
Total investment liabilities	-	(854)	-	(854)
Net investment assets	4,563,196	925,800	1,711,004	7,200,000



NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments

Risk and risk management

The Fund's primary aim is to ensure that all members and their dependants receive their benefits when they become payable. The Main investment strategy aims to maximise the returns from investments within reasonable risk parameters and hence minimise the long-term cost to employers. It achieves this by investing in a diverse range of assets to reduce risk to an acceptable level. In addition, the Fund ensures that sufficient cash is available to meet all liabilities when they are due to be paid.

Responsibility for the Fund's overall investment strategies rests with the Pensions Committee. The Joint Investment Strategy Panel and the internal investment team monitor investment risks on a regular basis. Investment risk management tools are used to identify and analyse risks faced by the Fund's investments.

Consideration of the Fund's investment risk is part of the overall risk management of the pensions operations. Risks are reviewed regularly to reflect changes in activity and market conditions.

Types of investment risk

There are various ways of considering investment risks for pension funds. For the purposes of this note, market risk is the potential for an investor to experience losses from falls in the prices of investments. All financial instruments, including cash deposits, present a risk of loss of capital and risks vary depending on different asset classes.

Market risk also changes over time as economic conditions and investor sentiment change. The Fund considers overall fluctuations in prices arising from a variety of sources: market risk, foreign exchange risk, interest rate risk, credit risk, etc. The different risks may, to some extent, offset each other.

The overall market risk of the Fund depends on the actual mix of assets and encompasses all the different elements of risk.



NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments (cont)

The Fund manages these risks in a number of ways:

- assessing and establishing acceptable levels of market risk when setting overall investment strategy. Importantly, risk is considered relative to the liabilities of the Fund
- diversification of investments in terms of type of asset, investment styles, investment managers, geographical and industry sectors as well as individual securities
- taking stewardship responsibilities seriously and pursuing constructive engagement with the companies in which we invest
- monitoring market risk and market conditions to ensure risk remains within tolerable levels
- using equity futures contracts from time to time to manage market risk. Options are not used by the Fund.

Sensitivity analysis

Asset prices have a tendency to fluctuate. The degree of such fluctuation is known as "volatility" and it differs by asset class. The table sets out the long-term volatility assumptions used in the Fund's asset-liability modelling undertaken by Isio investment advisers:

Volatility is the standard deviation of annual returns. Broadly speaking, in two years out of three, the asset's change in value (which could be a gain or a loss) is expected to be lower than the volatility figure, but in one year out of three, the change in value is expected to be higher than the volatility figure.

Asset classes do not always move in line with each other. The extent to which assets move together is known as their "correlation". A lower correlation means that there is less risk of assets losing value at the same time.

The overall Fund benefits from "diversification" because it invests in different asset classes, which don't all move in line with each other. Consequently, the aggregate risk at the Fund level is less than the total risk from all the individual assets in which the Fund invests. The following table shows the risks at the asset class level and the overall Fund level, with and without allowance for correlation.

Asset type	Potential price movement (+ or -)
Equities - Developed Markets	20.5%
Equities - Emerging Markets	30.0%
Private Equity	30.0%
Timber and Gold	18.0%
Secured Loans	10.0%
Fixed Interest Gilts	5.9%
Index-Linked Gilts	10.9%
Infrastructure	12.0%
Property	13.0%
Cash	0.8%



NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments (cont)

	Value at 31 March 2020	% of fund	Potential Change +/-	Value on increase	Value on decrease
	£m	%	%	£m	£m
Equities - Developed Markets	3,898	52.4	20.5%	4,697.1	3,098.9
Equities - Emerging Markets	293	3.9	30.0%	380.9	205.1
Private Equity	128	1.7	30.0%	166.4	89.6
Timber and Gold	130	1.7	18.0%	153.4	106.6
Secured Loan	416	5.6	10.0%	457.6	374.4
Fixed Interest Gilts	168	2.3	5.9%	177.9	158.1
Index-Linked Gilts	515	6.9	10.9%	571.1	458.9
Infrastructure	962	12.9	12.0%	1,077.4	846.6
Property	549	7.4	13.0%	620.4	477.6
Cash and forward foreign exchange	384	5.2	0.8%	387.1	380.9
Total [1]	7,443	100.0	16.7%	8,689.3	6,196.7
Total [2]			13.0%	8,412.1	6,473.9
Total [3]			13.7%	8,464.2	n/a

[1] No allowance for correlations between assets

[2] Including allowance for correlations between assets

[3] Including allowance for correlation between assets and liabilities.

The value on increase/decrease columns illustrate the monetary effect of the percentage change in the volatility column. The actual annual change in value is expected to be lower than this in two years out of three, but higher in one year out of three.

It can be seen that the risk to the overall Fund assets [2] is lower than the total of the risks to the individual assets.

However, because the purpose of a pension scheme is to make payments to scheme beneficiaries, the true risk of a pension scheme is not measured in absolute terms, but relative to its liabilities [3].

This risk analysis incorporates volatility from market, interest rate, foreign exchange, credit, and all other sources of risk, and, importantly, makes allowance for how these risks may offset each other.



NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments (cont)

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's assets and liabilities (as outlined in Market Risk above).

In essence, the Fund's entire investment portfolio is exposed to some sort of credit risk. However, through the selection of counterparties, brokers and financial institutions the Fund reduces the credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash deposits, derivatives and securities lending are the major areas of credit exposure where credit risk is not reflected in market prices.

Cash deposits

At 31 March 2020, cash deposits represented £719.6m, 9.5% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2020	Balances at 31 March 2019	Balances at 31 March 2020
		£000	£000
Held for investment purposes			
Northern Trust Global Investment Limited - liquidity funds	Aaa-mf	13,517	88,569
Northern Trust Company - cash deposits	Aa2	443,357	238,706
UK Short-Term Bills and Notes	Aa2	-	218,968
The City of Edinburgh Council - treasury management	See below	112,315	135,229
Total investment cash		569,189	681,472
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	35,897	38,168
Total cash - parent		605,086	719,640
Cash held by LPFE/LPFI Limited			
Royal Bank of Scotland	A1	341	870
Total cash - group		605,427	720,510

The majority of Sterling cash deposits of the Fund are managed along with those of the administering authority (the City of Edinburgh Council) and other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk basis, with security of the investments the key consideration.



NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments (cont)

	Moody's Credit Rating at 31 March 2020	Balances at 31 March 2019	Balances at 31 March 2020
		£000	£000
Money market funds			
Deutsche Bank AG, London	Aaa-mf	3,979	20,825
Goldman Sachs	Aaa-mf	58	12,444
Aberdeen Standard Sterling Liquidity Fund	Aaa-mf	21,746	23,005
Bank call accounts			
Bank of Scotland	Aa3	14,578	4,795
Royal Bank of Scotland	A1	573	9,634
Santander UK	Aa3	1	-
Barclays Bank	A1	13	12
Svenska Handelsbanken	Aa2	6	6
HSBC Bank PLC	Aa3	14	4
Notice accounts			
HSBC Bank PLC	Aa3	17,527	9,044
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa2	89,717	93,628
		148,212	173,397

[1] Very few Local Authorities have their own credit rating but they are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2020 was 'Aa2').

The Council has in place institutional restrictions on investments and counterparty criteria. These include :

- (a) UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation.
- (b) Money market funds (MMFs) no more than £30 million or 15% with any one Fund.
- (c) Financial Institutions: Banks and Building Societies with multiple criteria based on a range of short and long term credit ratings, as well as any security, provided from maximum of £60 million / 20% of assets under management (AUM) for institutions with the highest criteria to £10 million / 5% of AUM for institutions with the lowest acceptable criteria.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Fund does not expect any losses from non-performance by any of its counterparties in relation to deposits.



NOTES TO THE FINANCIAL STATEMENTS

21 Nature and extent of risk arising from financial instruments (cont)

Securities lending

The Fund participates in a securities lending programme as described above. The Fund is potentially exposed to credit risk in the event of the borrower of securities defaulting. This risk is mitigated by the contractual commitment that borrowers provide collateral in excess of 100% of the value of the securities borrowed. In addition, Northern Trust has signed an agreement requiring it to make good any losses arising from the lending programme.

Derivatives

The Fund transacts foreign currency derivatives over-the-counter and hence is exposed to credit risk in the event of a counterparty defaulting on the net payment or receipt that remains outstanding. This risk is minimised by the use of counterparties that are recognised financial intermediaries with acceptable credit ratings and by netting agreements. At 31 March 2020, the Fund was owed £15.2m on over-the-counter foreign currency derivatives.

Refinancing risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund is not bound by any obligation to replenish its investments and hence is not exposed to refinancing risk.

Liquidity risk

Liquidity risk reflects the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore ensures that there is adequate cash and liquid resources to meet its commitments. Cash flow projections are prepared on a regular basis to understand and manage the timing of the Fund's cash flows.

The majority (estimated to be approximately 76% (2019 78%)) of the Fund's investments could be converted to cash within three months in a normal trading environment.

22 Actuarial statement

The Scheme Actuary has provided a statement describing the funding arrangements of the Fund. This can be found at the end of this section.



NOTES TO THE FINANCIAL STATEMENTS

23 Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £8,774m (2019 £9,435m). The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

	31 March 19	31 March 20
	% p.a.	% p.a.
Inflation / pensions increase rate	2.5	1.9
Salary increase rate	4.2	3.5
Discount rate	2.4	2.3

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2016 model, assuming that the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies, in years, at age 65 are summarised below:

	31 March 2019		31 March 2020	
	Male	Female	Male	Female
Current pensioners	21.7 years	24.3 years	21.7 years	24.3 years
Future pensioners (assumed to be currently 45)	24.7 years	27.5 years	24.7 years	27.5 years

Commutation assumption

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



NOTES TO THE FINANCIAL STATEMENTS

24 Non-current Debtors

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £8,774m (2019 £9,435m). This figure is used for statutory accounting purposes by Lothian Pension Fund and complies with the requirements of IAS26. The assumptions underlying the figure match those adopted for the Administering Authority's FRS102/IAS19 reports at each year end.

	LPF Parent 31 March 2019	LPF Group 31 March 2019	LPF Parent 31 March 2020	LPF Group 31 March 2020
	£000	£000	£000	£000
Contributions due - employers' cessation	3,457	3,457	5,256	5,256
	3,457	3,457	5,256	5,256

In accordance with the Funding Strategy Statement and in recognition of severe affordability constraints facing the charitable sector, "Funding Agreements" have been put in place to allow certain former employers to repay cessation valuation debt over longer terms (up to twenty years), to avoid potential default or insolvency.

The above debtors all relate to community admission bodies.

25 Debtors

	LPF Parent 31 March 2019	LPF Group 31 March 2019	LPF Parent 31 March 2020	LPF Group 31 March 2020
	£000	£000	£000	£000
Contributions due - employers	16,831	16,831	13,680	13,680
Contributions due - members	4,691	4,691	3,808	3,807
Benefits paid in advance or recoverable	6	6	49	49
Sundry debtors	503	717	195	525
Prepayments	314	323	386	386
LPFE & LPFI Limited Loan facility - see note 28	-	-	-	-
	22,345	22,568	18,118	18,447



NOTES TO THE FINANCIAL STATEMENTS

26 Creditors

	LPF Parent 31 March 2019	LPF Group 31 March 2019	LPF Parent 31 March 2020	LPF Group 31 March 2020
	£000	£000	£000	£000
Benefits payable	8,886	8,886	6,622	6,622
VAT, PAYE and State Scheme premiums	1,354	1,738	4,402	4,863
Contributions in advance	17,785	17,785	16,742	16,742
Miscellaneous creditors and accrued expenses	2,332	2,488	1,791	2,004
Office - operating lease	220	220	197	197
Corporation tax	-	28	-	15
Intra group creditor - see note 28	222	-	329	-
	30,799	31,145	30,083	30,443

27 Additional Voluntary Contributions

Active members of the Lothian Pension Fund have the option to pay additional voluntary contributions (AVCs). These AVCs are invested separately from the main funds, securing additional benefits on a money purchase basis for those members that have elected to contribute. The investment of the AVCs is managed by Standard Life and Prudential.

In accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, AVCs are not included in the pension fund financial statements.

	2018/19	2019/20
Total contributions during year for Lothian Pension fund	£000	£000
Standard Life	312	323
Prudential	2,225	2,037
	2,537	2,360

	31 March 2019	31 March 2020
Total value at year end for Lothian Pension Fund	£000	£000
Standard Life	4,685	4,102
Prudential	7,676	7,515
	12,361	11,617



NOTES TO THE FINANCIAL STATEMENTS

28 Related parties

The City of Edinburgh Council

The Lothian Pension Fund and the Scottish Homes Pension Fund are administered by the City of Edinburgh Council. Consequently there is a strong relationship between the Council and the Pension Funds.

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. The Fund has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific Fund are charged to the relevant Fund, costs that are common to the two Funds are allocated on a defined basis.

Transactions between the Council and the Fund are managed via a holding account. Each month the Fund is paid a cash sum leaving a working balance in the account to cover the month's pension payroll costs and other expected costs.

	31 March 2019	31 March 2020
	£000	£000
Year end balance of holding account	884	4,924
	884	4,924

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2020, the fund had an average investment balance of £144.7m (2018/19 £139.1m). Interest earned was £1135k (2018/19 £977.1k)

Year end balance on treasury management account

	31 March 2019	31 March 2020
	£000	£000
Held for investment purposes	112,315	135,229
Held for other purposes	35,897	38,168
	148,212	173,397



NOTES TO THE FINANCIAL STATEMENTS

28 Related parties (cont)

Scheme employers

All scheme employers to the fund are (by definition) related parties, a full list of employers can be found on page XX. The employer contributions for the ten largest scheme employers are as follows:

	31 March 2019	31 March 2020
	£000	£000
City of Edinburgh Council	59,694	64,051
West Lothian Council	25,841	26,458
Scottish Water	15,975	16,504
East Lothian Council	14,746	15,799
Midlothian Council	14,041	14,927
Lothian Buses	7,002	6,565
Edinburgh Napier University	5,199	5,521
Heriot-Watt University	3,026	3,205
Scottish Police Authority	3,016	2,802
Edinburgh College	2,676	2,777

Governance

As at 31 March 2020, all members of the Pensions Committee, with the exception of Richard Lamont, and all members of the Pension Board, with the exception of Sharon Cowle, were members of the Lothian Pension Fund. One member of both the Pensions Committee and the Pension Board are in receipt of pension benefits from Lothian Pension Fund.

Each member of the Pensions Committee and Pension Board is required to declare any financial and non-financial interests they have in the items of business for consideration at each meeting, identifying the relevant agenda item and the nature of their interest.

During the period from 1 April 2019 to the date of issuing of these accounts, a number of employees of the City of Edinburgh Council and its wholly owned subsidiary, LPFE Limited, held key positions in the financial management of the Lothian Pension Fund. Total compensation paid in relation to key management personnel employed by LPFE Limited during the period was as follows:

	31 March 2019	31 March 2020
	£000	£000
Short-term employee benefits	647	757
Post-employment benefits - employer pension contributions	111	140



NOTES TO THE FINANCIAL STATEMENTS

28 Related parties (cont)

Key management personnel employed by LPFE had accrued pensions totalling £106,596 (1 April 2019: £120,245) and lump sums totalling £121,925 (1 April 2019: £132,375) at the end of the period. Further details on senior management remuneration can be found within the remuneration report on page 115.

Remuneration of key management personnel employed by City of Edinburgh Council is disclosed separately in the Financial Statements of City of Edinburgh Council.

The Councillors, who are members of the Pensions Committee, are also remunerated by City of Edinburgh Council.

LPFE Limited & LPFI Limited- loan facility

LPFE & LPFI Limited are wholly owned by the City of Edinburgh Council as administrating authority of Lothian Pension Fund and have entered into a shareholder agreement with the Council to address governance matters. The companies have a loan facility agreement with the City of Edinburgh Council for the purpose of the provision of short term working capital. The current agreement covers the period to 1 May 2020 and provides that interest is payable at 2% above the Royal Bank of Scotland base lending rate on the daily balance. In order to minimise the amount of interest payable, the companies return any cash not immediately required and this can result in short periods when the companies have returned more cash than has been drawn. On such days the loan interest is negative, reducing the amount of interest payable.

Interest payable by LPFE Limited during the period was £2,132 of which £1,037 was due at the year end and for LPFI Limited there was minimal interest payable for the year. At 31 March 2020, there was zero balance on the loan facilities for both LPFE Limited and LPFI Limited. "

LPFE Limited - staffing services

Staffing services are provided to Lothian Pension Fund for the purposes of administering the Funds under a intra-group resourcing agreement. The agreement also provides for the running costs of the company to be covered as part of a service charge and allows for the provision of staffing services to LPFI Limited. During the year to 31 March 2020, the Fund was invoiced £4,239k (2019 £3,614k) for the services of LPFE Limited staff.



NOTES TO THE FINANCIAL STATEMENTS

29a Consolidated Lothian Pension Fund Group - LPFE Limited & LPFI Limited - deferred tax

Movement in deferred tax asset (Non-current asset)

	LPF Group 2018/19	LPF Group 2019/20
	£000	£000
At 1 April 2018	292	393
Credit for year to Fund Account	101	31
At 31 March 2019	393	424

Elements of closing deferred tax asset

	LPF Group 31 March 2019	LPF Group 31 March 2020
	£000	£000
Pension liability	393	424
	393	424

29b Shares in group companies - LPFE Limited & LPFI Limited

	31 March 2019	31 March 2020
	£	£
Allotted, called up and fully paid Ordinary shares of £1 each - LPFE Limited*	1	1
Allotted, called up and fully paid Ordinary shares of £1 each - LPFI Limited	60,000	590,378
	60,001	590,379

*One ordinary share of £1 was issued to Lothian Pension Fund at par value on incorporation. Due to the low value this does not show on the Net Assets Statement. 'a'

As part of the LPFI's FCA permissions extension, the Fund is required to meet new ICAAP capital requirements based on the value of assets under management. The Fund financed an additional £530k of share capital for LPFI in March 2020 to meet this requirement.



NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - group

The retirement benefit obligation described in this note relates only to the employees of LPFE. This is because obligation in respect of the staff employed by the City of Edinburgh Council is accounted for in the City of Edinburgh Council's Financial Statements.

On 1 May 2015 LPFE commenced trading and its staff transferred their employment from the City of Edinburgh Council to the Company on that date. At that time, the Company also entered into appropriate admission arrangements with the City of Edinburgh Council with respect to the transferring individuals continuing to be members of the Lothian Pension Fund and in relation to its obligations as an employer in that Fund.

The present value of the defined benefit obligation and related current and past service cost were measured using the Projected Unit Credit Method.

Fund assets

LPFE's share of the fair value of the Fund's assets which are not intended to be realised in the short term and may be subject to significant change before they are realised, was comprised as follows:

Asset		Fair value at 31 March 2019	% of total 31 March 2019	Fair value at 31 March 2020	% of total 31 March 2020
		£000	%	£000	%
Equity securities:	Consumer	1,094	14.0	1,036	10.0
	Manufacturing	1,265	15.0	1,568	14.0
	Energy & Utilities	777	6.0	693	7.0
	Financial institutions	865	9.0	707	7.0
	Health & care	559	5.0	752	7.0
	Information Technology	335	6.0	470	4.0
	Other	1,003	6.0	794	7.0
Debt securities:	Corporate Bonds	-	2.0	582	5.0
	UK Government	1,045	10.0	669	6.0
Private equity:	All	139	2.0	95	1.0
Real property:	UK property	697	6.0	712	7.0
	Overseas property	-	0.0	10	0.0
Investment funds and unit trusts:	Equities	102	1.0	133	1.0
	Bonds	261	0.0	46	0.0
	Infrastructure	1,277	12.0	1,529	14.0
Derivatives:	Foreign Exchange	3	0.0	22	0.0
Cash and cash equivalents	All	863	6.0	1,053	10.0
		10,285	100.0	10,871	100.0



NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - group (cont)

Amounts recognised in the Net Assets Statement

	LPF Group 31 March 2019	LPF Group 31 March 2020
	£000	£000
Fair value of Fund assets	10,285	10,871
Present value of Fund liabilities	(12,594)	(13,103)
	(2,309)	(2,232)

Movement in the defined benefit obligation during the period

	LPF Group 31 March 2018/19	LPF Group 31 March 2019/20
	£000	£000
Brought forward	10,367	12,594
Current service cost	843	1,144
Past service cost	-	307
Interest cost on obligation	294	332
Fund participants contributions	186	233
Benefits paid	-	(11)
Actuarial losses arising from changes in financial assumptions	904	(1,496)
Actuarial losses arising from changes in demographic assumptions	-	-
Other actuarial losses	-	-
Balance at year end	12,594	13,103



NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - group (cont)

Movement in the fair value of Fund assets during the period

	LPF Group 31 March 2018/19	LPF Group 31 March 2019/20
	£000	£000
Brought forward	8,652	10,285
Benefits paid		
Interest income on Fund assets	244	270
Contributions by employer	567	792
Contributions by member	194	233
Contributions in respect of unfunded benefits	-	(11)
Unfunded benefits paid	(8)	
Effect of business combinations and disposals	-	
Return on assets excluding amounts included in net interest	636	(698)
Balance at year end	10,285	10,871

Amounts recognised in the Fund Account

	LPF Group 31 March 2018/19	LPF Group 31 March 2019/20
	£000	£000
Interest received on Fund assets	(244)	(270)
Interest cost on Fund liabilities	294	332
Current service costs	843	1,144
Past service costs	-	307
Employer contributions	(567)	(792)
Actuarial gain/(loss) due to re-measurement of defined benefit obligation	904	(1,496)
Return on Fund assets (excluding interest above)	(636)	698
Net cost recognised in Fund account	594	(77)



NOTES TO THE FINANCIAL STATEMENTS

30 Retirement benefits obligation - group (cont)

Principal actuarial assumptions used in this valuation

	31 March 2019	31 March 2020
	% p.a.	% p.a.
Inflation / pensions increase rate	2.4	1.8
Salary increase rate	4.1	3.4
Discount rate	2.5	2.3

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. Best estimate has been interpreted to mean that the proposed assumptions are 'neutral' – there is an equal chance of actual experience being better or worse than the assumptions proposed.

The financial assumptions used for reporting in the financial statements are the responsibility of the employer. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of a similar magnitude. There is also uncertainty around life expectancy of the UK population – the value of current and future pension benefits will depend on how long they are assumed to be in payment.

Life expectancy is based on Fund specific statistical analysis with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.25% p.a.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	31 March 2019		31 March 2020	
	Male	Female	Male	Female
Current pensioners	21.7 years	24.3 years	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years	24.7 years	27.5 years

Expected employer contributions to the defined benefit plan for the year ended 31 March 2021 are £881k, based on a pensionable payroll cost of £2.895k



NOTES TO THE FINANCIAL STATEMENTS

31 Contractual commitments

Investment commitments

The Fund has commitments relating to outstanding call payments due on unquoted funds held in the private equity, timber, property and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, taking place over a number of years from the date of each original commitment. The outstanding commitments at the year end are as follows:

	31 March 2019	31 March 2020
	£000	£000
Outstanding investment commitment	325,361	301,002
	325,361	301,002

Office accommodation - 144 Morrison Street, Edinburgh

The Fund is committed to making the following future payments.

	31 March 2019	31 March 2020
	£000	£000
Within one year	115	124
Between one and five years	345	373
After five years	647	566
	1,107	1,063
Recognised as an expense during the year	92	105

The Fund is overdue a review on its rent agreement, the above expense including a provision for a backdated rental increase. This expense has been allocated across the two Funds, with Lothian Pension Fund's share being £103k.



NOTES TO THE FINANCIAL STATEMENTS

32 Contingent assets and liabilities

Contribution refunds

At 31st March 2020, Lothian Pension Fund had £914k (2019: £909k) in unclaimed refunds due to members.

Employer Cessations

As stated in note 24, "In accordance with the Funding Strategy Statement and in recognition of severe affordability constraints facing the charitable sector, "Funding Agreements" have been put in place with certain former employers to repay cessation valuation debt".... In exceptional circumstances, this includes "repayment of less than the cessation debt in order to avoid employer insolvency, with an appropriate agreement which allows the Fund to revisit the repayment of the remaining debt at a future date (i.e. the debt would be a contingent liability and hence not recognised on an employer's balance sheet); and seeking, where appropriate, suitable "anti-embarrassment" provisions in legal agreement covering future increase in employer asset values". At 31 March 2020, such contingent assets of the Fund totalled £1,635k and the fund has secured second ranking security over two employer property assets.

Waverley Care, Freespace and Four Square also left the Fund during the 2019/20 year. The Fund is currently working with the Actuary to finalise exit valuations. Waverley Care and Freespace have indicated they are unlikely to be able to meet their exit deficits in full and funding agreements will be put in place as required. At 31 March 2020, it is estimated that these cessation debts would be valued at circa. £3,500k.

EU Tax claims & income recovery

The Fund participates in various claims to recover withheld investment income. EU tax claims relate to the recovery of tax deducted from dividend payments prior to receipt or payable tax credits thereon. The claims can be divided into three main types – "Manninen" / Foreign Income Dividends (Fids), "Fokus Bank" and Manufactured Dividends. Given the high level of uncertainty as to the eventual success of such claims from EU tax authorities, no accrual of income is made in the financial statements. The value of these outstanding claims is approximately £11.6m. To date, the amount of tax recovered exceeds the cost of pursuing claims. Legal costs are shared across a pool of claimants and the Fund has the right to cease participation without incurring further costs. An annual progress report is provided to Pensions Audit Sub-Committee.



NOTES TO THE FINANCIAL STATEMENTS

32 Contingent assets and liabilities (cont)

Variable pay arrangements

In 2018/19 the company introduced three variable pay schemes, two of which have vesting periods. The Portfolio Manager and Senior Management schemes entitle staff to receive an assessed percentage of their salary as an additional variable pay award if they meet certain objectives during the year. The assessment year runs from 1 February to 31 January with the award then vesting over three years. The first part is payable at the end of the first year if the objectives are met and the remaining two parts are payable in the following two years if the requirement that the employee is still employed by the company at such time is met. Payment one for the 2019/20 and payment two for the 2018/19 was made in January 2020. A liability has been raised at 31 March 2020 for the two months of service for the second and third instalment of 2019/20 and third instalment of 2018/19 which the employees have delivered with regards to the second and third payments in the scheme.

In the event that all the staff involved in the arrangements at 31 January 2020 remain in the company's employment there is a contingent liability of £468,395 in excess of the current and non-current liabilities, as recognised in these financial statements in accordance with IAS19. This amount would be payable over two years.

Age Discrimination in Public Service Pension

On 13 May 2020, the Scottish Public Pensions Agency (SPPA) advised that:

"In December 2018, the Court of Appeal found that the transitional protections introduced to the judicial and firefighters' schemes during the reform of public service pensions in 2015 discriminated on grounds of age. The UK Government sought permission to appeal this decision but this was not granted, and on 15 July 2019 the UK Government issued a written ministerial statement to confirm that as transitional protection was provided in all public service schemes, the ruling had implications for all those schemes, including the Scottish Local Government Pension Scheme (SLGPS).

"Details of the Court of Appeal ruling, hereafter referred to as McCloud, are available ...

"Whilst initial proposals to address the specific discrimination in the SLGPS have been shared with the scheme advisory board, there remains uncertainty around the timing and changes needed in light of McCloud."

The Fund's IAS26 reporting from its actuary, as disclosed in Note 23, takes into account the appeal decision. There remains significant uncertainty over the remedy to be applied and associated costs to Scottish LGPS funds.



NOTES TO THE FINANCIAL STATEMENTS

32 Contingent assets and liabilities (cont)

Employer Cost Cap considerations

In the same communication of 13 May 2020, SPPA stated:

"The reforms introduced to public service pensions from 1 April 2015 (or a year earlier in the case of the local government scheme in England and Wales) also included a new cost control mechanism, known as the employer cost cap.

"The purpose of the mechanism was to introduce a way of sharing pension cost increases and sav-ings between the employer (ultimately often the taxpayer) and scheme members...

"The first cost cap valuation for LGPS Scotland was due to take place at 31 March 2017. As you are aware, GAD commenced this process however it has not yet been completed, as the cost cap element of scheme valuations was suspended by the UK Government in early 2019 pending the resolution of McCloud. In a written ministerial statement on 25 March 2020, the Economic Secretary to the Treasury outlined the UK Government's intention to provide an update on the cost cap mechanism alongside proposals to address McCloud.

"We realise the challenges that actuaries face in considering the uncertainties in McCloud and the cost cap, particularly given the tight timescales for completing valuations. We regret that we are currently unable to suggest how provision might be made for any running of the cost cap process but hope to have more clarity in the next two months. We will write to administering authorities to provide an update at the earliest opportunity."

33 Impairment losses

	2018/19	2019/20
	£000	£000
Bad Debt provision	43	166

During the year the Fund recognised an increase in impairment losses in respect of specific benefit over payments for which reimbursement has been requested of £123k. This increased the impairment to £166k at the year end.



ACTUARIAL STATEMENT FOR 2019/20

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy (FSS), dated March 2018. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the overall Fund;
- to ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund;
- to minimise the degree of short-term change in employer
- maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer;
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment;
- to help employers manage their pension liabilities; and
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers.

The FSS sets out how the Administering Authority seeks to achieve these objectives.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2017. This valuation revealed that the Fund's assets, which at 31 March 2017 were valued at £6,598 million, were sufficient to meet 98% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2017 valuation was £145 million. For the avoidance of doubt, these results are based on the assumptions that apply to the Fund's Primary investment strategy.

Each employer had contribution requirements set at the valuation with the aim of achieving full funding within a given time horizon. Contribution rates were set using one of two approaches depending on each employer's circumstances:

- Certain low risk and open employers participate in a contribution stability mechanism which limits annual changes in contribution rates. The mechanism is tested at each valuation to make sure it achieves the desired funding objectives.
- Other employers pay the contributions required to cover the cost of future service benefits and to recover the deficit/surplus identified as at 31 March 2017 over a given time period

Individual employers' contributions for the period 1 April 2018 to 31 March 2021 were set in accordance with the Fund's funding policy as set out in its FSS, which includes further detail on the approaches mentioned above.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2017 valuation report.



ACTUARIAL STATEMENT FOR 2019/20

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth and inflation to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted under the Primary investment strategy for the 2017 valuation were as follows:

	31 March 2017
Financial assumptions	% p.a.
Discount rate	3.2%
Salary increase assumption	4.1%
Benefit increase assumption (CPI)	2.4%

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2016 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Male	Female
Current Pensioners	21.7 years	24.3 years
Future Pensioners *	24.7 years	27.5 years

*Aged 45 as at 31 March 2017

Copies of the 2017 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2017

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the 2019/20 financial year. As a result, the funding level of the Fund as at 31 March 2020 is expected to have reduced versus that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2020. The Funding Strategy Statement will also be reviewed at that time.

Laura McInroy FFA

For and on behalf of Hymans Robertson LLP
20 Waterloo Street, Glasgow, G2 6DB
Friday, 15 May 20



ACCOUNTS

LIST OF ACTIVE EMPLOYERS AT 31 MARCH 2020

Scheduled Bodies	
City of Edinburgh Council (The)	Scottish Fire and Rescue Service
East Lothian Council	Scottish Police Authority
Edinburgh College	Scottish Water
Heriot-Watt University	SESTRAN
Lothian Valuation Joint Board	Visit Scotland
Midlothian Council	West Lothian College
Scotland's Rural College (SRUC)	West Lothian Council

Admitted Bodies	
Amey Services	Improvement Service (The)
Audit Scotland	ISS UK Ltd
Baxter Storey	LPFE Ltd
Bellrock Property and Facilities Management	Melville Housing Association
Canongate Youth Project	Mitie (Edinburgh College)
Capital City Partnership	Mitie PFI
CGI UK Ltd	Morrison Facilities Services Ltd
Children's Hearing Scotland	Museums Galleries Scotland
Children's Hospice Association Scotland	Newbattle Abbey College
Citadel Youth Centre	North Edinburgh Dementia Care
Compass Chartwell	NSL Services Ltd
Convention of Scottish Local Authorities	Penumbra



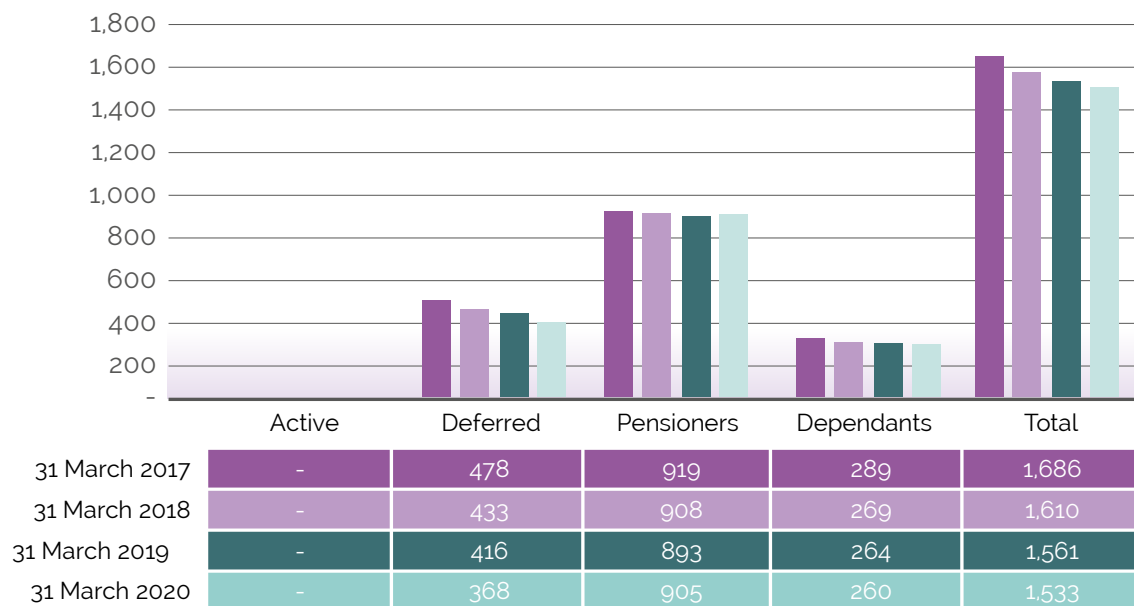
ACCOUNTS

Cyrenians	Pilton Equalities Project
Dacoll Limited	Queen Margaret University
Edinburgh Development Group	Royal Edinburgh Military Tattoo
Edinburgh International Festival Society	Royal Society of Edinburgh
Edinburgh Leisure	Scotland's Learning Partnership
Edinburgh Napier University	Scottish Adoption Agency
ELCAP	Scottish Futures Trust
Enjoy East Lothian	Scottish Schools Education Research Centre (SSERC)
Family Advice and Information Resource	Skanska UK
First Step	Sodexo Ltd
Forth and Oban Ltd	St Andrew's Children's Society Limited
Granton Information Centre	Stepping Out Project
Handicabs (Lothian) Ltd	University of Edinburgh (Edinburgh College of Art)
Hanover (Scotland) Housing Association	Weslo Housing Management
Health in Mind	West Granton Community Trust
Homes for Life Housing Partnership	West Lothian Leisure
HWU Students Association	Young Scot Enterprise



SCOTTISH HOMES PENSION FUND ACCOUNTS

SCOTTISH HOMES PENSION FUND ACCOUNTS



* 2019 and 2020 include HAS members

Homeless Action Scotland

The admission to Local Government Pension membership of Homeless Action Scotland (HAS) was terminated by LPF with effect from 12 July 2018. At the point of transfer, HAS had eleven deferred members, four pensioner members and one dependant member. The Actuary calculated the liabilities that remained on cessation at £641,000. Following specific request by LPF, on 31 March 2020, the Scottish Ministers issued a direction to the effect that:

- (a) SHPF be substituted for Lothian Pension Fund as the appropriate fund for the Scheme employer as at 11 July 2018 and that all assets and liabilities of LPF relating to the Scheme employer are transferred to SHPF as at that date
- (b) with effect from 11 July 2018, City of Edinburgh Council, as the administering authority of SHPF, shall admit the Scheme employer as an admission body of SHPF
- (c) the administering authority must by 30 June 2020 execute all documents and do all things necessary to complete the substitution of SHPF for Lothian Pension Fund as the appropriate fund for the Scheme employer as at 11 July 2018 and the transfer of all assets and liabilities of Lothian Pension Fund relating to the Scheme employer to SHPF as at that date.



SCOTTISH HOMES PENSION FUND ACCOUNTS

Investment strategy

The Fund's actuary estimated that the funding level of the Scottish Homes Pension Fund was 104.7% at 31 March 2017.

Achievement of full funding meant that the Fund no longer needed to take investment risk by investing in equities and property. Instead, the Fund was able to minimise risk by investing solely in bonds, specifically UK gilts. These financial instruments move proportionately with liability values.

After a year of significant change, the year to 31 March 2020 brought no change to the strategy allocation of 100% bonds and this shouldn't change until at least the results of the next actuarial valuation (March 2020) are known. At that point in time, the actuary will amend financial and demographic estimates based on actual experience over the prior three years.

The strategic and actual asset allocations for the Fund at the end of the 2019 and 2020 financial years are shown in the table below.

Asset Class	Strategic Allocation	Actual Allocation	Strategic Allocation	Actual Allocation
	31 March 2019	31 March 2019	31 March 2020	31 March 2020
	%	%	%	%
Equities	-	-	-	-
Bonds	100	98	100	99
Property	-	-	-	-
Cash	-	2	-	1
Total	100	100	100	100

Given that the Fund had achieved full funding, the Pensions Committee approved a new investment objective in June 2018: "To match the cash flow from gilt income and redemption payments as closely as possible with the expected liability payments of the fund."



SCOTTISH HOMES PENSION FUND ACCOUNTS

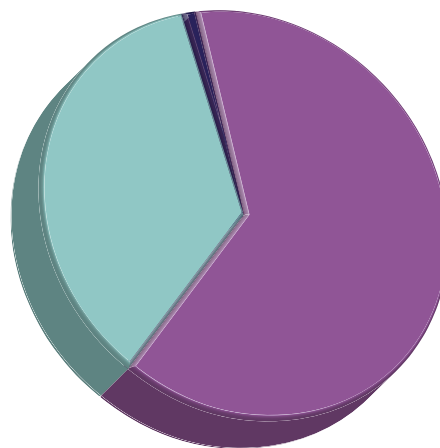
Detailed analysis of the Scottish Homes liabilities was undertaken during 2018/19 to ensure that the invested assets are as closely matched with the liability profile as possible, taking into consideration the expected duration of liabilities and whether they're fixed or index-linked in nature.

This resulted in a portion of index-linked gilts being sold and reinvested in nominal gilts to achieve a closer asset-liability match. There have been no further changes over 2019/20.

At 31 March 2020, the Fund is 'cash flow matched' up to one year beyond the next actuarial valuation expected in early 2021, and 'duration matched' liabilities beyond that. This is because there is greater certainty in the earlier period – funding levels will continue to be subject to the actuary's financial or demographic assumptions of future experience, which will be reassessed during 2020/21.

The actual asset allocation of the Fund is shown in the pie chart below.

ACTUAL ASSET ALLOCATION 31 MARCH 2020



- 63.6% Index Linked Gilts
- 35.6% Nominal Gilts
- 0.8% Cash

Investment movements

As the Scottish Homes Pension Fund is mature, it uses the proceeds of gilt coupons and redemptions to pay pensions. Cash or cash equivalents are held to enable pensions to be paid between the dates when gilts redeem.

The Fund's assets have increased in value by 3.9% over the year, adjusted for cash flow movements to pay pensions.



SCOTTISH HOMES PENSION FUND

Fund Account for year ended 31 March 2020

This statement shows a summary of the income and expenditure that the Pension Fund has generated and consumed in delivering the Local Government Pension Scheme. Included is the income from investment dealings and as well as the cost of providing benefits and administration of the Fund.

Restated 2018/19		Note	2019/20
£000			£000
Income			
-	Contributions from the Scottish Government	4	-
1,726	Transfers from other schemes		-
1,726			-
Less: expenditure			
6,607	Pension payments including increases		6,653
591	Lump sum retirement payments		621
5	Lump sum death benefits		4
129	Transfers to other schemes	6	-
(17)	Administrative expenses	7b	(25)
7,315			7,253
(5,589)	Net withdrawals from dealing with members		(7,253)
Returns on investments			
1,824	Investment income	8	2,466
5,877	Change in market value of investments	9, 12b	4,473
(84)	Investment management expenses	7c	(104)
7,617	Net returns on investments		6,835
2,028	Net increase/(decrease) in the Fund during the year		(418)
164,460	Net assets of the Fund at 1 April 2019		166,488
166,488	Net assets of the Fund at 31 March 2020	7c	166,070



SCOTTISH HOMES PENSION FUND

Net Assets Statement as at 31 March 2020

This statement provides a breakdown of type and value of all net assets at the year end.

Restated 31 March 2019		Note	31 March 2020
£000			£000
Investment Assets			
160,542	Bonds - UK		159,933
3,650	Cash Deposits		3,824
618	Other investment assets		615
164,810			164,372
Investment Liabilities			
-	Other investment liabilities		-
-			-
164,810	Net investment assets	10	164,372
Current assets			
10	The City of Edinburgh Council	18	130
1,741	Cash balances	13, 18	1,599
1	Debtors	16	2
1,752			1,731
Current liabilities			
(74)	Creditors	17	(33)
(74)			(33)
1,678	Net current assets		1,698
166,488	Net assets of the Fund	12	166,070

The unaudited accounts were issued on 24 June 2020 and the audited accounts were authorised for issue on XX September 2020.

John Burns FCMA CGMA, PgC

Chief Finance Officer, Lothian Pension Fund
XX/09/2020

Note to the net asset statement

The financial statements summarise the transactions of the Fund during the year and its net assets at the year end. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Fund, which does take account of such obligations, is discussed in the Actuarial Valuation section of this report and these financial statements should be read in conjunction with that information. In addition, as required by IAS26, the Actuarial Present Value of Promised Retirement Benefits is disclosed in the notes to these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

Net Assets Statement as at 31 March 2020

1 Statement of Accounting Policies

The statement of accounting policies for both Funds can be found on page 157.

2 Prior Year Adjustment

Ministerial Direction – Homeless Action Scotland

The admission to Local Government Pension (LGPS) membership of Homeless Action Scotland (HAS) was terminated by Lothian Pension Fund (LPF) with effect from 12 July 2018. The Actuary to LPF calculated the liabilities that remained on cessation at £641,000. Following specific request by LPF, on 31 March 2020, the Scottish Ministers issued a direction to the effect that:

- (a) Scottish Homes Pension Fund (SHPF) be substituted for Lothian Pension Fund as the appropriate fund for the Scheme employer as at 11 July 2018 and that all assets and liabilities of Lothian Pension Fund relating to the Scheme employer are transferred to SHPF as at that date;
- (b) with effect from 11 July 2018, City of Edinburgh Council, as the administering authority of SHPF, shall admit the Scheme employer as an admission body of SHPF; and
- (c) the administering authority must by 30 June 2020 execute all documents and do all things necessary to complete the substitution of SHPF for Lothian Pension Fund as the appropriate fund for the Scheme employer as at 11 July 2018 and the transfer of all assets and liabilities of Lothian Pension Fund relating to the Scheme employer to SHPF as at that date.

	2018/19 Audited	Adjustment	2018/19 Restated
	£000	£000	£000
Transfers from other schemes	-	1,726	1,726
Pension Payments	6,572	35	6,607
Administrative Expenses	(19)	2	(17)
Change in Market Value of Investments	5,767	110	5,877
Bonds - UK	158,743	1,799	160,542



NOTES TO THE FINANCIAL STATEMENTS

3 Events after the Reporting Date

There have been no events since 31 March 2020, and up to the date when these Financial Statements were authorised, that require any adjustments to these Financial Statements.

4 Contributions from the Scottish Government

The Scottish Homes Pension Fund (SHPF) is a dual employer pension fund for former employees of Scottish Homes (subsequently Communities Scotland) (and persons who were employed by the Scottish Special Housing Association, but who did not become employees of Scottish Homes) and former employees of Homeless Action Scotland (HAS) (formerly The Scottish Council for Single Homeless). The City of Edinburgh Council was selected by the Scottish Executive to be the administering authority of a fund created prior to the wind up of the Scottish Homes Residuary Body and therefore became the administering authority of SHPF on 1 July 2005, pursuant to section 2(a)(1A) of The Local Government Pension Scheme (Scotland) Amendment (No. 2) Regulations 2005 (SSI 315/2005) (the 2005 Regs). Former employees of HAS were transferred to SHPF on 12 July 2018 following receipt of Scottish Ministers approval on 31 March 2020.

SHPF is a mature, non-active fund (that is, the fund has no contributions paid into it by active members but consists only deferred and pensioner members and therefore only pays money out to the pensioners).

Section 2 (1C) of the 2005 Regs stipulates that:

Where the actuary determines, after having regard to the existing and prospective liabilities of the fund, that additional funding is necessary to maintain the solvency of the fund (SHPF), then Scottish Ministers will make payments to the administering authority to maintain that solvency.

In this way, the Scottish Government acts as the 'Guarantor' for SHPF's liabilities, as confirmed in the Funding agreement, signed on behalf of the Scottish Executive and dated 6 July 2005.

As at the latest triennial actuarial valuation date of 31 March 2017, SHPF showed a funding surplus of £7.7million with a funding level of 104.7%, derived from a market valuation of assets of £170.6million and liabilities of £162.9million.

Having implemented the investment strategy as required by the Funding Agreement, the assets of SHPF are invested entirely in low risk, index-linked gilts. With a funding surplus, the Scottish Government is not required to provide any contribution, but as Guarantor has the responsibility to pay towards the administration expenses of the Fund estimated to be £70,000 per annum (for years 2018 to 31 March 2021).

In addition the Guarantor is responsible for meeting the cost of investment expenses. Given the Fund's surplus the Fund is comfortable that investment expenses can be met directly by the Fund until the next triannual valuation.



NOTES TO THE FINANCIAL STATEMENTS

5 Transfers from other pension schemes

	Restated 2018/19	2019/20
	£000	£000
Group transfers	1,726	-
Individual transfers	-	-
	1,726	-

6 Transfers out to other pension schemes

	2018/19	2019/20
	£000	£000
Group transfers	-	-
Individual transfers	129	-
	129	-

7a Total Management expenses

	Restated 2018/19	2019/20
	£000	£000
Administrative costs	(17)	(25)
Investment management expenses	50	62
Oversight and governance costs	34	42
	67	79

This analysis of costs for the Scottish Homes Pension Fund has been prepared in accordance with CIPFA guidance. The analysis looks at the combined administration and investment management expenses in note 7b and c and splits out the costs to include a third heading covering oversight and governance expenditure.



NOTES TO THE FINANCIAL STATEMENTS

7b Administrative expenses

	Restated 2018/19	2019/20
	£000	£000
Employee costs	28	26
System costs	8	9
Actuarial fees	8	2
External audit fees	1	1
Printing and postage	2	3
Depreciation	1	1
Office costs	2	2
Sundry costs less sundry income	3	1
	53	45
Administration fee received	(70)	(70)
	(17)	(25)

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. The Fund has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific Fund are charged to the relevant Fund, costs that are common to the two Funds are allocated on a defined basis.

7c Investment management expenses

	2018/19	2019/20
	£000	£000
External management fees - deducted from capital (direct)	-	-
Transaction costs	2	-
Employee costs	44	56
Custody fees	6	8
Engagement and voting fees	2	3
Performance measurement fees	3	-
Consultancy fees	3	1
System costs	9	12
Legal fees	2	3
Office costs	2	3
Sundry costs less sundry income	11	18
	84	104

The Fund has not incurred any performance-related investment management fees in 2019/20 or 2018/19.



NOTES TO THE FINANCIAL STATEMENTS

8 Investment income

	2018/19	2019/20
	£000	£000
Income from fixed interest securities	1,749	2,437
Interest on cash deposits and sundries	75	29
	1,824	2,466
Irrecoverable withholding tax	-	-
	1,824	2,466

9 Reconciliation of movement in investments

	Market value at 31 March 2019	Purchases at cost	Sales & proceeds	Change in market value	Market value at 31 March 2020
	£000	£000	£000	£000	£000
Bonds	160,542	-	(5,015)	4,406	159,933
Equities	-	-	-	-	-
Pooled investment vehicles	-	-	-	-	-
	160,542	-	(5,015)	4,406	159,933
Other financial assets / (liabilities)					
Cash deposits*	3,650			12	3,824
Investment income due/ amounts payable*	618			-	615
	4,268			12	4,439
Net financial assets	164,810			4,418	164,372

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.



NOTES TO THE FINANCIAL STATEMENTS

9 Reconciliation of movement in investments (cont)

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are reflected in the cost of investment acquisitions and in the proceeds from sales and are therefore included in the tables above.

	Market value at 31 March 2018	Purchases at cost	Sales & proceeds	Change in market value	Market value at 31 March 2019
	£000	£000	£000	£000	£000
Bonds	148,064	54,948	(50,036)	7,566	160,542
Equities	-	-	-	-	-
Pooled investment vehicles	-	-	-	-	-
	148,064	54,948	(50,036)	7,566	160,542
Other financial assets / (liabilities)					
Cash deposits*	9,094			-	3,650
Investment income due/ amounts payable*	4,904			-	618
	13,998			-	4,268
Net financial assets	162,062			7,566	164,810

* Per CIPFA disclosure guidance the change in market value intentionally does not balance opening/closing market values



NOTES TO THE FINANCIAL STATEMENTS

10 Investment managers and mandates

		Restated Market value at 31 March 2019	Restated % of total 31 March 2019	Market value at 31 March 2020	% of total 31 March 2020
Manager	Mandate	£000	%	£000	%
In-house	Ex-Equity	31	0.0	27	0.0
Total UK equities		31	0.0	27	0.0
In-house	UK Index linked gilts	161,129	97.8	163,021	99.2
Total fixed interest and inflation linked bonds		161,129	97.8	163,021	99.2
In-house	Cash	3,650	2.2	1,324	0.8
Total cash		3,650	2.2	1,324	0.8
Net financial assets		164,810	100.0	164,372	100.0

10 Investments representing more than 5% of the net assets of the Fund

	Restated Market value at 31 March 2019	Restated % of total 31 March 2019	Market value at 31 March 2020	% of total 31 March 2020
	£000	%	£000	%
UK Gov 2.5% Index Linked 16/04/20	11,619	7.0	11,411	6.9
UK Gov 4.25% 07/06/32	9,366	5.6	9,880	6.0
UK Gov 4.125% Index Linked 22/07/30	9,124	5.5	9,258	5.6
UK Gov 1.25% Index Linked 22/11/27	8,914	5.4	9,033	5.4
UK Gov 2.5% Index Linked 17/07/24	9,053	5.4	8,913	5.4
UK Gov 1.875% Index Linked 22/11/22	8,240	5.0	8,049	4.8



NOTES TO THE FINANCIAL STATEMENTS

12 Financial Instruments

12a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the fair value amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

All financial instruments are marked to market (at fair value) in the Fund's accounting records hence there is no difference between the carrying value and fair value.

	Restated 31 March 2019			31 March 2020		
	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through fund account	Loans and receivables	Financial liabilities at amortised cost
Financial assets						
Investment assets	£000	£000	£000	£000	£000	£000
Bonds	160,542	-	-	159,933	-	-
Cash	-	3,650	-	-	3,824	-
Other balances	-	618	-	-	615	-
	160,542	4,268	-	159,933	4,439	-
Other assets						
City of Edinburgh Council	-	10	-	-	130	-
Cash	-	1,741	-	-	1,599	-
Debtors	-	1	-	-	2	-
	-	1,752	-	-	1,731	-
Assets total	160,542	6,020	-	159,933	6,170	-
Financial liabilities						
Other liabilities						
Creditors	-	-	(74)	-	-	(33)
Liabilities total	-	-	(74)	-	-	(33)
Total net assets	160,542	6,020	(74)	159,933	6,170	(33)
Total net financial instruments			166,488			166,070



NOTES TO THE FINANCIAL STATEMENTS

12b Net gains and losses on financial instruments

	Restated 2018/19	2019/20
	£000	£000
Designated as fair value through fund account	7,566	4,406
Loans and receivables	-	12
Financial liabilities at amortised cost	-	-
Total	7,566	4,418

12c Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities and unit trusts.

Quoted investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.



NOTES TO THE FINANCIAL STATEMENTS

12c Valuation of financial instruments carried at fair value (cont)

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in unquoted private equity, infrastructure, timber and real estate are based on valuations provided by the general partners to the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of International Financial Reporting Standards (IFRS). The valuations are typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

	31 March 2020			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment assets				
Designated as fair value through fund account	-	159,933	-	159,933
Total investment assets	-	159,933	-	159,933
Investment liabilities				
Designated as fair value through fund account	-	-	-	-
Total investment liabilities	-	-	-	-
Net investment assets	-	159,933	-	159,933

	Restated 31 March 2019			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment assets				
Designated as fair value through fund account	-	160,542	-	160,542
Total financial assets	-	160,542	-	160,542
Investment liabilities				
Designated as fair value through fund account	-	-	-	-
Total financial liabilities	-	-	-	-
Net investment assets	-	160,542	-	160,542



NOTES TO THE FINANCIAL STATEMENTS

13 Nature and extent of risk arising from financial instruments

Risk and risk management

The Fund's primary aim is to ensure that all members and their dependants receive their benefits when they become payable. As directed by Scottish Government, after 31 March 2017 triennial valuation showed a funding level of 104.7%, the assets of the Fund were invested entirely in low risk gilts. In addition, the Fund ensures that sufficient cash is available to meet all liabilities when they are due to be paid.

Responsibility for the Fund's overall investment strategy rests with the Pensions Committee. The Investment Strategy Panel and the internal investment team monitor investment risks on a regular basis. Investment risk management tools are used to identify and analyse risks faced by the Fund's investments.

Types of investment risk

There are various ways of considering investment risks for pension funds. For the purposes of this note, market risk is the potential for an investor to experience losses from falls in the prices of investments. All financial instruments, including cash deposits, present a risk of loss of capital and risks vary depending on different asset classes.

Market risk also changes over time as economic conditions and investor sentiment change. The market risk of Scottish Homes Pension Fund has to some extent been mitigated. The Fund's assets have been matched to its liabilities as at the 31 March 2017 triennial valuation so interest rate risk has been minimised and as all assets held are valued in Pound Sterling no exchange risk occurs. A review of the asset matching of the Fund will next take place to coincide with the results of 31 March 2020 triennial valuation.

Sensitivity analysis

Asset prices have a tendency to fluctuate. The degree of such fluctuation is known as "volatility" and it differs by asset class. The table sets out the long-term volatility assumptions used by the Fund's investment adviser Isio:

Asset type	Potential price movement (+ or -)
Index-Linked Gilts	17.8%
Cash	0.0%



NOTES TO THE FINANCIAL STATEMENTS

13 Nature and extent of risk arising from financial instruments (cont)

Volatility is the standard deviation of annual returns. Broadly speaking, in two years out of three, the asset's change in value (which could be a gain or a loss) is expected to be lower than the volatility figure, but in one year out of three, the change in value is expected to be higher than the volatility figure.

Asset classes don't always move in line with each other. The extent to which assets move together is known as their "correlation". A lower correlation means that there is less risk of assets losing value at the same time. The overall Fund benefits from "diversification" because it invests in numerous different asset classes, which don't all move in line with each other. Consequently, the aggregate risk at the Fund level is less than the total risk from all the individual assets in which the Fund invests.

The table below shows the risks at the asset class level and the overall Fund level.

	Value at 31 March 2020	% of fund	Potential Change +/-	Value on increase	Value on decrease
	£000	%	%	£000	£000
Index-Linked Gilts	163,021	99.2	17.8	192,093	133,949
Cash	1,351	0.8	0.0	1,351	1,351
Total [1]	164,372	100.0	17.8	193,444	135,300
Total [2]			17.8	193,696	135,048
Total [3]			7.8	177,259	n/a

[1] No allowance for correlations between assets

[2] Including allowance for correlations between assets

[3] Including allowance for correlation between assets and liabilities.

The value on increase/decrease columns illustrate the monetary effect of the percentage change in the volatility column. The actual annual change in value is expected to be lower than this in two years out of three, but higher in one year out of three.

It can be seen that the risk to the overall Fund assets [2] is lower than the total of the risks to the individual assets [1].

However, because the purpose of a pension scheme is to make payments to scheme beneficiaries, the true risk of a pension scheme is not measured in absolute terms, but relative to its liabilities [3]. The risk is lower than the absolute asset risk, due to the impact of correlation with the discount rate used to value the liabilities.

This risk analysis incorporates volatility from market, interest rate, foreign exchange, credit, and all other sources of risk, and, importantly, makes allowance for how these risks may offset each other.



NOTES TO THE FINANCIAL STATEMENTS

13 Nature and extent of risk arising from financial instruments (cont)

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's assets and liabilities (as outlined in Market Risk above).

In essence, the Fund's entire investment portfolio is exposed to some sort of credit risk. However, through the selection of counterparties, brokers and financial institutions the Fund reduces the credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash deposits are the major areas of credit exposure where credit risk is not reflected in market prices.

Cash deposits

At 31 March 2020, cash deposits represented £3m, 1.8% of total net assets. This was held with the following institutions:

	Moody's Credit Rating at 31 March 2020	Balances at 31 March 2019	Balances at 31 March 2020
Held for investment purposes			
Northern Trust Company - cash deposits	A2	580	1,324
The City of Edinburgh Council - treasury management	See below	3,070	-
		3,650	1,324
Held for other purposes			
The City of Edinburgh Council - treasury management	See below	1,741	1,599
Total cash		5,391	2,923



NOTES TO THE FINANCIAL STATEMENTS

13 Nature and extent of risk arising from financial instruments (cont)

The majority of Sterling cash deposits of the Fund are managed along with those of the administering authority (the City of Edinburgh Council) and other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk basis, with security of the investments the key consideration. The Council has in place counterparty criteria.

The Council has in place institutional restrictions on investments and counterparty criteria. These include:

- (a) UK Government and other UK local Authorities with no limit, other public bodies up to £20 million per organisation.
- (b) Money market funds (MMFs) no more than £30 million or 15% with any one Fund.
- (c) Financial Institutions: Banks and Building Societies with multiple criteria based on a range of short and long term credit ratings, as well as any security provided, from maximum of £60 million / 20% of assets under management (AUM) for institutions with the highest criteria to £10 million / 5% of AUM for institutions with the lowest acceptable criteria.

	Moody's Credit Rating at 31 March 2020	Balances at 31 March 2019	Balances at 31 March 2020
Money market funds			
Deutsche Bank AG, London	Aaa-mf	129	192
Goldman Sachs	Aaa-mf	2	115
Aberdeen Standard Sterling Liquidity Fund	Aaa-mf	706	212
Bank call accounts			
Bank of Scotland	Aa3	473	44
Royal Bank of Scotland	A1	19	89
Notice accounts			
HSBC Bank PLC	Aa3	569	83
UK Pseudo-Sovereign risk instruments			
Other Local Authorities [1]	Aa2	2,913	864
		4,811	1,599

[1] Very few Local Authorities have their own credit rating but they are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2020 was 'Aa2').



NOTES TO THE FINANCIAL STATEMENTS

13 Nature and extent of risk arising from financial instruments (cont)

No breaches of the Council's counterparty criteria occurred during the reporting period and the Fund does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Refinancing risk

Refinancing risk is the risk that the Fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Fund is not bound by any obligation to replenish its investments and hence is not exposed to refinancing risk.

Liquidity risk

Liquidity risk reflects the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore ensures that there is adequate cash and liquid resources to meet its commitments. Cash flow projections are prepared on a regular basis to understand and manage the timing of the Fund's cash flows.

All of the Fund's investments could be converted to cash within three months in a normal trading environment.

14 Actuarial statement

The Scheme Actuary has provided a statement describing the funding arrangements of the Fund. This can be found at the end of this section.



NOTES TO THE FINANCIAL STATEMENTS

15 Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £122m (2019 £135m). This figure is used for statutory accounting purposes by Scottish Homes Pension Fund and complies with the requirements of IAS26. The assumptions underlying the figure match those adopted for the Administering Authority's IAS19 reports at each year end.

The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

	31 March 2019	31 March 2020
	% p.a.	% p.a.
Inflation/pensions increase rate	2.5%	1.9%
Discount rate	2.4%	2.3%

Longevity assumptions

The life expectancy assumption is based on Fund specific statistical analysis with improvements in line with the CMI 2016 model, assuming that the current rate of improvements has reached a peak and will converge to a long term rate of 1.75% p.a. Based on these assumptions, the average future life expectancies, in years, at age 65 are summarised below:

	31 March 2019		31 March 2020	
	Male	Female	Male	Female
Current pensioners	22.4 years	24.8 years	22.4 years	24.8 years
Future pensioners (assumed to be currently 45)	24.8 years	27.8 years	24.8 years	27.8 years

Commutation assumption

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



NOTES TO THE FINANCIAL STATEMENTS

16 Debtors

	31 March 2019	31 March 2020
	£000	£000
Sundry debtors	2	2
	2	2

17 Creditors

	31 March 2019	31 March 2020
	£000	£000
Benefits payable	73	31
Miscellaneous creditors and accrued expenses	1	2
	74	33

18 Related party transactions

The City of Edinburgh Council

The Lothian Pension Fund and the Scottish Homes Pension Fund are administered by the City of Edinburgh Council. Consequently there is a strong relationship between the Council and the Pension Funds.

LPFE, which is a wholly owned subsidiary of the Council, is responsible for providing the staffing resource to administer the pension funds. The Fund has a service level agreement in place with the Council for certain support services. Costs directly attributable to a specific Fund are charged to the relevant Fund, costs that are common to the two Funds are allocated on a defined basis.

Transactions between the Council and the Fund are managed via a holding account. Each month the Fund is paid a cash sum leaving a working balance in the account to cover the month's pension payroll costs and other expected costs.

	31 March 2019	31 March 2020
	£000	£000
Year end balance of holding account	10	130
	10	130

Part of the Fund's cash holdings are invested on the money markets by the treasury management operations of the Council, through a service level agreement. During the year to 31 March 2020, the fund had an average investment balance of £2.5m (2019 £10.6m). Interest earned was £20k (2019 £74k).



NOTES TO THE FINANCIAL STATEMENTS

18 Related party transactions (cont)

Year end balance on treasury management account

	31 March 2019	31 March 2020
	£000	£000
Held for investment purposes	3,070	-
Held for other purposes	1,741	1,599
	4,811	1,599

Fund Guarantor

The Fund guarantor (by definition) is a related party to the scheme. The Scottish Government's contributions to the Fund can be found in note 4 (page 130) of the notes to the Financial Statements.

LPFE Limited - staffing services

Staffing services are provided to Lothian Pension Fund and Scottish Homes Pension Fund for the purposes of administering the Funds under an intra-group resourcing agreement. The agreement also provides for the running costs of the company to be covered as part of a service charge and allows for the provision of staffing services to LPFI Limited. Lothian Pension Fund is invoiced for these services and Scottish Homes Pension Fund is then allocated a percentage recharge on a defined basis. During the year to 31 March 2020, the Fund was recharged £81k (2019 £70k) for the services of LPFE Limited staff.



NOTES TO THE FINANCIAL STATEMENTS

18 Related party transactions (cont)

Governance

As at 31 March 2020, all members of the Pensions Committee, with the exception of Richard Lamont, and all members of the Pension Board, with the exception of Sharon Cowle, were members of the Lothian Pension Fund. One member of both the Pensions Committee and the Pension Board are in receipt of pension benefits from Lothian Pension Fund.

Each member of the Pensions Committee and Pensions Board is required to declare any financial and non-financial interests they have in the items of business for consideration at each meeting, identifying the relevant agenda item and the nature of their interest.

During the period from 1 April 2019 to the date of issuing of these accounts, Lothian Pension Fund was charged by City Of Edinburgh Councils via its service level agreement for time spent by its Executive Management team on pension fund issues, Scottish Homes Pension Fund is then recharged for these services on a defined basis. All other staff that held key positions in the financial management of Lothian Pension Fund and Scottish Homes Pension Fund were employed by LPFE Limited. Total compensation paid in relation to key management personnel employed by LPFE Limited during the period was as follows:

	31 March 2019	31 March 2020
	£000	£000
Short-term employee benefits	647	757
Post-employment benefits - employer pension contributions	111	140

Key management personnel employed by LPFE, had accrued pensions totalling £106,596 (1 April 2019: £120,245) and lump sums totalling £121,925 (1 April 2019: £132,375) at the end of the period.

Staff are either employed by City of Edinburgh Council or LPFE Limited, and their costs reimbursed by the Pension Funds. The Councillors, who are members of the Pensions Committee, are also remunerated by City of Edinburgh Council.



NOTES TO THE FINANCIAL STATEMENTS

19 Contingent assets/liabilities

Age Discrimination in Public Service Pension

On 13 May 2020, the Scottish Public Pensions Agency (SPPA) advised that:

"In December 2018, the Court of Appeal found that the transitional protections introduced to the judicial and firefighters' schemes during the reform of public service pensions in 2015 discriminated on grounds of age. The UK Government sought permission to appeal this decision but this was not granted, and on 15 July 2019 the UK Government issued a written ministerial statement to confirm that as transitional protection was provided in all public service schemes, the ruling had implications for all those schemes, including the Scottish Local Government Pension Scheme (SLGPS).

"Details of the Court of Appeal ruling, hereafter referred to as McCloud, are available...

"Whilst initial proposals to address the specific discrimination in the SLGPS have been shared with the scheme advisory board, there remains uncertainty around the timing and changes needed in light of McCloud."

The Fund's IAS26 reporting from its actuary, as disclosed in Note 23, takes into account the appeal decision. There remains significant uncertainty over the remedy to be applied and associated costs to Scottish LGPS funds.

Employer Cost Cap considerations

In the same communication of 13 May 2020, SPPA stated:

"The reforms introduced to public service pensions from 1 April 2015 (or a year earlier in the case of the local government scheme in England and Wales) also included a new cost control mechanism, known as the employer cost cap.

"The purpose of the mechanism was to introduce a way of sharing pension cost increases and savings between the employer (ultimately often the taxpayer) and scheme members ...

"The first cost cap valuation for LGPS Scotland was due to take place at 31 March 2017. As you are aware, GAD commenced this process however it has not yet been completed, as the cost cap element of scheme valuations was suspended by the UK Government in early 2019 pending the resolution of McCloud. In a written ministerial statement on 25 March 2020, the Economic Secretary to the Treasury outlined the UK Government's intention to provide an update on the cost cap mechanism alongside proposals to address McCloud.

"We realise the challenges that actuaries face in considering the uncertainties in McCloud and the cost cap, particularly given the tight timescales for completing valuations. We regret that we are currently unable to suggest how provision might be made for any running of the cost cap process but hope to have more clarity in the next two months. We will write to administering authorities to provide an update at the earliest opportunity."

20 Contractual commitments

The Fund had no contractual commitments at the year end.

21 Impairment losses

Impairment losses have been identified during the year



SCOTTISH HOMES PENSION FUND ACCOUNTS

Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 55(1)(d) of the Local Government Pension Scheme (Scotland) Regulations 2014. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Administering Authority's Funding Strategy Statement (FSS), dated March 2018, states that a bespoke funding strategy has been adopted for the Fund.

The strategy aims for the Fund to be 100% solvent by 2044 using a discount rate based on government bonds. It includes target funding levels at each actuarial valuation. Contributions from the Scottish Government are determined by reference to the target funding levels. The deficit recovery period is eight years.

As the Fund was well ahead of its Target Funding Level at the 2017 valuation, it took the decision to derisk its investment strategy and now invests 100% of its assets in index-linked gilts.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2014 was as at 31 March 2017. This valuation revealed that the Fund's assets, which at 31 March 2017 were valued at £170.6 million, were sufficient to meet 104.7% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2017 valuation was £7.7 million.

The Guarantor's contributions for the period 1 April 2018 to 31 March 2021 were set in accordance with the Fund's funding policy as set out in its FSS.



SCOTTISH HOMES PENSION FUND ACCOUNTS

Actuarial Statement for 2019/20 (cont)

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2017 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund's assets at their market value.

The key financial assumptions adopted for the 2017 valuation were as follows:

Financial assumptions	Friday, 31 March 17
Discount Rate	Bank of England nominal yield curve
Benefit increase assumption (CPI)	Bank of England implied (RPI) curve less 1.0% p.a.



SCOTTISH HOMES PENSION FUND ACCOUNTS

Actuarial Statement for 2019/20 (cont)

The key demographic assumption was the allowance made for longevity. The life expectancy assumption was based on the Fund's Vita Curves alongside future improvements based on the CMI 2016 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.75% p.a.

Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Male	Female
Current Pensioners	22.4	24.8
Future Pensioners *	24.8	27.8

*Aged 45 as at 31 March 2017

Copies of the 2017 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2017

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been positive asset returns over the three years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2020. The Funding Strategy Statement will also be reviewed at that time.

Laura McInroy FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB
Friday, 15 May 20



ACCOUNTING POLICES AND GENERAL NOTES

1. Basis of preparation

The Financial Statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Financial Statements summarises the transactions of the funds for the 2019/20 financial year and report on the net assets available to pay pension benefits as at 31 March 2020. The Financial Statements don't take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present values of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, are disclosed in the Notes to the Financial Statements.

2. Summary of significant accounting policies

General

a) Basis of consolidation – Group accounts

Commencing with the year ended 31 March 2016, Consolidated Financial Statements have been prepared for Lothian Pension Fund. The Financial Statements of Scottish Homes Pension Fund continue to be prepared on a single entity basis.

The Consolidated Financial Statements for Lothian Pension Fund are prepared by combining the Financial Statements of the Fund (the parent entity) and its controlled entities (LPFE Limited and LPFI Limited) as defined in accounting standard IAS27 – Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the Consolidated Financial Statements. All inter-entity balances and transactions between entities, including any unrealised profits or losses, have been eliminated on consolidation.

Further details of the consolidation are provided in the Notes to the Financial Statements of Lothian Pension Fund.

LPFE Limited (LPFE) and LPFI Limited (LPFI) are wholly owned by the City of Edinburgh Council in its capacity as administering authority for the Local Government Pension Scheme in the Lothian area.

The purpose of LPFE is to provide staff services in respect of management of the Fund. LPFI's purpose is to provide FCA regulated services to the Fund and other Local Government Pension Scheme funds. It's considered appropriate to consolidate the Financial Statements of the two companies with those of Lothian Pension Fund.





ACCOUNTING POLICES AND GENERAL NOTES

Fund account – revenue recognition

b) Contribution income

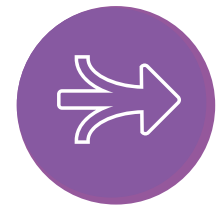
Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the rate certified by the Scheme Actuary in the payroll period to which they relate.

Similarly, employer deficit funding contributions are accounted for on the due date on which they're payable as certified by the Scheme Actuary.

Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

c) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.



Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

d) Investment income

i) Interest income

Interest income is recognised in the Fund accounts as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.



ACCOUNTING POLICES AND GENERAL NOTES

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Income from unquoted private equity and infrastructure investments

Income from the above sources is recognised when it's notified by the manager. Distributions are split into capital and income elements with the latter being included under investment income in the Fund Account.

v) Property related income

Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by Lothian Pension Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income is reported gross with the operational costs of the properties included in investment management expenses.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

vi) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

e) Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.



ACCOUNTING POLICES AND GENERAL NOTES

f) Taxation

i) Pension Funds

The Local Government Pension Scheme is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

ii) Controlled entities – LPFE and LPFI

The Companies are mutual traders and are therefore not liable to corporation tax on any surpluses generated from services provided in respect of the Fund. The tax charges for the period are based on any profit for the period from non-mutual trade, adjusted for any non-assessable or disallowed items. They're calculated using tax rates that have been enacted or are substantively enacted by the period end date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it's probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.





ACCOUNTING POLICES AND GENERAL NOTES

g) Administrative expenses

All administrative expenses are accounted for on an accruals basis. Lothian Pension Fund is responsible for administering the two Funds. The costs include charges from LPFE and LPFI for services rendered. The Fund receives an allocation of the overheads of the Council based on the amount of central services consumed. In turn, these costs are allocated to the two Funds.

Costs directly attributable to a specific fund are charged to the relevant Fund. Investment management costs that are common to all funds are allocated in proportion to the value of each Fund as at the end of the year. Other administration costs are allocated in proportion to the number of members in each of the Funds at the end of the year.

h) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

For some investment managers, an element of their fee is performance related. The amount of any performance related fees paid is disclosed in the note to the accounts on investment management expenses provided for each Fund.

The cost of administering the Local Government Pension Scheme in the UK has come under increasing scrutiny in recent years. As a result, it has been decided to recognise investment management costs that are deducted from the value of an investment and recognised this as a cost in the Fund Account rather than as a reduction in the change in market value of investments. Investment transaction costs that are added to an investment purchase price or deducted from the proceeds of a sale are also recognised as a cost in the Fund Account rather than as a reduction in the change in market value of investments.

In June 2016, CIPFA revised and updated its guidance "Accounting for Local Government Pension Scheme Management Costs". Whilst the underlying principle of transparency of investment costs remains unchanged, there's been a degree of relaxation to full cost disclosure. Specifically, for complex 'fund of funds' structures, the new guidance states that "Investment costs incurred by a separate legal entity, or in respect of investment decisions over which the pension fund has no control, should not be included in the (Pension) Fund Account . . . If pension funds wish to provide information about the total



ACCOUNTING POLICES AND GENERAL NOTES

cost of 'fund of fund' investments, this should be included as part of the Investments section in the Annual Report."

The impact of this is that investment management costs deducted from any underlying fund in a 'fund of funds' investment would not be included in the costs disclosed in the Fund Account. As this would significantly under-report investment management costs, it has been decided not to adopt this element of the CIPFA guidance. However, this type of cost is separately identified as "external management fees – deducted from capital (indirect)" in the notes on investment management expenses.

Any indirect costs incurred through the bid-offer spread on some pooled investment vehicles are not treated as an expense. Such costs are accounted for as part of the acquisition costs or sale proceeds.

The cost of obtaining investment advice from external consultants is included in investment management charges.

The costs of the in-house investment management team are charged to the Fund. The basis of allocation is as described in section g.

Securities lending revenue is reported gross and their fees are disclosed in investment management expenses.

i) Operating lease

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease. In accordance with Standard Interpretations Committee (SIC) 15, subsequently endorsed by the International Accounting Standards Board (IASB), lease incentives are recognised as a reduction in the lease expense over the term of the lease on a straight-line basis.



Net Assets Statement

j) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of asset are recognised by the Fund.



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**156 YOUTH
WORKERS**





SCOTTISH HOMES PENSION FUND ACCOUNTS

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The basis of the valuation of each class of investment assets is set out on the next page. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.





SCOTTISH HOMES PENSION FUND ACCOUNTS

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivity affecting the valuations provided
Market quoted investments - Equities	Level 1	Closing bid value on published exchanges	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Future derivative contracts	Level 1	Determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.	Not required	Not required
Forward foreign exchange derivatives	Level 1	Based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.	Not required	Not required
Government bonds – fixed interest / index linked gilts	Level 2	Recorded at net market value based on their current yields.	Evaluated price feeds	Not required
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by John Symes-Thompson FRICS of independent valuers, CBRE Ltd in accordance with RICS Valuation – Global Standards 2017.	Existing lease terms and rentals. Independent market research. Nature of tenancies. Covenant strength for existing tenants. Assumed vacancy levels. Estimated rental growth. Discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market price
Unquoted Pooled investments – Private Equity, Infrastructure, Timber, Private Secured Loans & Property	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Guidelines (2015)	EBITDA multiple Revenue multiple. Discount for lack of marketability. Control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.



SCOTTISH HOMES PENSION FUND ACCOUNTS

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Lothian Pension Fund	Assessed Valuation range (+ or -)	Value at 31 March 2020	Value on increase	Value on decrease
Unquoted		£m	£m	£m
Private Equity	30%	76.1	98.9	53.3
Infrastructure	12%	844.9	946.3	743.5
Timber	18%	124.0	146.3	101.7
Private Secured Loans	75%	205.0	220.4	189.6
Property	13%	461.0	520.9	401.1
		1,711.0	1,932.8	1,489.2

Scottish Homes Pension Fund has no assets valued at Level 3.

k) Foreign currency transactions and balances

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m) Financial liabilities

The Fund recognise financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised.

n) Actuarial present value of promised retirement benefits



SCOTTISH HOMES PENSION FUND ACCOUNTS

The actuarial present value of promised retirement benefits of each of the Fund is assessed on an annual basis by the Scheme Actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS26, the Fund have opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statements.

o) Additional voluntary contributions

The Lothian Pension Fund and Lothian Buses Pension Fund provide an additional voluntary contributions (AVC) scheme for their members, the assets of which are invested separately from those of the Fund. The Fund has appointed Standard Life and Prudential as their AVC providers. AVCs are paid to the AVC providers by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

In accordance with regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998, AVCs are not included in pension fund financial statements. Details of contributions paid and the total value of funds invested are disclosed by way of note.

p) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent assets and liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

q) Employee benefits

The employees of LPFE are eligible to participate in Lothian Pension Fund.

In the Consolidated Financial Statements, the current service cost for the period is charged to the Fund Account. The assets of Lothian Pension Fund are held separately from those of the Company. The Company has fully adopted the accounting principles as required by IAS19 – Employee Benefits.

The liability recognised in the Net Asset Statement in respect of the defined benefit



SCOTTISH HOMES PENSION FUND ACCOUNTS

pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs.

The defined benefit obligation is calculated annually, by the Scheme Actuary, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in a currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Fund Account in the period in which they arise.

Past-service costs are recognised immediately in the Fund Account, unless the changes to the pension plan are conditional on the employees remaining in service for a specified time period (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

3 . 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 2020/21 Code:

The Code requires implementation from 1 April 2020 and there's therefore no impact on the 2019/20 financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan amendment, curtailment or settlement.

The amendments are generally minor or principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.



SCOTTISH HOMES PENSION FUND ACCOUNTS

4. Critical judgements in applying accounting policies

Unquoted private equity and infrastructure investments

It's important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments.

They're inherently based on forward-looking estimates and judgements involving many factors. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or similar guidelines provided by the British Venture Capital Association, which follow the valuation principles of IFRS.

For the Lothian Pension Fund, the value of unquoted private equity, infrastructure, timber and secured loan investments at 31 March 2019 was £1,395.1m (2018 £1,250.0m).

Actuarial present value of promised retirement benefits

Each Fund is required to disclose the estimated actuarial present value of promised retirement benefits as at the end of the financial year. These estimates are prepared by the Fund Actuary. These values are calculated in line with International Accounting Standard 19 (IAS19) assumptions and comply with the requirements of IAS26, however, the results are subject to significant variances based on changes to the underlying assumptions.

The figures are only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it's not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

5. 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; private equity and infrastructure managers; other providers of valuation information; and the Scheme Actuary about the future or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because amounts cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2020 for which there's a significant risk of material adjustment in the forthcoming financial year are as follows:



SCOTTISH HOMES PENSION FUND ACCOUNTS

a) Actuarial present value of promised retirement benefits

Uncertainties

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 the Fund's assets. The Fund Actuary advises on the assumptions to be applied and prepares the estimates.

Effect if actual results differ from assumptions – Lothian Pension Fund

The effects on the net pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions - year ended 31 March 2020	Approx Increase in liabilities %	Approx monetary amount £m
0.5% decrease in the real discount rate	11	958
1 year increase in member life expectancy	4	382
0.5% increase in salary increase rate	2	191
0.5% increase in pensions increase rate	9	751

Effect if actual results differ from assumptions – Scottish Homes Pension Fund

The effects on the net pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions - year ended 31 March 2020	Approx Increase in liabilities %	Approx monetary amount £m
0.5% decrease in the real discount rate	5	7
1 year increase in member life expectancy	4	6
0.5% increase in pensions increase rate	5	7



SCOTTISH HOMES PENSION FUND ACCOUNTS

b) Valuation of unquoted private equity and infrastructure investments

Uncertainties

These investments aren't publicly listed and therefore there's a degree of estimation involved in their valuation, see 2j above for more details on the valuation methodology.

Effect if actual results differ from assumptions

There is a risk that these investments may be under or overstated in the accounts at any point in time. The actual financial return of this type of investment is only known with certainty when they reach the end of their lifecycles and the final distributions are made to investors. A sensitivity analysis can be found in note 2j above.

c) Quantifying the cost of investment fees deducted from capital

Uncertainties

Section 2 h) describes the accounting policy for investment management expenses in relation to expenses deducted from the capital value of investments. Quantification of these costs involves asking the relevant managers for information and only some of this information can be independently verified. In cases where the charges relate to an investment as a whole, an estimate needs to be made of the costs applicable to the holding owned by the relevant Fund.

Effect if actual results differ from assumptions

There's a risk that the cost of investment fees deducted from capital may be under or overstated. However, as the costs are included in the Fund Account by adjusting the change in market value of investments, any inaccuracy in the cost estimate will not change the reported net change in the Fund for the year.

COLLEAGUE PROFILE Susan Macfarlane, Communications Business Partner

Susan joined LPF in September 2019 as our Communications Business Partner. As well as being our brand ambassador, Susan's responsible for shaping and delivering our internal and external communications strategy to ensure that our colleagues and stakeholders are kept up to date with what's going on at LPF. Susan says:

"I'm really proud to work for LPF as everyone is so positive and driven to deliver for our members. I enjoy being able to help shape our culture and share the great work we're doing at LPF with our members and stakeholders."





SCOTTISH HOMES PENSION FUND ACCOUNTS

d) Property Valuations - Novel Coronavirus (COVID-19) Outbreak

Uncertainties

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, CBRE (the Fund property valuer) consider that the Fund can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that CBRE are faced with an unprecedented set of circumstances on which to base a judgement.

CBRE's valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – are attached to the valuation of the Funds' investment property assets than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, CBRE have recommend that the valuation of the Funds' properties should be kept under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above doesn't mean that the valuation cannot be relied on. Rather, the phrase is used to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is a disclosure, not a disclaimer.

Effect if actual results differ from assumptions

There's a risk that these investments may be under or overstated in the accounts at any point in time. The actual financial return of this type of investment is only known with certainty at the time the asset is sold.



STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The responsibilities of the Administering Authority

The Administering Authority's responsibilities are to:

- Make arrangements for the proper administration of the financial affairs of the Fund in its charge and to secure that one of its officers has the responsibility for the administration of those affairs. The Head of Finance serves as the Section 95 Officer for all the Council's accounting arrangements, including those of Lothian Pension Fund and Scottish Homes Pension Fund. For the Fund, this Section 95 responsibility has been delegated to the Chief Finance Officer, Lothian Pension Fund
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and, so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003)
- Approve the Unaudited Annual Accounts for signature.

Hugh Dunn

Head of Finance

The City of Edinburgh Council

24 June 2020



STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The responsibilities of the Chief Finance Officer, Lothian Pension Fund

The Chief Finance Officer, Lothian Pension Fund, is responsible for the preparation of the Fund's Financial Statements which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code of Practice), is required to present a true and fair view of the financial position of the Fund at the accounting date and their income and expenditure for the year (ended 31 March 2020).

In preparing this statement of accounts, the Chief Finance Officer, Lothian Pension Fund, has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice

The Chief Finance Officer, Lothian Pension Fund, has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the Fund as at 31 March 2019, and their income and expenditure for the year ended 31 March 2019.

John Burns, Fcma CGMA PgC

Chief Finance Officer
Lothian Pension Fund
24 June 2020



ANNUAL GOVERNANCE STATEMENT

Roles and responsibilities

The City of Edinburgh Council (the Council) has statutory responsibility for the administration of the Local Government Pension Scheme (LGPS) in the Lothian area of Scotland. This responsibility is for two separate funds: the Lothian Pension Fund and Scottish Homes Pension Fund (the Fund). The Lothian Pension Fund group comprises the investment and pensions team employed by LPFE Limited (LPFE) supporting the Council in its separate statutory capacity as the administering authority of the Fund (Administering Authority) and LPFI Limited (LPFI), the Group's regulated investment vehicle (together the LPF Group).

The main functions of the Administering Authority are administration of scheme benefits and the investment of the assets of the Fund. These functions are conducted in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972. The role of Administering Authority is carried out via:

- the Pensions Committee and the Pensions Audit Sub-Committee
- the Pension Board
- the Joint Investment Strategy Panel; and
- the LPF Group.



Further details on the above arrangements can be found in the Governance section of the Management Commentary towards the front of this document.

Scope of responsibility

As the Administering Authority of the Fund, the Council is responsible for ensuring that its business in administering the Fund, is conducted in accordance with the law and appropriate standards, and that monies are safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which for the Fund is exercised in conjunction with its other separate statutory duties.

In discharging these overall responsibilities, elected members, senior officers and external representatives are responsible for implementing effective arrangements for governing the affairs of the LPF Group, and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Pensions Committee oversees the operational administration of the Fund by the LPF Group.



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The LPF Group has adopted a Local Code of Corporate Governance that's consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'.

This statement explains how the LPF Group 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.

The governance framework

The LPF Group operates within the wider governance framework of the Council but within specific ringfenced governance structures focused on the Fund themselves. The governance framework comprises the systems, controls, processes, cultures and values by which the LPF Group directs and controls the Fund. It also describes the way the LPF Group engages with and accounts to its stakeholders in relation to the management of the administration of the Fund. It enables the LPF Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The framework also applies to any subsidiary companies which are members of the LPF Group, namely LPFI and LPFE. The LPF Group is also directly regulated by The Pensions Regulator, the Financial Conduct Authority (regarding its regulated investment activity), the Scottish Information Commissioner and is subject to other corporate and public sector rules and regulations.

The LPF Group's ongoing compliance with its governance framework and regulatory obligations is monitored on an ongoing basis by the Pensions Committee, the Audit Sub-Committee and the Pension Board and the respective boards of LPFI and LPFE.

The Administering Authority has certain oversight functions and procedures which apply to the oversight of the LPF Group. These include the Council's Democracy, Governance and Resilience, Procurement, Information Governance and Internal Audit functions, all of which form part of the LPF Group's assurance stack.

The LPF Group also places reliance upon certain of the internal financial controls within the Administering Authority's financial systems and the monitoring in place to ensure the effectiveness of these controls.



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The relevant key elements of the LPF Group and the Fund governance framework within the Administering Authority, include:

- Identifying the objectives of the Fund in the Funding Strategy Statement, Statement of Investment Principles, Pension Administration Strategy and Service Plan
- Since April 2015, The Pensions Regulator has been responsible for setting standards of governance and administration for the Local Government Pension Scheme. The LPF Group has taken steps to fully integrate compliance with these standards within the overall governance framework
- A systematic approach to monitoring service performance by the Pensions Committee, Pensions Audit Sub-Committee, Pension Board (each including external stakeholder representation), Independent Professional Observer and senior officers
- A structured programme to ensure that Pensions Committee and Pension Board members have the required standard of knowledge and understanding of Local Government Pension Scheme matters
- Operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Fund's Statement of Investment Principles
- Compliance with the CIPFA Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme
- With the exception of managed funds, unlisted investments and property, all investments are held under custody by a global custodian. The Fund benefits from the custodian's extensive internal control framework
- Benchmarking of services in terms of standards and cost against other pension funds
- LPFE and LPFI operating within their respective constitutional documentation and the relevant companies' regulations
- LPFI operating within the relevant governance policies and procedures to ensure compliance with the Financial Conduct Authority's rules, regulations and guidance
- For LPF Group and Fund matters, the Pensions Committee, Pensions Audit Sub-Committee and Pension Board are responsible for scrutiny and challenge and a quarterly risk reporting process is in place to ensure full consideration of such matters
- Officers of the LPF Group are managed separately through the processes and procedures of LPFE, overseen by its board of directors, with terms and conditions and a human resources performance review and management strategy tailored to the express needs of the Fund and their stakeholders
- The directors of LPFE and LPFI have obligations to report to the Pensions Committee as the governing body for the Fund and the Administering Authority as the sole shareholder. In addition, the board and colleagues of LPFI are each individually regulated by the Financial Conduct Authority and so bound by the associated Principles and Standards of governance best practice.



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Elements of the governance framework of the Council that are relevant to the LPF Group and Fund include:

- The Council is embedding a culture of commercial excellence to ensure that its services always deliver Best Value. That is ongoing and seeks to improve standards in buying practices and processes across the Council including, to the extent applicable, the LPF Group and the Fund which bear the cost of its operation and administration
- The submission of reports, findings and recommendations from the external auditor, other inspectorates and internal audit, to the Pensions Committee, Pensions Audit Sub-Committee for all matters affecting the LPF Group and Fund and, in certain circumstances strictly for Council wide oversight purposes, the Corporate Leadership Team, Governance, Risk and Best Value Committee and wider Council
- The roles and responsibilities of Elected Members and Officers are defined in LPF Procedural Standing Orders, Council 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 Officer has overall accountability to Council, 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 Section 95 Officer has overall responsibility for ensuring appropriate advice is given to the Council and the LPF Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control. For the Fund, the Section 95 officer responsibility has been sub-delegated to the Chief Finance Officer of the LPF Group
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee, and for matters relating to the LPF Group and Fund to the Pensions Committee and Pensions Audit Sub-Committee, on the adequacy of relevant internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects
- The Council's Democracy, Governance and Resilience Manager, reporting to the Head of Strategy and Communications, has responsibility for advising the Council on corporate governance arrangements and supports the LPF Group on certain aspects of its governance arrangements
- The risk management policy and framework set out the responsibilities of elected members, Governance, Risk and Best Value Committee, and for LPF Group and Fund matters the Pensions Committee and Pensions Audit Sub-Committee, management and colleagues for the identification and management of risks to corporate and service-related priorities:
 - The Resources and Chief Executive's Risk Register and Council Risk Register all identify risks and proposed treatment and actions. These registers are regularly



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reviewed, updated and reported to the Corporate Leadership Team, which reviews Council-wide risk and reports to the Governance, Risk and Best Value Committee for scrutiny and challenge

- o 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
- o An Elected Members remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of elected members salaries, allowances and expenses is published on the Council's website
- o The Council's Democracy, Governance and Resilience Senior Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members. A separate policy on Pensions Committee and Pension Board member training has been adopted and is overseen by the LPF Group's officers
- o Mandatory training for Councillors newly appointed to the Pensions Committee is programmed within the Induction and training programme for Elected Members. This focuses on governance, investment management and strategy and how the LPF Group and Fund work. Committee members are reminded of the requirement to undertake a minimum of 21 hours of training per financial year to fulfil their role on the Pensions Committee
- o The LPF Code of Conduct and CEC Code of Conduct set out the standards of behaviour expected from Elected Members and officers, are in place
- o 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 LPF Code of Conduct and Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations. The LPF Group has adapted policies to take into account the specific nature of its business and regulation
- o The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others. The LPF Group has a separate and adapted policy to take into account the specific nature of its business and regulation



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A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to identify and prioritise risks to the achievement of the Council's objectives, including those relevant to the LPG Group and Fund. Following the establishment of the wholly-owned subsidiary companies, LPFE and LPFI, the Council continues to have appropriate assurance processes and procedures in relation to the responsible officers involved in the administration of those companies and so the wider LPF Group administering the Fund.

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Governance and Democratic Services Manager has reviewed the effectiveness of the Code.

The Chief Internal Auditor has also provided an assurance statement on the effectiveness of the system of internal control. The opinion in the assurance statement states: ["Internal Audit considers that the LPF control environment and governance and risk management frameworks are generally adequate but with enhancements required and is therefore reporting a 'amber' rated opinion, with our assessment towards the middle of this category."

In compliance with standard accounting practice, the Head of Finance, of the City of Edinburgh Council has provided the Chief Executive Officer with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2019. It's the Head of Finance's opinion that: "... although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including embedding of actions taken in response to previous recommendations, are still required.

"In this context, I would particularly highlight improvements in train to address a number of systemic weaknesses in respect of payroll-related controls, including those to address historic, and prevent recurring, overpayments."

The Chief Finance Officer of the LPF Group has provided a statement of the effectiveness of the internal financial control system for the year ended 31st March 2019 for the Fund. It is the Chief Finance Officer's opinion "that reasonable assurance can be placed upon the adequacy and effectiveness of the system of internal financial control for the LPF Group in administering the Lothian Pension Fund and Scottish Homes Pension Fund."



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Certification

It's our opinion, in light of the foregoing, that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance that operate within the LPF Group in its administration of the Fund. We consider the governance and internal control environment operating during the financial year from 1 April 2017 to 31 March 2019 to provide reasonable and objective assurance that any significant risks impacting on the LPF Group and its ability to achieve its objectives in properly administering the Fund have and will continue to be identified and suitably proportionate actions have and will be taken to avoid or mitigate the impact of any such risks.

The LPF Group has identified certain key areas for improvement, summarised as follows:

- Human resources: To continue to implement the new human resources strategy specific to LPF Group's requirements and also implement a new learning management system and prioritise an intranet to reinforce communications on policies, procedures and group 'culture'
- Pension Board: To ensure that vacancies in the Pension Board are filled timeously and by suitable candidates and that this body of external stakeholder representatives receives the training and support it requires on an ongoing basis
- Business continuity: To continue to assess and refresh the business continuity plan on an ongoing basis ensuring sufficient engagement with colleagues and in particular in light of the prevailing circumstances of the COVID-19 pandemic and the Fund's Digital Strategy and office arrangements
- Digital strategy: To progress the Fund's Digital Strategy and most immediately complete the appointment of a new managed service ICT provider for the Fund
- Financial services regulatory compliance: To continue to instruct external compliance audits on the operations and governance of LPFI in order to ensure best practice compliance and assurance around its existing operations (and in preparation for its extended collaborative business model) and take action to address the recommendations from those audits on an ongoing basis
- Wider governance: To continue to maintain and reinforce separate governance and controls specific to the needs of the LPF Group, the pensions funds it administers and its distinct duties to employer and member stakeholders; consistently throughout the LPF Group's governance structures. To ensure that oversight by the City of Edinburgh Council is supported in a manner consistent with these duties.



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The LPF Group will continue to ensure that these are treated as a priority and that progress towards implementation will be reviewed through the governance structures and processes established for the LPF Group and summarised herein.

Andrew Kerr

Chief Executive Officer
The City of Edinburgh Council
24 June 2020

Dr Stephen S Moir

Executive Director of
Resources
The City of Edinburgh
Council
24 June 2020

Doug Heron

Chief Executive Officer
Lothian Pension Fund
24 June 2020



GOVERNANCE COMPLIANCE STATEMENT

The Regulations that govern the management of Local Government Pension Scheme in Scotland require that a Governance Compliance Statement is published. This statement sets out the extent to which governance arrangements comply with best practice.

The statement below describes arrangements at 31 March 2020 and over the financial year.

Principle		Full Compliance	Comments
Structure	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council.	✓	<p>The City of Edinburgh Council acts as administering authority and delegates all pension scheme matters to a committee of seven members (Pensions Committee) made up as follows:</p> <p>Five City of Edinburgh Council elected members</p> <p>Two external members, one drawn from the membership of the Fund and one drawn from the employers that participate in the Fund.</p>
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	✓	<p>The Pensions Committee includes two external places for pension fund stakeholders i.e. one each from the employer and member representatives.</p> <p>Fund members and employers are also represented within the Fund's Pension Board. Membership includes five employer representatives and five member representatives, although this is currently under review.</p> <p>All members of the Pension Board are invited to attend the meeting of the Pensions Committee and receive the relevant papers prior to those meetings.</p> <p>Two members of the Pension Board are invited to attend the Pensions Audit Sub-Committee.</p>



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Principle		Full Compliance	Comments
Structure	That where a secondary committee or board has been established, the structure ensures effective communication across both levels.	✓	<p>The Pensions Audit Sub-Committee, consisting of three members of the Pensions Committee, report to the Pensions Committee on their findings and recommendations. Two members of the Pension Board attend the Pensions Audit Sub-Committee in a non-voting capacity. The Pension Board attends the Pensions Committee meetings and takes part in training events.</p> <p>Implementation of investment strategy is delegated to the Executive Director of Resources who then delegates to the Head of Finance, who takes advice from the Joint Investment Strategy Panel. The Panel meets quarterly and reports to the Pensions Committee annually.</p> <p>The advisers on the Joint Investment Strategy Panel consists of the Chief Investment Officer and on other portfolio manager of LPFI plus two experienced independent external industry advisers.</p> <p>The Pensions Committee receives annual updates from LPFE and LPFI.</p>
Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include employing authorities (including non-scheme employers, e.g. admitted bodies) and scheme members (including deferred and pensioner scheme members).	✓	<p>The Pension Board consists of a mix of representatives:</p> <ul style="list-style-type: none"> • Five employer representatives from non-administering authority employers • Five member representatives appointed by the Trade Unions in accordance with the approach required under Scottish statute.
	Where appropriate, independent professional observers, and expert advisers (on an ad-hoc basis).	✓	<p>An Independent Professional Observer was appointed in March 2013 to help Committee scrutinise advice. This contract expired in February 2018 and a new Observer was appointed in August 2018.</p>



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Principle		Full Compliance	Comments
Representation	Where appropriate, independent professional observers, and expert advisers (on an ad-hoc basis).	✓	<p>As mentioned previously, external investment advisers sit on the Joint Investment Strategy Panel.</p> <p>A separate specialist Pensions Audit Sub-Committee consisting of three members (including at least two elected members from the City of Edinburgh Council) undertake the audit scrutiny of the funds.</p> <p>A non-executive director was appointed to the board of LPFI on 7 February 2017 and LPFE on 19 March 2018. A further non-executive director is expected to be appointed to both boards in Q3 2020.</p> <p>An external compliance consultant supports the LPF Group on its ongoing compliance with the Financial Conduct Authority rules, regulations and guidance.</p>
	That where lay members sit on a main or secondary committee, they're treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision- making process, with or without voting rights.	✓	<p>The Pension Board attends the Pensions Committee meetings to help ensure that the operation of the pension funds is in accordance with the applicable law and regulation. The Pension Board takes part in all Committee training events.</p> <p>The Pensions Committee takes account of the views of the Pension Board when making decisions.</p>
Selection and Role of Lay Members	That committee or board members are made fully aware of the status, role and function that they're required to perform on either a main or secondary committee.	✓	<p>A comprehensive training programme including induction is in place. Members of the Pensions Committee and Pension Board are expected to attend no less than three days of training (21 hours) per year.</p> <p>The elected members are required to read, sign and abide by the Councillors' Code of Conduct.</p> <p>The LPF Code of Conduct, approved in December 2019, (which has been specifically updated and tailored for the Pension Committee and Pension Board) will be required to be read and signed by elected and non-elected members prior to their appointment and signed by existing members by June 2020.</p>



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Principle		Full Compliance	Comments
Selection and Role of Lay Members	That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	✓	<p>The declaration of members' interests is a standard item on the agenda for meetings of the Pensions Committee, Pensions Audit Sub-Committee and Pension Board.</p> <p>A Code of Conduct also applies to all members of the Pensions Committee and the Pension Board. The declaration of board members interest is a standard item on the agenda for the meetings for the LPFE and LPFI board meetings.</p>
Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓	<p>Five of the seven places of the Pensions Committee are held by elected members of the City of Edinburgh Council, which is required to retain a 2/3 majority in line with the Local Government (Scotland) Act 1973.</p> <p>The LPF Group's Nomination and Appointments Policy clearly documents how employer and member representatives will be elected to the Pensions Committee and Pension Board.</p> <p>LPFI and LPFE board members conduct meetings and other matters in accordance with their respective articles of association and shareholders' agreements.</p>
Training/Facility Time/Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	✓	<p>A Training and Attendance Policy is in place covering training requirements and reimbursement of expenses. The policy is available on the LPF Group's website www.lpf.org.uk.</p> <p>Board members and staff working for LPFI and LPFE also attend separate training for the purposes of their knowledge, understanding and (where appropriate) compliance with Financial Conduct Authority regulations.</p>
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	✓	<p>The Training and Attendance Policy applies to both the Pensions Committee and the Pension Board. Advisers have their own professional development obligations.</p>



GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
Training/Facility Time/Expenses	c) That the administering authority considers the adoption of annual training plans for committee and board members and maintains a log of all such training.	✓	Each Pensions Committee and Pension Board member is expected to attend no less than three days training per year (21 hours) per year. Attendance at meetings and training is monitored and reported.
Meetings frequency	a) That an administering authority's main committee or committees meet at least quarterly.	✗	The Pensions Committee meets at least four times a year. Due to the COVID-19 pandemic the Pension Committee met three times during the year as the March Committee was cancelled.
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committees sits.	✓	<p>The Pensions Audit Sub-Committee is held before the Pensions Committee at least three times a year with further meetings held if necessary.</p> <p>The Joint Investment Strategy Panel meets quarterly or more frequently as required.</p> <p>The Pension Board attends all the Pensions Committee meetings and separately meets in advance of such meetings. Further meetings are held if necessary.</p> <p>The LPFE board now meet five time a year (in February, May, August, October and December) and the LPFI board at least quarterly.</p>
	c) That an administering authority who doesn't include lay members in their formal governance arrangements must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	
Access	That subject to any rules in the council's constitution, all members of main and secondary committees or boards have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓	Pensions Committee papers and minutes are publicly available on the Council's website and all Pensions Committee and Pension Board members have equal access. Members of the Pensions Committee and Pension Board have equal access to the Independent Professional Observer who holds surgeries ahead of Committee meetings.



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Principle		Full Compliance	Comments
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓	<p>The Pensions Committee deals with all matters relating to both the administration and investment of the Fund and the LPF Group.</p> <p>A separate specialist Pensions Audit Sub-Committee consisting of three members (including at least two elected members from the City of Edinburgh Council) undertake the audit scrutiny of the Fund.</p>
Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	✓	<p>Governance documents, policies and details of Pension Board membership are on the LPF Group's website. The LPF Group also communicates regularly with employers and scheme members.</p>

Andrew Kerr

Chief Executive Officer
The City of Edinburgh Council
24 June 2020

Dr Stephen S Moir

Executive Director of
Resources
The City of Edinburgh
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24 June 2020

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Chief Executive Officer
Lothian Pension Fund
24 June 2020



REMUNERATION REPORT

Remuneration policy for employees

Our Officers and employees of Lothian Pension Fund are employed by LPFE, an arms-length organisation owned by the City of Edinburgh Council, the administering authority for the Lothian Pension Fund. In recent years LPFE has been incorporated as a standalone entity to allow us to compete with private sector investment management firms for recruitment and retention of skilled and experienced investment managers and analysts.

Operating this model allows us to achieve significantly lower costs, and therefore improved net returns or lower investment risk, than would be possible by appointing private sector asset managers to invest the Fund's assets. The LPFE Board acts as a Remuneration Committee for officers and employees determining pay arrangements based on comparison to well-researched market benchmarks and performance against pre-agreed performance targets, and always linked to the principle of delivering value-for-money for the members of the Fund and their sponsoring employers.

Each year LPF participates in a range of benchmarking exercises to measure operating costs and net investment returns against peers and indices relevant to the Fund. Pay arrangements in LPFE are underpinned by comprehensive market benchmarking with an external provider and reflect the market for investment expertise where this is a requirement for the role. By using benchmarks on costs and net investment returns we're able to provide assurance to our oversight bodies that such pay arrangements represent value-for-money for employee members and their sponsoring employers who bear the costs of operating the pension fund and securing retirement benefits.

We have three variable pay schemes at LPF; two of which have vesting periods. The Portfolio Manager and Senior Management schemes entitle colleagues to receive an assessed percentage of their salary as an additional variable pay award if they meet certain objectives during the year. The assessment year runs from 1 February to 31 January each year. The award then vests over three years.

The first part is payable at the end of the first year if the objectives are met and the remaining two parts are payable in the following two years if the requirement that the employee is still employed by the company at such time is met. Payment one for assessment year 1 February 2019 to 31 January 2020 and payment two for assessment year 1 February 2018 to 31 January 2019 were made in January 2020.

The accounting treatment for variable pay as outlined in "International Accounting Standard (IAS) 19, Employee Benefits" states that employee service before the vesting date gives rise to an obligation to make payment, because, at the end of each successive reporting period, the amount of future service that an employee will have to deliver before becoming entitled to the benefit is reduced.



REMUNERATION REPORT

In accordance with IAS 19, therefore, a liability has been raised as at 31 March 2020 for the two months of service which the employees have delivered with regards to the remaining vested payments in the scheme.

This obligation of LPF to make payments as a result of colleague service delivered up to 31 March 2020 is reflected in the figures presented below.

NUMBER OF EMPLOYEES BY PAY BAND

The numbers of employees whose remuneration during the year exceeded £50,000 were as follows:

Remuneration Bands	2018/19	2019/20	Remuneration Bands	2018/19	2019/20
£50,000 - £54,999	1	1	£105,000 - £109,999	2	2
£55,000 - £59,999	3	1	£110,000 - £114,999	-	1
£60,000 - £64,999	1	1	£115,000 - £119,999	-	4
£65,000 - £69,999	-	1	£120,000 - £124,999	-	-
£70,000 - £74,999	-	1	£125,000 - £129,999	1	-
£75,000 - £79,999	1	-	£130,000 - £134,999	4	-
£80,000 - £84,999	1	-	£135,000 - £139,999	-	1
£85,000 - £89,999	-	1	£140,000 - £144,999	-	-
£90,000 - £94,999	-	-	£145,000 - £149,999	-	-
£95,000 - £99,999	1	-	£150,000 - £154,999	-	-
£100,000 - £104,999	2	-	£155,000 - £159,999	-	5
			Total No. of Employees	17	19



REMUNERATION REPORT

EMPLOYEES REMUNERATION

The remuneration paid to the Fund's senior employees is as follows:

	Total Remuneration 2018/19	Salary, Fees and Allowances	Variable Remuneration	Total Remuneration 2019/20
Name and Post Title	£000	£000	£000	£000
Doug Heron, Chief Executive Officer (from February 2019)	18	111	25	136
Bruce Miller, Chief Investment Officer	132	109	43	152
Struan Fairbairn, Chief Risk Officer (Head of Legal, Risk and Compliance)	100	85	33	118
John Burns, Chief Finance Officer	102	84	33	117
Helen Honeyman, Head of People and Communications (from January 2020)	-	14	-	14
Total	352	403	134	537

The senior colleagues detailed above have responsibility for management of the LPF group to the extent that they have power to direct or control the major activities of the group (including activities involving the expenditure of money), during the year to which the Remuneration Report relates, whether solely or collectively with other persons.

The remuneration paid to our employees whose remuneration during the year exceeded £150,000 is as follows:

	Total Remuneration 2018/19	Salary, Fees and Allowances	Variable Remuneration	Total Remuneration 2019/20
Name and Post Title	£000	£000	£000	£000
Andrew Imrie, Portfolio Manager	133	108	51	159
Stewart Piotrowicz, Portfolio Manager	132	106	51	157
Jeffrey Saunders, Portfolio Manager	132	102	50	152
Ian Wagstaff, Portfolio Manager	132	106	51	157
Total	529	422	203	625



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Senior officers of the City of Edinburgh Council are also fully remunerated via the Council and no additional remuneration is paid by the Fund. This remuneration is disclosed in the Financial Statements of the City of Edinburgh Council.

The total amount of variable remuneration payable over the next two years if all of the colleagues involved in the arrangements at 31 January 2020 remain in the company's employment is as follows:

	Payable January 2021		Payable January 2022
	2019 Payment 3	2020 Payment 2	2020 Payment 3
	£000	£000	£000
Senior Employee Variable Remuneration	33	50	50
Portfolio Manager Variable Remuneration	125	110	110
Employer National Insurance Contribution	22	22	22
Total	180	182	182

Colleague Pension Entitlement

Pension benefits for colleagues are provided through the Local Government Pension Scheme.

For colleagues the Local Government Pension Scheme 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 colleagues is linked to the State Pension Age (with a minimum of age 65).



REMUNERATION REPORT

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 colleagues.

The tiers and members' contribution rates for 2019/20 were as follows:

Pensionable Pay (2019/2020)	Rate (%)
On earnings up to and including £21,800 (2018/2019 £21,300)	5.5%
On earnings above £21,800 and up to 26,700 (2018/2019 £21,300 to £26,100)	7.25%
On earnings above £26,700 and up to £36,600 (2018/2019 £26,100 to £35,700)	8.5%
On earnings above £36,600 and up to £48,800 (2018/2019 £35,700 to £47,600)	9.5%
On earnings of £48,800 and above (2018/2019 £47,600)	12.0%

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.



REMUNERATION REPORT

The pension entitlement of the LPF Group's senior employees is as follows:

Name and post title	In-year Pension Contributions			Accrued Pension Benefits	
	2018/19	2019/20		As at 31 March 2020	Increase from 31 March 2019
	£000	£000		£000	£000
Doug Heron, Chief Executive Officer (from February 2019)	4	32	Pension	-	-
			Lump Sum		
Bruce Miller, Chief Investment Officer	27	32	Pension	32	3
			Lump Sum	30	2
Struan Fairbairn, Chief Risk Officer (Head of Legal, Risk and Compliance)	21	25	Pension	12	2
			Lump Sum	-	-
John Burns, Chief Finance Officer	21	25	Pension	44	2
			Lump Sum	79	1
Helen Honeyman, Head of People and Communications (from January 2020)	-	4	Pension	-	-
			Lump Sum	-	-
Total	73	118			

The pension entitlement of the LPF Group's colleagues whose remuneration during the year exceeded £150,000 is as follows:

Name and post title	In-year Pension Contributions			Accrued Pension Benefits	
	2018/19	2019/20		As at 31 March 2020	Increase from 31 March 2019
	£000	£000		£000	£000
Andrew Imrie, Portfolio Manager	26	31	Pension	26	3
			Lump Sum	16	1
Stewart Piotrowicz, Portfolio Manager	26	31	Pension	20	3
			Lump Sum	-	-
Jeffrey Saunders, Portfolio Manager	-	-	Pension	-	-
			Lump Sum	-	-
Ian Wagstaff, Portfolio Manager	26	31	Pension	18	3
			Lump Sum	-	-
Total	78	93			



REMUNERATION REPORT

Exit Packages

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs. There was no payment of any exit packages in 2019/20 or in the previous year.

Remuneration for Councillors on the Pensions Committee

Councillors on the Pensions Committee are remunerated by the City of Edinburgh Council, no additional remuneration is paid by the Fund.

Andrew Kerr

Chief Executive Officer
The City of Edinburgh Council
24 June 2020

Dr Stephen S Moir

Executive Director of
Resources
The City of Edinburgh
Council
24 June 2020

John Burns

Chief Finance Officer
Lothian Pension Fund
24 June 2020



ADDITIONAL INFORMATION

Key documents online

You can find further information on what we do and how we do it, on our website at www.lpf.org.uk. To view individual policy documents, click on the links below if viewing online or visit www.lpf.org.uk/publications.

- [Actuarial Valuation reports](#)
- [Pension Board constitution](#)
- [Annual Report and Accounts](#)
- [Statement of Investment Principles](#)
- [Pension Administration Strategy](#)
- [Communications Strategy](#)
- [Funding Strategy Statement](#)
- [Service Plan](#)
- [Training and Attendance policy](#)

Fund advisers

Actuaries:	Hymans Robertson LLP, Exchange Place One, 1 Semple Street, Edinburgh, EH3 8BL
Bankers:	Royal Bank of Scotland, 36 St Andrew Square, Edinburgh, EH2 2YB
Strategic advisers:	Gordon Bagot and Scott Jamieson
Investment custodians:	The Northern Trust Company, 50 Bank Street, Canary Wharf, London, E14 5NT
Investment managers:	Details can be found in the notes to the accounts.
Additional Voluntary Contributions (AVC) managers:	Standard Life, Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH Prudential plc, 1 Angel Court, London, EC2R 7AG
Property valuations:	CB Richard Ellis Limited, St Martin's Court, 10 Paternoster Row, London, EC4M 7HP
Property Management and Property Fund Accounting:	JLL, 40 Bank Street Canary Wharf London E14 5EG
Property Legal:	CMS Cameron McKenna Nabarro Olswang LLP, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN Addleshaw Goddard LLP, One St Peter's Square, Manchester, M2 3DE
Solicitors:	Lothian Pension Fund In-house



ADDITIONAL INFORMATION

Comments and suggestions

We appreciate your comments and suggestions on this report. Please let us know which sections you found useful and if you have any suggestions for items to be included in the future. Please email your comments to pensions@lpf.org.uk.

Accessibility

You can get this document on tape, in Braille, large print and various computer formats on request. Please contact the Interpretation and Translation Service (ITS) on 0131 242 8181 and quote reference number 00819. The ITS can also give information on community language translations.

Contact details

If you would like further information about Lothian Pension Fund and Scottish Home Pension Fund, please contact us the details on the back page if this report.





LOTHIAN
PENSION FUND

Atria One, 144 Morrison St,
Edinburgh EH3 8EX

Phone: 0131 529 4638

Email: pensions@lpf.org.uk

Web: www.lpf.org.uk

The City of Edinburgh Council

Statement on the system of internal financial control

1. This statement is given in respect of the internal financial controls operated by The City of Edinburgh Council. As the Council's designated section 95 officer as defined under the provisions of the Local Government (Scotland) Act 1973, I acknowledge my responsibility for ensuring that an appropriate system of internal financial control is in place and its on-going effectiveness regularly reviewed.
2. The system of control can provide reasonable, but not absolute, assurance that material control weaknesses or irregularities do not exist, and that there is no unacceptable risk of material error, loss, fraud or breach of legislation. Consequently, the Council continually seeks to improve the effectiveness of its systems of internal control so that irregularities are either prevented or detected within an acceptable period of time. Tracking of agreed internal audit actions forms a standing item on Corporate Leadership and Senior Management Team agendas, with progress in implementation also regularly reported to the Governance, Risk and Best Value Committee.
3. In view of successive years' staffing reductions and various resulting changes in responsibilities, the self-attestation exercise undertaken early in 2018 was helpful in assessing the extent to which previous improvements had been embedded within service areas, highlighting a need for further action in some areas to implement and sustain the required controls. This exercise has subsequently been complemented, within the Resources Directorate, by quarterly Service Performance and Assurance meetings at which progress in implementation of agreed actions is also considered.

Independent assessments of the effectiveness of the system of internal financial control

4. The effectiveness of the Council's internal financial control framework as a whole is subject to annual review by its external auditors, with the principal findings of the [most recent annual assessment](#) reported to the Governance, Risk and Best Value Committee in September 2019. While noting some opportunities for improvement and a need, in some cases, to embed previously-agreed actions, this assessment concluded that the system of internal financial control was well-designed, with no significant deficiencies in its design, implementation or operation. A [follow-up progress report](#) was considered by the Committee in January 2020, with a further update due in July.
5. As part of the Accounts Commission's national studies, an assessment was also reported in May 2020 of the Council's arrangements for the **prevention and detection of fraud in procurement**. The report highlighted only one moderate-level risk (the need to ensure checking of invoice sums with contract rates prior to payment authorisation), a reminder for which has now been sent to all relevant managers. A number of other areas of good practice were also identified, consistent with the Council's high Procurement and Commercial Improvement Programme (PCIP) rating.

Role of Internal Audit

6. The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's United Kingdom Public Sector Internal Audit Standards (PSIAS). The Section undertakes an annual programme based on an agreed audit strategy. The plan is based on formal assessments of risk and audit needs which are reviewed regularly to reflect evolving risks and changes within the Council. During 2019/20, the section reported to the Head of Legal and Risk. It also has, however, unfettered access to the Chief Executive, Executive Directors, Heads of Service (including the Head of Finance) and elected members of the Council when required.
7. **The Chief Internal Auditor will present her annual audit opinion on the adequacy and effectiveness of the system of internal control (including financial controls) to the Governance, Risk and Best Value Committee in August 2020.** Due to COVID-related disruption and in-year delivery challenges, however, the opinion will necessarily be limited and based upon completion of 70% of the 2019/20 audit plan, subject to the receipt of requested support from Directorates. The Chief Internal Auditor is currently engaging with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA) (who jointly authored the PSIAS) and other Scottish Local Authority Chief Internal Auditors to ensure that the approach to the annual opinion is aligned with any relevant guidance and other Scottish local authorities.
8. With this caveat, given the assessment in the last two years, the opinion is expected to highlight a continuing need for enhancements to the control environment and associated governance and risk management frameworks. The required control improvements implicit in this opinion will be examined and any corresponding required actions (as they relate to financial systems) implemented as a matter of urgency.

Elements of system of internal financial control

9. The existing system of internal financial control is based on a framework of regular management information, financial rules and regulations, administrative procedures (including segregation of duties), management supervision and a scheme of delegation and accountability. The system is maintained and developed by Council management and includes:
 - **comprehensive budgeting systems;**
 - **preparation and regular review of periodic reports that measure actual financial performance against budgeted net expenditure.** An in-year revenue budget-setting and management internal audit identified a number of areas of good practice but with opportunities for improvement highlighted through the adoption of standardised documentation and procedures and regularising formal “lessons learned” exercises after each year’s process, with an action plan agreed. I am also conscious of significant reductions in recent years in the proportion of service-specific savings subsequently delivered and have put in place arrangements both to provide additional project management resource for more material and/or transformational savings projects and strengthen more general officer and elected member scrutiny at the proposal inception,

development and implementation stages. *While analysis of the provisional year-end position remains on-going, monitoring reports considered by the Finance and Resources Committee during 2019/20 encouragingly pointed to a marked increase in delivery compared to 2018/19;*

- **agreement of targets against which financial and operational performance can be assessed.** Key amongst these financial targets is the achievement of a balanced Council-wide outturn. Based upon the provisional outturn, however, despite the approval at the eight-month stage of additional earmarked reserve funding of £7.9m, this was not achieved in 2019/20 (the first time for thirteen years), with an overall overspend of £5.2m. It should nonetheless be stressed that this outturn also reflects £7.9m of unfunded COVID-related impacts that only became apparent in the last month of the financial year;
- **clearly-defined capital and other expenditure guidelines** communicated to services and set out in the [Finance Rules](#) which were refreshed in June 2019. The [Financial Regulations](#) were also reviewed and minor amendments to their content approved in June 2019;
- a **three-year revenue budget and ten-year capital budget strategy** approved by Council in February 2020;
- **formal project management disciplines** as supported and promoted through the Strategy and Communications section, including senior Finance representation on all major project boards and assurance review panels; and
- **formal governance arrangements operated within both subsidiary and associated companies**, complemented by a strengthened Council observer role and consolidation and active consideration by senior Council officers of a consistent suite of key operational documentation for its principal companies. Service Level Agreements are also in place for finance-related services provided to a range of external bodies.

10. My review of the effectiveness of the internal financial control system is informed by:

- **assurance certificates** on internal control received from all Executive Directors of the Council, service areas and relevant service heads;
- **regular senior management-level consideration of progress in implementing internal audit recommendations**, including self-attestation of previous actions where relevant;
- **governance arrangements in place for subsidiary and associated companies** and an on-going assessment of the effectiveness of these arrangements;
- the **work of managers** within the Council;
- the work of **Internal Audit**; and
- **external audit reports**, in particular the [independent annual report](#) on the Council's financial statements and internal control framework.

11. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (2014) as set out in the Application Note to Delivering Good Governance in Local Government Framework, an opinion confirmed as part of recent external audit scrutiny. Having reviewed the framework, it is therefore my opinion that **although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including embedding of actions taken in response to previous recommendations, are still clearly required.** In this context,

I would particularly highlight continuing required improvements to address a number of systemic weaknesses in respect of payroll-related controls, particularly those to address historic, and prevent recurring, overpayments.

12. I have overseen the improvements put in place in response to Finance-specific recommendations made by internal and external audit work during the year, with none outstanding at this time and a number of others in progress. This said, the extent of change and reduction in overall resources in recent years has reinforced the importance of robust, documented and well-understood procedures for key system controls and, in light of the follow-up audits undertaken by both internal and external audit, a priority continues to be to consolidate these improvements, identify any further required actions and gain necessary assurance by regularly assessing their effectiveness. These arrangements have been thoroughly tested during the current COVID pandemic and, in the vast majority of cases, performed well.
13. While its primary impacts are being felt in 2020/21, it would be remiss of me not to make mention of the profound implications of the pandemic on the Council's financial position. As with other public sector organisations, the position is highly fluid, with additional details emerging almost daily. I have, however, sought to be proactive in acknowledging these impacts and put in place a number of corresponding measures to mitigate the corresponding risks, including:
 - **Introducing, from late March, monthly reporting to both CLT and the Policy and Sustainability Committee** on the additional expenditure and reduced income impacts on the Council and its ALEOs under a number of scenarios. Taking into account these forecasts, delivery of approved savings, management of residual pressures and analysis of reserve and other funding, it is intended to develop a revised balanced budget by the autumn;
 - **commencing work to review the impact in terms of timing and cost on the Council's ten-year capital budget strategy and likely achievability of later years' revenue savings approved in February**, in each case emphasising the likely need for further prioritisation to maintain financial sustainability;
 - **overseeing the system of internal controls put in place in respect of a number of newly-introduced funding streams**, including business grants and self-employment payments, as well as **ensuring an appropriate balance is struck between critical service continuity and securing best value with regard to granting any supplier relief**; and
 - **ensuring all finance-related risks are captured and actively monitored** as part of the Council's COVID risk management plan.

Hugh Dunn
Head of Finance
31 May 2020

**Annual Report 2020
of
Lothian Pension Fund
and
Scottish Homes Pension Fund**

**“Statement on the system of internal financial control
for the year ended 31 March 2020”**

Section 95 of the Local Government (Scotland) Act 1973 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”. The Head of Finance serves as the Section 95 Officer for all of the Council’s accounting arrangements, including those of the Lothian Pension Fund and Scottish Homes Pension Fund. For the Pension Funds, however, this Section 95 responsibility has been delegated to the Chief Finance Officer, Lothian Pension Fund.

In compliance with standard accounting practice, the Chief Finance Officer, Lothian Pension Fund, is required to provide the Chief Executive with a statement of the effectiveness of the internal financial control system of the Funds for the year ended 31 March 2020.

The Funds place reliance upon the internal financial controls within the City of Edinburgh Council's financial systems and the monitoring in place to ensure the effectiveness of these controls. Accordingly, the “Statement on the system of internal financial control” by Hugh Dunn, Head of Finance, City of Edinburgh Council, dated 31 May 2020, refers.

Within this overall control framework, specific arrangements for the Lothian Pension Fund and Scottish Homes Pension Fund are detailed in the Annual Governance Statement. These include:

- identifying the objectives of the Funds in Funding Strategy Statement, Statement of Investment Principles and Service Plan;
- a systematic approach to monitoring service performance by the Pensions Committee, Pensions Audit Sub-Committee, senior officers and stakeholders, including the Pension Board and Independent Professional Observer;
- a structured programme to ensure that Pension Committee members have the required standard of knowledge and understanding of Local Government Pension Scheme matters;
- operating within clearly established investment guidelines defined by the Local Government Pension Scheme Investment Regulations and the Funds' Statements of Investment Principles;
- compliance with the CIPFA Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme;
- with the exception of managed funds, unlisted investments and property, all investments are held under custody by a global custodian. The Funds benefit from the custodian's extensive internal control framework;
- benchmarking of services in terms of standards and cost against other Local Government Pension Scheme funds;
- LPFE and LPFI operating within their respective constitutional documentation and the relevant company regulations;

- LPFI operating within the relevant governance policies and procedures to ensure compliance with the Financial Conduct Authority regulations

The Chief Internal Auditor has provided an “Internal Audit Annual Report and Opinion for the year ended 31 March 2020”, in accordance with the requirement set out in the Public Sector Internal Audit Standards. This opinion, based on internal audit work undertaken during the year, concludes that “the LPF control environment and governance and risk management frameworks are generally adequate but with enhancements required.” Requisite actions are being progressed to secure such control improvements, including affirmation as to the ongoing integrity of supplier systems.

It is my opinion, therefore, that reasonable assurance can be placed upon the adequacy and effectiveness of the system of internal financial control for the LPF Group in administering the Lothian Pension Fund and Scottish Homes Pension Fund.

**John Burns, FCMA CGMA, PgC
Chief Finance Officer,
Lothian Pension Fund**

8 June 2020

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The City of Edinburgh Council

10am, Tuesday 30 June 2020

Office of Lord Provost: Year Three Report 2019/20

Item number	
Executive/routine	
Wards	All wards
Council Commitments	2, 6, 7, 9, 15, 18, 31, 46, 47, 51, 52

1. Recommendations

It is recommended that the Council:

- 1.1 notes this report from the Office of the Lord Provost and recognises the range and variation of the work undertaken in Year Three of the current administration;
- 1.2 welcomes the positive contribution of the Civic Role and Office in addressing the agreed priorities of the Council;
- 1.3 notes the very negative effect of COVID-19 on the civic life of the city;
- 1.4 endorses the way forward in terms of morale boosting and reinstatement of the civic life of the city, as set out in paragraphs 4.32 to 4.34 of the report; and
- 1.5 welcomes the opportunity to shape the future programme of Royal Visits to the Edinburgh community by Senior Members of the Household.

Andrew Kerr

Chief Executive

Contact: Norma Cuthbertson, Executive Assistant to the Lord Provost/ Clerk to the Lieutenancy, Email: norma.cuthbertson@edinburgh.gov.uk | Tel: 0131 469 3816

Graeme McKechnie, Senior Corporate Policy and Strategy Officer, E-mail: graeme.mckechnie@edinburgh.gov.uk | Tel: 0131 553 3861

Office of Lord Provost: Year Three Report 2019/2020

2. Executive Summary

- 2.1 This report analyses the activity and outputs of the Office of the Lord Provost in 2019/20, in the context of the Council's Change Strategy themes.
- 2.2 The impact of the Corona Virus on the civic life of the city is also considered.
- 2.3 The way forward is then set out in broad terms with a strong emphasis on the need to boost morale in the city and to recognise the key contribution of so many people in the community.

3 Background

- 3.1 At its meeting on 27 June 2019, the Council welcomed the Year 2 Report from the Office of Lord Provost and endorsed the proposed direction of travel for 2019/20.

4 Main report

- 4.1 This report provides information on both the breadth and reach of the work of the Office of the Lord Provost (OLP) in the third year of the current administration.
- 4.2 These undertakings flow from the responsibilities of the Lord Provost as:
 - first citizen of the City of Edinburgh, leading key city projects, and the city's international ambassador;
 - Convener of the Council;
 - Armed Forces and Veterans Champion;
 - the City's Volunteering Ambassador; and
 - Lord Lieutenant of Edinburgh.
- 4.3 The role of Lord Provost is actively supported by the Depute Lord Provost and Bailies and, for Royal duty, the Lord Lieutenant is assisted by Deputy Lieutenants. For this combined effort, the actions and output of the Lord Provostship are presented in the context of the priorities set out by the Council.

The Council's Change Strategy

4.4 The Council's Change Strategy 2020/23 focuses upon tackling poverty, improving the wellbeing of our citizens and becoming a carbon neutral city by 2030. These principles are underpinned by six developed programmes (as reported to the Finance and Resources Committee on 14 February 2020). Key examples of the civic contribution to each of these themes over the last year are outlined below.

Building an Inclusive City

4.5 As Armed Forces and Veterans Champion, the Lord Provost has established a Commission on 'The Strategy for our Ex-Forces Personnel'. This is to support Ex Forces personnel and their families in making smooth transitions back into the civilian workforce and civic life.

4.6 Within this overall context of support, partners have:

- achieved the Gold Standard under the Defence Employer Recognition Scheme, collected by the Depute Lord Provost on 12 December 2019;
- developed a Covenant with Business;
- made commitments at Armed Forces Day in the city 2019;
- published a Service Leavers Guide to Edinburgh;
- launched a series of workshops to better understanding the housing, employment and other issues facing ex forces personnel; and
- planned to launch a Veterans Alliance in 2020.

4.7 The Depute Lord Provost and Bailies have provided a strong civic presence and support for new citizens at the Citizenship Ceremonies, held in the City Chambers throughout the year. In the financial year 2019/20, a total of 24 Group Ceremonies were held, attended by more than 1,000 newly confirmed Citizens in Edinburgh.

4.8 Facilities were also provided so that European Union Consuls could meet with their citizens regarding the impact of Brexit.

Poverty and Wellbeing

4.9 The City's Poverty Commission recently announced long-term priority actions for tackling, mitigating and reducing the profile and experiences of poverty and inequality across Edinburgh. As President of the OneCity Trust, the Lord Provost has actively promoted this agenda together with the other Trustees.

4.10 Measures to mitigate poverty and inequality are undertaken mostly through investment in community projects and in 2019/20, £189,000 was distributed to 37 organisations tackling poverty and inequality locally. A donation was also made to My Name's Daddie Foundation, a charity raising funds for research into Motor Neurone Disease.

4.11 In 2019/20 the Trust received additional income from community benefits contained within council procurement contracts with Travis Perkins Managed Services, ENGIE and CGI UK Ltd. Funds were also raised from:

- A Dinner with Ian Rankin in November 2019;
- OCT's status as Charity Partner of Underbelly for 2019 Summer, Christmas and Hogmanay Celebrations and DF Concerts for Summer Sessions 2019;
- The Lord Provost's Burns Supper in January 2020; and
- Donations made from organisations throughout the year.

4.12 In supporting improved services for people experiencing poor mental health and wellbeing, the Lord Provost also agreed to Chair the Edinburgh Thrive Assembly. The first Edinburgh Thrive Conference was held in November 2019 and meetings of the Assembly have been held quarterly. Actions have been agreed for the first 100 days of action with delivery by the NHS.

Being an Efficient and Modern Council

4.13 The Lord Provost and Partners have made significant progress in developing the Edinburgh 2050 City Vision through the largest ever public consultation in the City. This has resulted in the finalisation of a 2050 City Vision Strategy, capturing 50,000 visions on the Edinburgh of the future, intended for public launch in March 2020.

4.14 As with many work streams, including public consultation exercises, the launch has been delayed due to the COVID 19 pandemic. Further commentary on the impact of the Coronavirus is contained in a later section in this report.

4.15 In line with the Edinburgh International Activity Report (approved by the Policy and Sustainability Committee on 6 August 2019) the Lord Provost represented the City at the Eurocities conference in Prague in November 2019. Activity related to the Eurocities Network is identified as a key area of international external engagement, which commits the Lord Provost to promoting Edinburgh both at home and abroad.

4.16 Edinburgh is a full member of Eurocities which has strategic goals including green, free flowing and healthy cities, and Smart Cities. Following the 2018 'Creative Competitive Cities' conference held at the EICC, the 2019 event examined Cities at a Cross Road. A key topic was the impact of tourism across Europe and Edinburgh's presentation shared the draft 2030 tourism strategy and the rationale for the Transient Visitor Levy. The TVL was identified as a key requirement in managing the benefits that tourism brings and the problems it creates.

2030 Net Zero Carbon

4.17 Comprehensive approaches to climate change include measures to improve the sustainability of food production and distribution systems. As Vice Chair of the Edinburgh Fair Trade Steering Group, the Lord Provost has actively participated in

Fairtrade Fortnight and presented the Fairtrade Certificate to the Community of Balerno in December 2019.

- 4.18 Delegates from “Edible Edinburgh” (a partnership formed to promote the local production and trade of healthy food) have also been welcomed by the Lord Provost to Business Breakfasts at the EICC in November 2019 and March 2020. An overall objective is to support the development of Edinburgh as a Sustainable Food City, moving from Bronze to Silver Award accreditation.
- 4.19 For Edinburgh 2050 City Vision, sustainability was a key priority across all age groups and has been captured under the ‘Thriving’ theme, along with green and clean.

Empowered Citizens, Empowered Colleagues

- 4.20 As Volunteer Ambassador, the Lord Provost hosted the Annual Inspiring Volunteering Awards Ceremony on 5 June 2019. Over 120 awards were made to individuals and teams and Jason, a Peer Support Volunteer at Rowan Alba was announced the winner of the Inspiring Volunteer of the Year Award.
- 4.21 Other key events in 2019/20 to recognise and reward the achievements of individuals and organisations included:
- the presentation of the [Edinburgh Award and Loving Cup to Anne Budge](#) on 3 December 2019 for her services to the City, the Hearts Foundation and her continuing efforts to champion the role of women in enterprise; and
 - the award of the [Edinburgh Medal \(as part of the Science Festival 2020\)](#) to Sunita Narain, Director General of the Centre for Science and Environment.
- 4.22 Some 25 Civic Receptions have taken place at the City Chambers, hosted by either the Lord Provost, Depute Lord Provost or a Bailie to mark citizens’ commitments, for example:
- the 30th anniversary of [Sikh Sanjog](#);
 - 30 years of the [Edinburgh Interfaith Association](#);
 - [Hibernian Ladies FC](#) winning the Scottish League and Women’s League Cup;
 - the 30th Anniversary of [Imagine](#), celebrating the organisation’s annual International Children’s Festival and year-round schools programme;
 - the Centenary of [Boroughmuir Rugby Club](#);
 - the 80th Anniversary of [Hutchison Vale FC](#); and
 - the [Edinburgh Competition Festival Centenary](#).

4.23 Through the Lieutenancy, three city charities received the prestigious 2019 Queen's Award for Voluntary Service. [Kids Love Clothes](#), [It's Good 2 Give](#), and [PF Counselling](#) were the winners of this MBE equivalent civil award.

4.24 On 12 February 2020, the Lord Lieutenant paid tribute to the late Tom Gilzean when his family collected his MBE award. This was in full recognition of Tom Gilzean's status as a remarkable man, War Veteran, recipient of The Edinburgh Award 2014 and British Empire Medal winner.

A 21st Century Estate

4.25 The transformation of Saughton Park Walled Garden was achieved with a £5 million package of support provided by the Council and its partners. This major development was celebrated when the Lord Lieutenant welcomed HRH The Princess Royal to the Garden on 6 June 2019 for the formal opening. This followed a successful bid from the Council to the Office of The Princess Royal.

4.26 On 6 September 2019 the Lord Provost performed the ground breaking ceremony for the new HB Village's Heron Court in Leith. The accommodation provides the opportunity for local adults with disabilities to have their own assisted apartment from early 2021.

4.27 The Wester Hailes Housing Estate reached a key stage in its development in 2019 when Council decided to mark the 'golden anniversary' of one of its key housing estates in the city. Designated at one time as one of four peripheral housing areas included in the 'New Life for Urban Scotland' initiative, the strength and determination of the local community is to be marked at a Civic Reception hosted by the Lord Provost.

Summary of Activity 2019/20

4.28 Across the year:

- 364 civic events took place;
- 197 speeches were delivered;
- 34 lieutenancy events were scheduled to take place; and
- 159 voluntary organisations were visited.

4.29 Overall, and including business support activity, civic engagements totalled 690, averaging 58 per month. A more detailed analysis of activity of the Office of the Lord Provost for the period June-May 2019/20 inclusive is provided in Appendix 1.

Impact of COVID 19

4.30 The impact of COVID19 has been to shrink the civic diary almost completely since the lockdown was implemented in mid-March 2020. Virtually every civic engagement involving both the Lord Provost and Lord Lieutenant has been cancelled or postponed at least until the end of May 2020 and beyond. This has included major events such as the Commemoration of VE Day which was to take

place in the city on 8 May 2020. Also cancelled this May was the General Assembly of the Church of Scotland when The Duke of Cambridge was to be Lord High Commissioner.

- 4.31 This means that the output of the civic office cannot be compared with the scale of activity undertaken in the previous year 2018/19. The period of lockdown has, however, provided the opportunity to focus on other key areas of work such as the succession planning for the Monarchy. In addition, other commitments have been covered through alternative means such as the recording of key messages by the Lord Provost for broadcast through the media.

Next Steps

- 4.32 The key challenge for the year ahead is to determine the best and most appropriate ways of reinstating the civic life of the city, including “virtual” events, in line with government guidelines on social distancing and other safety requirements. There is a strong underlying theme here of morale boosting and recognition of all those who have made such a strong contribution to the health and wellbeing of the city during the pandemic.
- 4.33 These priorities have also been established for the Lieutenancy with The Royal Household looking for a co-ordinated response to COVID-19. Accordingly, the city has been asked to assist with the identification of those parts of the public, private and voluntary sectors that have been particularly affected by the Coronavirus, “for good or ill, and for those who have done particularly good things during it”. (Association of Lord Lieutenants April 2020)
- 4.34 The Deputy Lieutenants of the city have been asked to participate in this exercise and the Council may also wish to identify service providers and sections of the community that would benefit from a Royal visit.

5 Financial impact

- 5.1 The Office of the Lord Provost operates within the budget allocated in the Council's previous Financial Plan 2017-21. This amounted to a total budget of £500,702 in 2019/20.

6 Stakeholder/Community Impact

- 6.1 The Office of the Lord Provost routinely undertakes engagement and co-production with a broad range of stakeholders, leading community representatives and business organisations.
- 6.2 Speeches and other inputs for events are developed in consultation with the organisers.
- 6.3 The Office of the Lord Provost assists both the Council and city partners to deliver key equality and rights outcomes, and to meet the Equality Act 2010 public sector

equality duties to (i) eliminate unlawful discrimination, harassment, and victimisation, (ii) advance equality of opportunity, and (iii) foster good relations.

- 6.4 The Lord Provost's stewardship of the One City Trust is also an important lever in helping to mitigate the negative impacts of poverty and inequality across the Capital.
- 6.5 The Office of the Lord Provost endeavours to mitigate carbon impacts by utilising public transport where and when appropriate, where any long-distance travelling is required.
- 6.6 The Office of the Lord Provost contributes to the Climate Change (Scotland) Act 2009 public sector duties and contributes to the delivery of Sustainable Edinburgh 2020 objectives, the advancement of vibrant flourishing communities, social and economic wellbeing and an efficient and effectively managed city.

7 Background reading/external references

- 7.1.1 The Role of the Lord Provost/Lord Lieutenant and Representatives is described on www.edinburghlordprovost.com

8 Appendices

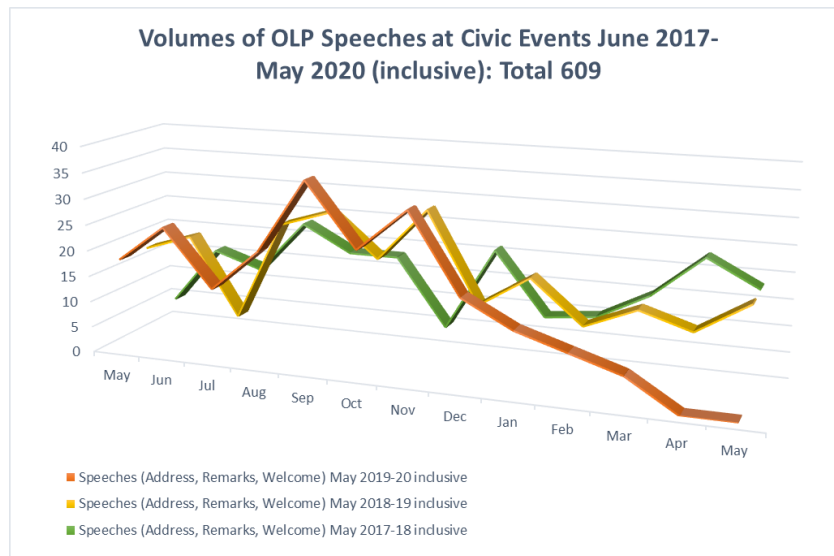
Appendix One Analysis of Activity 2019/20

Office of the Lord Provost

Summary and Analysis of Activity 2019/20

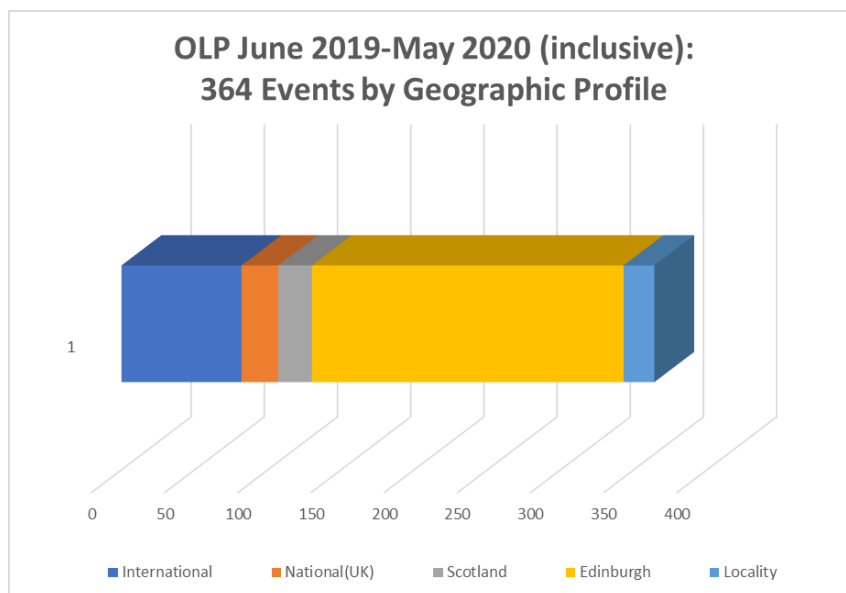
- 1 Over the 12 months June 2019 to May 2020 (excluding those events that were cancelled or postponed due to COVID – 19):
 - 1.1 364 civic events have taken place, including more than 100 standing Lord Provost annual events, with an average of around 30 per month;
 - 1.2 197 speeches were provided for civic events, with requisite preparations and briefing material provided;
 - 1.3 the City has continued to be represented at local, Scottish, UK and international level;
 - 1.4 major themes across the events have comprised (i) visits to locality-based groups and (ii) seeing the work and representation of diversity groups;
 - 1.5 34 visits by senior members of the Royal Family were supported through the Lieutenancy;
 - 1.6 in support of these events, 348 related routine business and pre-planning meetings also took place during this period; and
 - 1.7 total engagements (combining civic events and routine business) totalled 712, with an average of 59 per month.
- 2 Across the 364 civic events:
 - 287 (79%) were of a formal civic nature with a requirement to wear the Civic Chains of Office;
 - 73 (20%) comprised award/recognition activity, lieutenancy duties, and civic receptions;
 - 4 (1%) of activity constituted overseas visits; and
 - 197 (54%) included speeches.
- 3 Speech making is a key element of the civic role of the Lord Provost, Depute Lord Provost and Bailies at these events. The graph that follows shows that over the three-year period June 2017 to May 2020, 609 speeches have been delivered, an annual average of 203 per year.
- 4 The very recent reduction in 2019/20 is due to COVID-19 related cancellations but, as with all cancelled engagements, a significant amount of preparatory work had already been carried out in anticipation.

Summary and Analysis of Activity 2019/20 cont.



5 In terms of the geographic profile of the 364 civic events that have taken place, the chart below indicates that:

- 213 (58.5%) focused upon the City;
- 82 (22.5%) were of an international dimension, including meetings with foreign dignitaries, and visiting groups from other countries;
- 48 (13%) celebrated the City’s capital role in Scotland and as a leading city within the UK, including military, memorial and charitable causes; and
- 21 (6%) are locality activity, consisting of visits to schools, care-centres and community groups.



6. With regard to recipients of the civic events programme, across the last 12 months (June-May 2019/20), the voluntary sector received 159 visits, with 72 visits to public organisations, and 42 events involving businesses.

The City of Edinburgh Council

10.00am, Tuesday, 30 June 2020

Friendship Agreement with Contalmaison

Item Number	8.5
Executive/routine	Executive
Wards	All
Council Commitments	

1. Recommendations

1.1 The Council is recommended to:

- Approve the proposed Friendship Agreement with Contalmaison;
- Endorse that the Lord Provost formally signs this on behalf of the City of Edinburgh Council.

Andrew Kerr

Chief Executive

Contact: Dr Stephen S. Moir, Executive Director of Resources

E-mail: stephen.moir@edinburgh.gov.uk | Tel: 0131 529 4822

Friendship Agreement with Contalmaison

2. Executive Summary

- 2.1 This report proposes that the City of Edinburgh Council enters into a Friendship Agreement, on behalf of Edinburgh, with Contalmaison, a village in the North of France, in recognition of the long standing ties between both communities and in recognition of the shared history they possess.

3. Background

- 3.1 The City of Edinburgh, represented by the Council and particularly through the civic leadership of the Lord Provost, Depute Lord Provost and the Baillies have, for a number of years, ensured that the special ties between the two communities have been sustained and that the anniversary of the commencement of the Battle of the Somme and, particularly the engagement at Contalmaison, on 1 July has been commemorated in person.
- 3.2 Owing to the unique and exceptional circumstances that have occurred globally in 2020, due to the Covid-19 pandemic, representation in person for the anniversary of the battle and the associated memorial events will not be possible. Consequently, the Lord Provost has proposed that a Friendship Agreement be drawn up for formal approval by the Council, with the intention that this be signed jointly by the Lord Provost as the civic leader of the City and the Mayor of Contalmaison. This Friendship Agreement would not have any formal legal status but would be an important symbol and signal of the ongoing relationship between Edinburgh and Contalmaison.

4. Main report

- 4.1 The Battle of the Somme during the First World War saw 20,000 killed and 40,000 wounded in the space of an hour on the first morning. This included a toll of 500 from Edinburgh, Midlothian and Fife who were killed and some 800 who were wounded. The casualty levels continued to mount throughout the first day of fighting, on 1 July 1916, and this included the specific sacrifice of a number of young men from Edinburgh at the village of Contalmaison.
- 4.2 The village of Contalmaison, in the North of France, saw a great deal of fighting and was one of the key allied objectives during the first Battle of the Somme. The advance from the British lines on Contalmaison was led by the 34th Division, a New

Army Formation which had been recruited in Edinburgh, Northumberland, Grimsby and Cambridge, elements of the 16th Royal Scots, “McCrae’s Battalion” and of the Tyneside Irish battalions of the Northumberland Fusiliers. They succeeded in penetrating the defences that same day, before being outnumbered and forced to withdraw by the opposing German forces.

- 4.3 The “McCrae’s Battalion” connection to Edinburgh is particularly poignant and important for the City. This was a volunteer battalion of the 16th Royal Scots formed by Lieutenant-Colonel Sir George McCrae who rallied the men of Edinburgh to enlist beside him. It was also referred to as “The Sporting Battalion” because of the high number of professional sportsmen drawn from a number of football clubs, notably Heart of Midlothian FC and Hibernian FC, along with a number of other sporting clubs from across the City and beyond.
- 4.4 In 2004 the McCrae’s Battalion Great War Memorial, designed by the historian Jack Alexander, was unveiled. This memorial cairn was first proposed by the survivors of the battle in 1919 and, as such, is considered to be the last of the Great War memorials to have been built. The service and sacrifice of the Battalion continue to be remembered and deserves to be commemorated by the Council, this year as in any other. The proposed friendship agreement will act as a lasting signal of our respect and remembrance, complemented by future visits to the Memorial Cairn when circumstances again permit this.

5. Next Steps

- 5.1 Subject to the Council’s approval of the proposed Friendship Agreement, the Lord Provost will formally sign this agreement on behalf of the City of Edinburgh and this will be shared with the Mayor of Contalmaison to sign on behalf of the community.

6. Financial impact

- 6.1 There are no direct financial implications as a result of this report.

7. Stakeholder/Community Impact

- 7.1 Not applicable at this stage.

8. Background reading/external references

- 8.1 Not applicable.

9. Appendices

- 9.1 Appendix 1 – Proposed Friendship Agreement with Contalmaison.

Appendix 1 – Draft Friendship Agreement between the City of Edinburgh and the Village of Contalmaison

THE CITY OF EDINBURGH, herein represented by the Frank Ross, Rt Hon Lord Provost,

AND

THE VILLAGE OF CONTALMAISON within the Region of Hauts-de-France herein represented by Mayor Mdme Jocelyne Gougeon

On 1 July 2020, we commit formally to this enduring agreement of friendship and mutual respect between the City of Edinburgh and the Village of Contalmaison and our respective peoples, in memory of all those who served and sacrificed themselves during a time of great war and strife, particularly the young men of the 16th Royal Scots, so that we could all benefit from a free, fair and democratic way of life in the future.

The fact that our two communities are bound together through ties of blood does not diminish over time, it only grows stronger and deeper. By further cementing our mutual respect through this agreement, we ensure that, although some memories may fade over time, we will never forget, and we will remember and commemorate them each year.

Signed

**For and on behalf of
the City of Edinburgh**

**For and on behalf of
the Village of Contalmaison**