

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

**10.00 am Tuesday, 16th February, 2021**

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.

### Contacts

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## **1. Order of Business**

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

## **2. Declaration of Interests**

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

## **3. Deputations**

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- 3.1 If any.

## **4. Minutes**

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- 4.1 Minute of the Governance, Risk and Best Value Committee of 19 January 2021 – submitted for approval as a correct record 7 - 10

## **5. Outstanding Actions**

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- 5.1 Outstanding Actions – 16 February 2021 11 - 24

## **6. Work Programme**

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## **7. Business Bulletin**

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## **8. Reports**

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- 8.1 Revenue Budget 2020/21: Month Eight Position – referral from the Finance and Resources Committee 37 - 58

- 8.2 2020-30 Capital Budget Strategy – 2020/21 Month Eight Monitoring – referral from the Finance and Resources Committee 59 - 70

<b>8.3</b>	Accounts Commission: Local Government in Scotland – Financial Overview 2019/20 - referral from the Finance and Resources Committee	71 - 116
<b>8.4</b>	Annual Assurance Schedule – Chief Executive - Strategy and Communications – Report by the Chief Executive	117 - 154
<b>8.5</b>	Edinburgh Living Annual Report 2019 – referral from the Housing, Homelessness and Fair Work Committee	155 - 182

## **9. Motions**

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**9.1** None.

### **Andrew Kerr**

Chief Executive

## **Committee Members**

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Councillor Joanna Mowat (Convener), Councillor Eleanor Bird, Councillor Jim Campbell, Councillor Maureen Child, Councillor Denis Dixon, Councillor Phil Daggart, Councillor Gillian Gloyer, Councillor Gordon Munro, Councillor Susan Rae, Councillor Alex Staniforth and Councillor Norman Work.

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

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The Governance, Risk and Best Value Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The meeting will be held by Microsoft Teams and will be webcast live for viewing by members of the public.

## **Further information**

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If you have any questions about the agenda or meeting arrangements, please contact Natalie Le Couteur / Martin Scott, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4237 / 0131 529 6160, email [martin.scott@edinburgh.gov.uk](mailto:martin.scott@edinburgh.gov.uk) / [natalie.le.couteur@edinburgh.gov.uk](mailto:natalie.le.couteur@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

## Governance, Risk and Best Value Committee

10.00am, Tuesday 19 January 2021

### Present

Councillors Mowat (Convener), Bird, Jim Campbell, Child, Dixon, Doggart, Munro, Neil Ross (substituting for Councillor Gillian Gloyer), Staniforth and Work.

### 1. Minutes

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#### Decision

To approve the minute of the Governance, Risk and Best Value Committee of 8 December 2020 as a correct record.

### 2. Outstanding Actions

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

#### Decision

- 1) To agree to close the following actions:

**Action 2** – Committee Reporting

**Action 4** – Annual Assurance Schedule – Place Directorate

**Action 11 (2)** – Internal Audit: Revisiting Internal Audit Extension Timeframes

**Action 15** – Whistleblowing Monitoring Report – B Agenda

- 2) To otherwise note the outstanding actions.

(Reference – Outstanding Actions 19 January 2021, submitted.)

### 3. Work Programme

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#### Decision

To note the Work Programme.

(Reference – Governance, Risk and Best Value Committee Work Programme 19 January 2021, submitted.)

### 4. Annual Assurance Schedule - Communities and Families

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Each year the City of Edinburgh Council requires that Executive Directors complete Certificates of Assurance that represent their view of the effectiveness and

appropriateness of controls in their areas of responsibility. These Certificates support the Annual Governance Statement which is a component part of the authority's Statement of Accounts. The Communities and Families Directorate Annual Assurance Schedule covering 2019/20 was submitted for scrutiny.

### **Decision**

- 1) To note the Communities and Families Directorate annual assurance schedule.
- 2) To agree to provide a briefing note on Lifelong Learning Officers to include the number of Officers who had been active and the work they had undertaken during the pandemic.

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

## **5. Annual Assurance Schedule – Place Directorate**

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Each year the City of Edinburgh Council requires that Executive Directors complete Certificates of Assurance that represent their view of the effectiveness and appropriateness of controls in their areas of responsibility. These Certificates support the Annual Governance Statement which is a component part of the authority's Statement of Accounts. The Place Directorate Annual Assurance Schedule for 2019/20 was presented.

### **Decision**

- 1) To note the Place directorate annual assurance schedule.
- 2) To note the information provided on operational governance arrangements for major projects and transport projects and local place improvements.
- 3) To note that the Place directorate annual assurance schedule 2020-21 would be submitted for scrutiny in 12 months' time.
- 4) To note that under the Budget Summary, on page 22 of the report, the Gross General Fund Budget for the Place Directorate should have read 17% and the Net General Fund Budget should have read 5%.
- 5) To note that the Change Portfolio was on the Committee's Work Programme for March 2021 and would include all major revenue, capital and change projects.
- 6) To agree to share an organisational structure for Roads and Transport Infrastructure with Committee.

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

## **6. Treasury Management Mid-Term Report 2020/21 - referral from the City of Edinburgh Council**

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The City of Edinburgh Council had referred a report which provided an update on Treasury Management Activity undertaken in the first half of 2020/21, to the Governance, Risk and Best Value Committee to consider as part of its work plan.

### **Decision**

To note the report.

(References – City of Edinburgh Council, 10 December 2020 (item 8); referral from the City of Edinburgh Council, submitted.)

## **7. Quarterly Status Update – Digital Services**

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The quarterly progress update for the City of Edinburgh Council's ICT programme of work was provided. Details were provided of the joint work between the Council and its ICT partner, CGI, to increase the pace of delivery to improve core digital services, achieve further improvement and progress the associated major systems changes and developments which would further enable and enhance citizen facing services and the internal business operations of the Council.

### **Decision**

- 1) To note the update.
- 2) To agree to circulate to Committee the Accounts Commission Digital Progress in Local Government report.
- 3) To agree that the Head of Customer and Digital Services would work with Strategy and Communications and the Information Governance Team to consider diary management improvements.

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

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# Outstanding Actions

## Governance, Risk and Best Value Committee

16 February 2021

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	26/09/2017	<a href="#">Principles to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee</a>	To accept the high-level principles subject to further information on how elected members could best engage with the process.	Chief Internal Auditor	September 2021 March 2021 December 2020 May 2020 September 2019 January 2019 November 2017		<b>July 2020</b> A briefing note by the Chief Internal Auditor was circulated to members separately.  <b>September 2019</b> A briefing note by the Chief Internal Auditor was circulated to members separately.
2	17.09.19	<a href="#">Work Programme – Member/Officer Protocol</a>	To add the review of the Member/ Officer Protocol to the workplan	Chief Executive	March 2021 February		<b>February 2021</b> The timescales

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			with timescales for submission and to agree that a workshop for members would be held prior to submission to the Committee.		2021 <del>November 2020</del> <del>September 2020</del> January 2020		have been extended to allow for further engagement with elected members. <b><u>December 2020</u></b>  The Code of Conduct Consultation is now live. The draft response to this is being developed to be presented to Council on 4 February 2021 (Consultation closes 6 February). Officers are working to ensure these two documents align The Member/Officer Protocol will be brought to GRBV

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>following this exercise in February 2021.</p> <p><b><u>July 2020</u></b></p> <p>Scottish Government are consulting on changes to the Code of Conduct and it is suggested that changes to the protocol await this piece of work</p> <p><b><u>June 2020 Update</u></b></p> <p>Consideration of the member/officer protocol is awaiting the finalisation of the revised Code of Conduct from the Scottish Government that will impact on the</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>content of the Protocol.</p> <p>Timescales to be confirmed.</p> <p><b><u>December 2019</u></b></p> <p>Workshop with members held on 29 October 2019. A joint workshop will be arranged with officers and members early 2020 (following the General Election).</p>
3	09.06.20	<a href="#">Draft Annual Governance Statement</a>	1) To agree to discuss with Strategy and Communications how the committee could support effective communication of the Council's	Chief Executive	<p>March 2021</p> <p><del>February 2021</del></p> <p><del>December 2020</del></p>		<p>The session will be held after the budget has been set due to pressures on officer and member diaries.</p> <p><b><u>January 2021:</u></b></p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			policies.				This will be considered as part of the session noted under action 8 (Corporate Governance Framework Self-Assessment 2019/20). The session will consider the wider governance framework including the linkages between the annual governance session and corporate governance self-assessment.
			2) To agree to include further information on the issues raised in		July 2021		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			relation to Council ALEOs and specifically the assurance statement relating to Marketing Edinburgh in the update scheduled to be reported to committee in July				
4	09.06.20	Whistleblowing Monitoring Report – B Agenda	To agree to bring back the outcome of the final review on the Gas Safety investigation as soon as practicable.	Chief Executive	March 2021 <del>December 2020</del>		
5	07.07.20	Motion by Councillor Doggart – Pandemic Planning	1) Agrees that the chief executive reviews the council's response and preparedness to COVID-19 but acknowledges	Chief Executive	TBC		An interim debrief of the Council's response to Covid-19 has been undertaken with key findings shared with the Adaptation and Renewal All

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>that as the council is still responding to the pandemic, any review would be premature at this time.</p> <p>2) Asks that the chief executive updates the Policy and Sustainability committee on when he believes it would be appropriate both in terms of resources and timing for such a review to take place.</p>				<p>Party Oversight Group on the 13th August. Lessons identified have been incorporated into the council's documentation for further waves / local outbreaks. A summary will be provided to the next P&amp;S Committee. As the incident remains ongoing, it is too early to undertake a full lessons learned exercise at this time, but this will be kept under review and undertaken at the earliest appropriate opportunity</p>
6	29.09.20	<a href="#">Revenue Budget 2020/21</a>	To agree that the Convener would write to	Convener	February		<b>Recommended for</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">– Month Three Position</a>	the Convener of the Policy and Sustainability Committee to raise the committee's concerns about whether the review of the IJB Strategic Plan was sufficient and that the response would be included on the Committee Business Bulletin (the draft letter would also be circulated to committee members for comment before it was sent).		2021		<p><b>closure</b></p> <p>Response from the Convener of Policy and Sustainability Committee included on the Business Bulletin for this meeting</p> <p><b>Update</b></p> <p>Letter Issued to Convener of Policy and Sustainability on 3 November 2020.</p> <p>A draft letter was circulated to GRBV committee members on 29.10.20</p>
7	03.11.20	<a href="#">Internal Audit: Final Internal Audit reports supporting the 2019/20</a>	To note the Head of Place Development would consider how Fire Safety measures are	Executive Director of Place	June 2021		



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Annual Opinion</a>	managed and communicated to Committee and Ward Councillors in the High-Rise Blocks within the Council's property estate.				
8	03.11.20	<a href="#">Corporate Governance Framework Self-Assessment 2019/20</a>	To agree that the Convener and any interested Committee Members would meet with Officers to consider how the Corporate Governance Framework Self-Assessment for 2020/21 could be refined to enhance the document.	Chief Executive	March 2021		A meeting date in late February/early March will be issued to committee members by 31 December 2020.
9	08.12.20	<a href="#">Internal Audit: Revisiting Internal Audit Extension Timeframes</a>	To provide a briefing note to Committee to clarify the timescales for resilience plans as expressed in the report at paragraph 4.6.5 to develop resilience plans	Chief Executive	March 2021		The Corporate Resilience Manager is preparing the Briefing Note.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			for all remaining essential services by 31 December 2023.				
10	08.12.20	<a href="#">Corporate Leadership Team (CLT) Risk Register</a>	To agree that the Convenor of GRBV in respect of the Directorate Risk Registers, would discuss with the Chief Internal Auditor the risks owned and controlled by the Council and determine an appropriate method for Committee to consider this via a workshop or a scrutiny report to GRBV.	Chief Internal Auditor / Convener	February 2021		<b>Recommended for Closure</b>  Meeting between the Convener and Chief Internal Auditor held on 26 January 2021.
11	08.12.20	<a href="#">Best Value Assurance Audit</a>	1) That the Governance, Risk and Best Value Committee recommends that when the refreshed Council Business Plan is brought forward this	Chief Executive	March 2021		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			should clearly state what current plans it replaces and how progress against the Plan will be measured and reported to Council so that Council governance is clear.				
			2) That the further consideration of genuine local community empowerment is reported back to Committee with details on how this will be put in place with a clear process and timescale that can progress can be measured against.		May 2021		
12	08.12.20	<a href="#">Annual Assurance Schedule – Edinburgh Health and Social Care Partnership</a>	To agree to provide dates for improvement actions for areas identified as partially compliant.	Chief Officer – Edinburgh Health and Social Care Partnership	January 2021		<b>Recommended for Closure</b>  Appendix 3 of the Annual Assurance

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Statement included delivery dates for those areas where there was partial compliance.
13	08.12.20	Addition to the 2020/21 Internal Audit Annual Plan – B Agenda	To bring a B-agenda report on progress with Internal Audit in March 2021 if available or to otherwise circulate a briefing note if the Internal Audit report was not available for GRBV in March 2021.	Chief Internal Auditor	March 2021		
14	19.01.21	<a href="#">Annual Assurance Schedule - Communities and Families</a>	To agree to provide a briefing note on Lifelong Learning Officers to include the number of Officers who had been active and the work they had undertaken during the pandemic.	Chief Social Work Officer and Head of Safer and Stronger Communities	February 2021		<b>Recommended for Closure</b>  Briefing Note circulated 10.02.21
15	19.01.21	<a href="#">Annual Assurance Schedule - Place</a>	To agree to an organisational structure	Executive Director of	March 2021		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Directorate</a>	for Roads and Transport Infrastructure with Committee.	Place			
16	19.01.21	<a href="#">Quarterly Status Update – Digital Services</a> –	1) To agree to circulate to Committee the Accounts Commission Digital Progress in Local Government report.	Executive Director of Resources			<b>Recommended for Closure</b> Report circulated 19.01.21
			2) To agree that the Head of Customer and Digital Services would work with Strategy and Communications and the Information Governance Team to consider diary management improvements	Executive Director of Resources	December 2021		<b>Update February 2021</b> The Head of Customer & Digital Services has been in contact with colleagues in Strategy & Communications and a meeting to look at how to progress this has been arranged.

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# Work Programme

## Governance, Risk and Best Value Committee – 16 February 2021

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
Page 23	Internal Audit: Overdue Recommendations and Late Management Responses	Quarterly report	Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	March 2021 June 2021 September 2021 December 2021
	2 Internal Audit Quarterly Activity Report	Quarterly report	Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	March 2021 June 2021 September 2021 December 2021

3	IA Annual Report for the Year	Annual report	Review of annual IA activity with overall IA opinion on governance framework of the Council for consideration and challenge by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	August 2021
4	IA Audit Plan for the year	Annual report	Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2021
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Resources	Council Wide	Annually	February 2021
	Accounts Commission	Annual report	Local Government in Scotland: Performance and Challenges	External Audit	Executive Director of Resources	Council Wide	Annually	June 2021
7	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Executive Director of Resources	Council Wide	Annually	March 2021
8	Annual ISA 260 Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Executive Director of Resources	Council Wide	Annually	September 2021
9	External Audit Review of Internal Financial Controls	Scott Moncrieff	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Resources	Council Wide	Annually	September 2021



10	IT Audit Report	Scott Moncrieff	Scope agreed during annual external audit planning cycle	External Audit	Executive Director of Resources	Council Wide	Annually	September 2020, as part of the quarterly Status of the ICT Programme Update
11	Internal Audit Charter	Annual Report	Annual Audit Charter	Internal Audit	Executive Director of Resources	Council Wide	Annually	March 2021
<b>Section B – Scrutiny Items</b>								
12	Change Portfolio		To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Chief Executive	All	Six-monthly	March 2021 September 2021
13	Welfare Reform	Review	Update reports to be referred annually by Corporate Policy and Strategy Committee	Scrutiny	Executive Director of Resources	Council Wide	Annual	June 2021
14	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	March 2021 June 2021 September 2021 December 2021
15	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	March 2021 June 2021 September 2021 December 2021
16	Workforce Control	Staff	Annual report	Scrutiny	Executive Director of Resources	Council Wide	Annual	June 2021

17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	December 2021  This was included as part of the Political Management Report being considered at Council on 10 December 2020.
18	Monitoring of Council Policies	Democracy	Annual report	Scrutiny	Chief Executive	Council Wide	Annual	Spring 2021
19	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	February 2021 June 2021 September 2021
20	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	February 2021 June 2021 September 2021
21	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	August 2021
22	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	August 2021
23	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	March 2021
24	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2021

25	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	January 2022
26	Quarterly Status Update - Digital Service Programme	Review	Progress Reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	May 2021 September 2021 December 2021 March 2022
27	Annual Assurance Schedules	Review	Progress Report	Scrutiny	All Directorates	Council	Annual	February 2021 (Chief Executive) August 2021 (EIJB) November 2021 (Resources) January 2022 (Place) January 2022 (Communities and Families)
28	Review of the Member/Officer Protocol	Review	Including timescales for submission	Scrutiny	Chief Executive	Council Wide	Flexible	February 2021

<b>Section C – Council Companies</b>								
29	Capital Theatres	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	December 2021
30	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director for Communities and Families	Council Wide	Annual	March 2021
31	Capital City Partnership	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	May 2021
32	Transport for Edinburgh	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2021
33	Lothian Buses	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2021
34	Edinburgh Trams	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2021
35	Edinburgh International Conference Centre	Review	Progress Report	Scrutiny	Executive Director of Resources	Council Wide	Annual	December 2021

# GRBV Upcoming Reports

# Appendix 1

Report Title	Type	Flexible/Not Flexible
<b>March 2021</b>		
IA Overdue Findings and Key Performance Indicators	Scrutiny	Flexible
Internal Audit Quarterly Activity Report	Scrutiny	Flexible
Annual Audit Plan	Scrutiny	Flexible
Internal Audit Charter	Scrutiny	Flexible
Change Portfolio	Scrutiny	Flexible
Review of CLT Risk Scrutiny	Scrutiny	Flexible
Best Value Assurance Audit	Scrutiny	Flexible
Review of the Member/Officer Protocol	Scrutiny	Flexible
Whistleblowing Quarterly Report	Scrutiny	Flexible

Treasury – Strategy report	Scrutiny	Flexible
Edinburgh Leisure	Scrutiny	Flexible
Final Review of Gas Safety investigation – B Agenda	Scrutiny	Flexible
Addition to the 2020/21 Internal Audit Annual Plan – B Agenda	Scrutiny	Flexible


# Business Bulletin

## **Governance, Risk and Best Value Committee**

**10.00am, Tuesday, 16 February 2021**

Teams Meeting

# Governance, Risk and Best Value Committee

Convener:	Members:	Contact:
<p>Councillor Joanna Mowat</p> 	<p>Councillor Eleanor Bird            Councillor Jim Campbell            Councillor Maureen Child            Councillor Phil Doggart            Councillor Gillian Gloyer            Councillor Alex Staniforth            Councillor Denis Dixon            Councillor Gordon Munro            Councillor Susan Rae            Councillor Norman Work</p>	<p><a href="#">Natalie Le Couteur</a>            Committee Officer            0131 529 6160</p> <p><a href="#">Martin Scott</a>            Assistant Committee Officer            0131 529 4237</p>

Recent news	Background
<p>The Convener of the GRBV Committee, Cllr. Mowat wrote to the Convener of the Policy and Sustainability Committee, Cllr. McVey on 3 November 2020 to raise the GRBV committee’s concerns about whether the review of the IJB Strategic Plan was sufficient and that the response would be included on the Committee Business Bulletin. The reply below was published on 22 December 2020.</p> <p><i>Dear Cllr Mowat</i></p> <p><i>Thank you for your letter of the 3rd of November and in relation to the question about the Edinburgh Integration Joint Board’s Strategic Plan.</i></p> <p><i>The development of a Strategic Plan is a requirement on Integration Joint Boards (IJBs) in order that they set out their planning intentions over a 3-year timeframe. In doing this IJBs have to consult with a range of people and organisations including their Council and NHS Board partners. The next Strategic Plan is not due out until March 2022 and so the EIJB will be aiming for a final draft of that in August 2021. Discussions are ongoing about when best this would be scheduled for P&amp;S but one option would be once the IJB’s Strategic planning group has approved it which would be Autumn 2021.</i></p> <p><i>In regard to the specific issues relating to the Scottish Living Wage. The paper presented at Full Council in September set out that the Finance and Resources Committee had agreed to enact the Direction from the EIJB in relation to the Living Wage. It was further noted that the EIJB would reflect the cost pressure in its mobilisation plan return and that work would be ongoing to identify how this pressure would be addressed. The potential pressure on Council resources was also noted.</i></p> <p><i>The IJB’s Strategic Plan is not the same as its financial plan and it is a high level document which sets that Public Body’s strategic direction. The finance section included in the plan and 3-year financial statement is also quite high</i></p>	



level and is obviously impacted by external factors which cannot be fully predicted. As such, it is not my understanding that it would set out specific assumptions in it about application of salary uplifts or uplifts to contracts which is a matter for the annual budget setting plan. I understand from officers that some financial planning had been undertaken in relation to the potential uplift the IJB was to apply to contracts to reflect wage uplifts, but these had not concluded at the outset of the pandemic and were subsequently superseded by the Scottish Government's announcement. The EIJB had, as was set out in the paper to F&R, planned and budgeted for a lower uplift. Given these processes sit in the financial planning undertaken across the partnership between the IJB, CEC and NHSL any Council review of the EIJB's Strategic Plan would not be a mechanism of control against risks to Council finances - those controls sit in the budget setting process undertaken between partners, regular financial reporting and through appropriate internal and external audit processes.

Finally on the question of whether the EIJB could have a strategic plan that the Council and NHSL did not agree with. That is theoretically possible and a process is allowed for in the legislation. This would be enforceable where parties could evidence that the plan would prevent them carrying out any of their functions properly. They would then work jointly and agree to instruct the IJB to develop alternative plans.

The EIJB Chief Officer and/or the Chief Executive are happy to answer any follow up questions the committee should have.

Kind regards,

Adam

Adam McVey  
SNP Councillor for Leith  
Leader of Edinburgh City Council  
0131 529 3279

## Forthcoming activities:

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# Governance, Risk and Best Value Committee

10.00am, Tuesday 16 February 2021

## Revenue Budget 2020/21: Month Eight Position – referral from the Finance and Resources Committee

Executive/routine	
Wards	All
Council Commitments	

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the Revenue Budget 2020/21: Month Eight Position to the Governance, Risk and Best Value Committee for scrutiny.

**Andrew Kerr**

Chief Executive

Contact: Sarah Stirling, Committee Services

Email: sarah.stirling@edinburgh.gov.uk | Tel: 0131 529 3009

# Referral Report

## Revenue Budget 2020/21: Month Eight Position

### 2. Terms of Referral

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- 2.1 On 21 January 2021, the Finance and Resources Committee considered an update on the estimated expenditure and income impacts of the Covid-19 pandemic upon the Council and its Arm's-Length External Organisations (ALEOs) during 2020/21, alongside offsetting sources of confirmed or anticipated funding, based on analysis of income and expenditure for the period to the end of October 2020.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note that, following confirmation of the Council's provisional funding allocation through the income compensation scheme, a balanced overall position was now forecast, albeit this remained dependent upon a significant contribution from its earmarked reserves.
  - 2.2.2 To note, nonetheless, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened Covid-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate finance savings.
  - 2.2.3 To note that, in light of the above, updates would continue to be provided to members of the Committee during the remainder of the year.
  - 2.2.4 To note that estimates of the recurring impacts of the pandemic, taking appropriate account of any additional funding contained within the Local Government Finance Settlement and available financial flexibilities, would require to be considered in the development of subsequent years' budgets.
  - 2.2.5 To agree to provide information on how any additional costs would be charged for the whistleblowing inquiry above the allocated funding.
  - 2.2.6 To thank officers for the report and staff leaving under VERA arrangements for their service to the Council.
  - 2.2.7 To refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

### **3. Background Reading/ External References**

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Minute of the Finance and Resources Committee of 21 January 2021

[Webcast of the Finance and Resources Committee of 21 January 2021](#)

### **4. Appendices**

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Appendix 1 – report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday, 21 January 2021

## Revenue Budget 2020/21: month eight position

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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1.1 Members of the Finance and Resources Committee are recommended to:

1.1.1 note that, following confirmation of the Council's provisional funding allocation through the income compensation scheme, a balanced overall position is now forecast, albeit this remains dependent upon a significant contribution from its earmarked reserves;

1.1.2 note, nonetheless, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened COVID-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate finance savings;

1.1.3 note that, in light of the above, updates will continue to be provided to members of the Committee during the remainder of the year;

1.1.4 note that estimates of the recurring impacts of the pandemic, taking appropriate account of any additional funding contained within the Local Government Finance Settlement and available financial flexibilities, will require to be considered in the development of subsequent years' budgets; and,

1.1.5 refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

**Stephen S. Moir**

Executive Director of Resources

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## Revenue Budget 2020/21: month eight position

### 2. Executive Summary

- 2.1 The report provides a further update on the estimated expenditure and income impacts of the COVID-19 pandemic upon the Council and its Arm's-Length External Organisations (ALEOs) during 2020/21, alongside offsetting sources of confirmed or anticipated funding, based on analysis of income and expenditure for the period to the end of October 2020. Following confirmation of the Council's provisional funding allocation through the income compensation scheme, a balanced overall position is now forecast as indicated below:

<b>Additional net expenditure pressures:</b>	<b>£m</b>	<b>£m</b>
Estimated COVID-19 specific expenditure and income (including risk contingency)		82.2
Net residual pressures/anticipated shortfalls in savings delivery		2.3
		<b>84.5</b>
<b>Available funding:</b>		
Assumed COVID-19 related funding	(44.5)	
2020/21 budget - unallocated additional monies	(4.8)	
Use of earmarked reserves	(12.1)	
Further timing-related and corporate savings	(23.1)	
	<b>(84.5)</b>	
<b>Remaining shortfall</b>		<b>0.0</b>

- 2.2 While this improved position is clearly to be welcomed, its achievement remains dependent upon a significant contribution from the Council's earmarked reserves. There is, in addition, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened COVID-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate savings.

### 3. Background

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- 3.1 On 3 December 2020, members of the Committee considered the latest update on the Council's 2020/21 revenue budget, indicating a remaining estimated shortfall of £6.8m between net cost pressures across the Council and its ALEOs and confirmed or anticipated sources of funding. These net pressures are primarily attributable to the impact of the on-going COVID-19 pandemic upon the Council and its ALEOs' activities, reflecting both additional expenditure requirements and, in particular, reductions in income.

### 4. Main report

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#### Changes in net COVID-related expenditure pressures – Council

- 4.1 As in previous months' reports, **Appendix 1** sets out the principal estimated expenditure and income impacts of the pandemic on the Council's budget. In overall terms, this analysis shows a slight increase of £0.5m (to £58.2m) relative to the position reported to the Committee's previous meeting on 3 December, with explanations provided for material movements in the intervening period. The majority of this movement is attributable to increases in expenditure, based on updated analysis in the areas concerned. While headline net costs have increased slightly, those linked to free school meal payments and business and other grant-related administration are offset by the receipt of additional income, meaning that the underlying position is essentially unchanged.
- 4.2 As recent events have shown, however, the position remains fluid, particularly following the imposition of lockdown restrictions across the entire Scottish mainland for a period until at least the end of January with the potential to continue well beyond that point. In view of these tightened restrictions, in recent weeks the Scottish Government has significantly expanded the range of business and other grant support schemes available. Although most are being administered through local government, in general these schemes are predicated on the provision of additional support to affected organisations and individuals and thus do not change the Council's overall funding gap.
- 4.3 While a number of the projections in Appendix 1 take explicit account of expected on-going disruption to service provision, a general risk contingency of £3m continues to be incorporated within the overall forecast. This reflects, for example, the potential for further reductions in income from parking<sup>1</sup>, commercial property rentals, cultural venues and planning/building standards fees over and above current assumptions. Depending on the duration and nature of these restrictions, however, there is a risk that this sum may be insufficient.

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<sup>1</sup> Since the Committee's last meeting on 3 December, overall parking income levels have continued to show significant reductions on the equivalent figures for 2019/20, averaging a 25% decrease in the eight weeks to 20 December. Income figures for the period covered by Level 4 and/or full lockdown restrictions show further reductions averaging 52%, the extent and duration of which remains uncertain at this stage.



## **Changes in net COVID-related expenditure pressures – Arm’s-Length External Organisations (ALEOs)**

- 4.4 The revenue budget update report considered at the Committee’s meeting on 3 December provided a detailed update on the impact of the pandemic on the financial standing of the Council’s ALEOs. The report set out anticipated cumulative impacts in the period to March 2021 totalling £23.5m, comprising the loss of successive years’ Lothian Buses dividend (£12m), assumed unpaid Council invoices by Edinburgh Trams (£6m) and additional required support for Edinburgh Leisure (£4m). In addition, a £1.5m general contingency was maintained to reflect remaining uncertainty over the period from January to March, in particular the potential for additional required financial support in the event of further tightening of local or national restrictions.

### **Edinburgh Leisure**

- 4.5 With the caveat that the position remains subject to material change depending upon the extent and duration of current restrictions, the outcome of continuing discussions around the level of business interruption insurance settlement and eligibility for, and use of, continuing furlough support, a further £1m reduction in the potential in-year call on the Council (to £3m) is reflected within the updated forecast.
- 4.6 An initial £1m insurance settlement payment was received on 24 November 2020, with an expectation of a further payment of up to £1.5m based on the policy’s coverage. The assumed level of support for the remainder of the year does, however, reflect the potential for some additional required Council funding based on experience during the early months of the pandemic, representing the net costs of operation after taking into account significantly-reduced income and the level of support available through the Coronavirus Job Retention Scheme following its extension until April 2021.

### **Edinburgh Trams**

- 4.7 On 23 December 2020, following detailed discussions with the respective operators, the Scottish Government confirmed the provision of a further £8m of emergency funding support for Glasgow Subway and Edinburgh Trams in recognition of the on-going financial impacts of the pandemic, extending provision of this support until the end of March 2021. This additional funding increases Edinburgh Trams’ cumulative support to up to £8.8m for the period from July 2020 to March 2021.
- 4.8 The support reflects the company’s vital role in ensuring continuing transport provision for essential and key workers, those who cannot work from home and those who need to travel to school or study during the pandemic (as well as the subsequent sustainable economic recovery) whilst recognising the financial impacts of reduced capacity due to continuing travel restrictions and physical distancing. Confirmation of this additional support has allowed the Council to revise downwards its level of assumed in-year financial support by £1.5m. In addition to the £1m reduction for Edinburgh Leisure noted above, this results in a revised overall ALEO-specific lost income, or required support, total of £21m.

### **Approved savings/management of residual pressures**

- 4.9 Executive Directors continue to develop relevant implementation plans to deliver the savings measures required to mitigate residual pressures and savings shortfalls within their respective service areas, with a balanced position being projected for both the Resources Directorate and Chief Executive's Service. Opportunities for any further savings across a number of corporate budgets are also being examined to mitigate the net call on the Council's earmarked reserves.
- 4.10 As of month eight, net residual pressures within core activity continue to be projected within the Communities and Families (£1.2m) and Place (£0.5m) Directorates. While efforts to identify further mitigating measures are on-going, given the comparatively late stage of the year, there remains a risk of overspend and as such the sums concerned are reflected in the Council's projected overall outturn.

### **Independent review of Council's whistleblowing and organisational culture**

- 4.11 The Council is continuing to progress an independent inquiry into (a) matters connected to the death of a Council employee and (b) our whistleblowing and organisational culture.
- 4.12 Extensive call for evidence communications have been issued and the independent Chair, Susanne Tanner QC, continues to lead and direct the work that Pinsent Masons are undertaking in respect of the inquiry. The terms of reference regarding the independent inquiry are located on [the public inquiry webpage](#).
- 4.13 The cumulative in-year costs for the inquiry to 31 December 2020 are £243,246.

### **Costs of employee release**

- 4.14 At the meeting of Council on 15 October, members agreed to release funding of up to £14.8m from the Workforce Transformation reserve to facilitate a targeted programme of Voluntary Early Release Arrangements (VERA) for senior managers. An opportunity to express interest was subsequently made available to all relevant staff and Heads of Service.
- 4.15 All 47 applications received have now been assessed, with 21 offers made, 18 of which have been accepted. Given the associated timing of departure, however, no related staff savings are now being assumed in 2020/21 but with full-year savings of around £1.5m anticipated in 2021/22.

### **Coronavirus Job Retention Scheme (CJRS)**

- 4.16 On 5 November, the Chancellor of the Exchequer confirmed a UK-wide extension of the CJRS until March 2021, with employers able to claim 80% of an employee's usual salary for hours not worked, up to a maximum of £2,500 per month, for the months of November, December and January. On 17 December, operation of the scheme was then extended until the end of April.
- 4.17 For the period from June until December inclusive, claims to HMRC totalling £0.712m have been submitted, with a further £0.140m now anticipated over the

remainder of the year in respect of staff working in the Council's outdoor centres. This revised sum of £0.850m is included within the overall monitoring projection.

### **Homelessness funding**

- 4.18 Members of the Committee have previously been advised of work underway to seek financial support for additional homelessness-related costs incurred by the Council during the pandemic given the corresponding inclusion, and subsequent potential funding through Mobilisation Plans, of relevant costs for other councils where these services fall within the remit of the relevant Integration Joint Board.
- 4.19 The Head of Finance has raised this issue, both through COSLA and directly with the Scottish Government, to ensure that a consistent approach is adopted in funding for homelessness services, rather than being dependent on the body incurring the expenditure. No formal response has, however, been received to date.

### **Financial flexibilities**

- 4.20 Members will be aware from previous updates that Council officers, through COSLA, have been working closely with the Scottish Government to explore a range of potential financial "flexibilities", to be used as appropriate to individual authorities' own circumstances, that would have the effect of spreading the cost impacts of the pandemic over a longer period.
- 4.21 Following consultation with the UK Government, three specific measures are able to be applied at this stage to meet COVID-related expenditure:
- (i) utilising capital receipts received in-year in either 2020/21 or 2021/22;
  - (ii) a Loans Fund principal repayment "holiday" which would permit a council to defer repayments in either 2020/21 or 2021/22, but with the amount of this repayment added to the term of the remaining loans fund advance; and
  - (iii) repaying, in accounting terms, the debt element of service concession arrangements within PPP contracts over the life of the asset rather than the current mechanism based on the life of the contract<sup>2</sup>.
- 4.22 Since the Committee's previous meeting, relevant discussions have continued, through Directors of Finance, with the Scottish Government on the practical implementation of these schemes and required changes to accompanying regulations. Based on the Council's understanding of relevant guidance, at this stage it is intended to utilise the Loans Fund principal repayment flexibility in 2021/22, thereby creating a reserve equal to the amount of the previously-planned in-year repayment and using this to offset COVID-related pressures in each of the next three financial years. Additional details will be included in the revenue budget framework report to be considered by the Committee on 2 February.

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<sup>2</sup> This arrangement would, however, not affect the level of contractual payments made which would remain in line with original agreements.

- 4.23 Should it be permitted, however, it remains officers' preference to utilise the PPP-based flexibility, adopting an annuity basis of repayment, as this would optimise the level of retrospective benefit and deliver savings to the revenue account from 2021/22 onwards, whilst deferring the additional liability relative to current arrangements fully beyond the period of the PPP1 and PPP2 contracts.
- 4.24 On 23 July 2020, members of the Policy and Sustainability Committee agreed a motion seeking a two-year waiver on the interest element of councils' existing Public Works Loan Board (PWLB) borrowing and the Council Leader subsequently wrote to the Chancellor on this basis. A response to this letter, reiterating previously-announced direct and indirect financial support provided in light of the pandemic, has now been received and is included as **Appendix 2**.

### **Income loss compensation scheme**

- 4.25 Members of the Committee have received a number of previous updates on the development of an income loss compensation scheme for councils across Scotland. While the precise quantum of funding available is dependent upon Barnett Consequentials arising from sums paid out as part of the equivalent English scheme, at this stage these are estimated at £90m. These sums form part of total additional Barnett Consequentials for Local Government in Scotland to date of some £944 million, most of which have now been allocated amongst authorities<sup>3</sup>. The majority of this funding, whilst very welcome, is however directed to support particular client groups or provided for specific purposes and thus not available to offset against in-year pressures being faced by service areas.
- 4.26 At their meeting on 11 December, COSLA Leaders agreed that the £90m of available funds would be allocated according to councils' actual in-scope income losses (including relevant ALEOs) as verified by Directors of Finance over the period from April to September inclusive. These losses totalled £227m, of which Edinburgh's share was some £45.3m; together with the equivalent income shortfalls in Glasgow, the two main cities accounted for 44% of the entire Scotland-wide total.
- 4.27 Previous reports indicated the potential for a significant upside in the Council's allocation relative to more generic needs-based distributions although, in the absence of a detailed knowledge of other authorities' submissions, it was not possible to quantify this. Based on the totals above, the Council's provisional share of the £90m is £17.960m, some £10.922m higher than was assumed in previous reports based on the Council's share of general-purpose in-year funding streams. Given continuing pandemic-related restrictions in place across the UK, income losses incurred by councils in England over the second half of the financial year are expected to give rise to additional Barnett Consequentials and further details will therefore be sought via Directors of Finance in due course to guide the distribution of any relevant funding received.

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<sup>3</sup> The remaining sums where distribution is awaited are £25m of additional Council Tax Reduction Scheme/Social Security support and £30m of ring-fenced Education Recovery funding, access to each of which is subject to demonstrated need.

## Other funding

- 4.28 As noted earlier in the report, an increasing range of business grant funds has been made available in recent weeks, including those in respect of the newly self-employed, the hospitality sector and taxi and private hire drivers, building on the earlier Strategic Framework Fund for businesses required to close, or reduce their opening hours, by law. Councils have also agreed to administer a number of other schemes, including those for individuals at risk of financial exclusion, discretionary business support and £100 Christmas hardship payments for those children and young people entitled to free school meals.
- 4.29 In recognition of the significant additional administration involved in the development of relevant guidance, payment processes, monitoring and subsequent reporting of these schemes, the Scottish Government has indicated that £12m will be made available to address these costs and the Council's projections therefore include a proportionate share of these resources. The Scottish Government has also confirmed that it will make available some £9m of additional resources to recognise pandemic-related pressures within the children's residential care sector, with the Council's anticipated allocation of around £0.65m partially offsetting relevant expenditure pressures noted in Appendix 1.
- 4.30 Given the increasing complexity of the funding landscape, **Appendix 3** presents a simplified list of expected external funding sources where these directly impact upon the Council's residual funding gap, now totalling £44.5m.

## Edinburgh Integration Joint Board (EIJB)

- 4.31 As of month eight and based on the current assessment of approved savings delivery, an overspend of up to £7.7m for Council-delegated services is forecast, primarily comprising pressures in external services, including residential and nursing purchased care, care and support, care at home and direct payments. These pressures are, in turn, largely attributable to delays in planned savings delivery and increased demand due to the operational impacts of the pandemic. These sums do not include provider uplifts of £3.4m to allow continuing payment of at least the Living Wage Foundation hourly rate in 2020/21, offsetting measures for which remain to be confirmed.
- 4.32 Work also continues to refine and evidence the cost estimates contained within the Edinburgh Health and Social Care Partnership's Local Mobilisation Plan (LMP), with total funding of £29.4m confirmed to date for the four HSCPs covering the NHS Lothian region. At this stage, it be being assumed that all COVID-related costs will be funded by this means and, as such, give the potential for a balanced overall position to be achieved for the year.

## Overall position

- 4.33 Taking into account the changes outlined in the preceding sections, a balanced overall position is now forecast as shown in detail in **Appendix 4** and in summarised form in **Appendix 5**. This position does not, however, include any net cost associated with schools re-opening (currently anticipated to be contained within the overall level of additional, or redirected, funding provided) or the EIJB.

There is, in addition, the potential for further expenditure pressures in excess of the current risk contingency of £3m to emerge during the remainder of the year given uncertainty over the duration of current tightened COVID-19 related restrictions and thus a continuing need to identify further in-year Directorate-specific and/or corporate savings.

- 4.34 While this improved position is clearly to be welcomed, it is important to emphasise that its achievement remains dependent upon a significant contribution from the Council's earmarked reserves. Even after taking account of the additional funding relative to previous estimates anticipated to be received through the income loss compensation scheme, only around half of the net additional in-year costs are being offset by the provision of additional external funding, with some £40m of the overall resulting shortfall being met through a combination of corporate savings, unallocated funding and use of earmarked reserves.
- 4.35 Reprioritisation and realignment of the Council's reserves and consideration of available financial flexibilities to spread the on-going impacts of the pandemic over a longer period will therefore form a key element of the approved 2021/22 budget, further details of which will be included in the budget framework report to be considered at the Committee's meeting on 2 February.

## 5. Next Steps

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- 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 current restrictions. These estimates will be shared with COSLA and form part of on-going liaison and negotiation with the Scottish Government around the provision of financial flexibilities and, in the case of reductions in income, the income loss compensation scheme.
- 5.2 Executive Directors have brought forward measures to offset the majority of savings delivery shortfalls and residual service pressures within their respective areas of responsibility. At this stage, however, shortfalls of £1.2m (Communities and Families) and £0.5m (Place) remain and the development of corresponding sustainable actions is required both to reduce the in-year call on the Council's earmarked reserves and enhance the sustainability of the budget framework.
- 5.3 While a broad routemap 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

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- 6.1 The report notes a range of significant expenditure pressures, both in respect of Council services and impacts on the activities of the Council's ALEOs. While a balanced in-year position is now being forecast, the financial impacts of the pandemic are expected to continue at least into the medium term and the revenue budget framework report to be considered on 2 February therefore seeks to acknowledge these pressures and the knock-on impacts on the delivery of previously-approved savings underpinning the three-year balanced budget approved in February 2020.

## 7. Stakeholder/Community Impact

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- 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

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- 8.1 [Revenue Budget 2020/21: progress update](#), Finance and Resources Committee, 3 December 2020
- 8.2 [Revenue Budget 2020/23: 2020/21 month five position and framework assumptions update](#), Finance and Resources Committee, 29 October 2020
- 8.3 [Finance Update](#), Edinburgh Integration Joint Board, 27 October 2020
- 8.4 [Revenue Budget 2020/21 – progress update](#), Finance and Resources Committee, 24 September 2020
- 8.5 [Edinburgh Leisure – Request for Additional Funding Support, 2020/21](#), Finance and Resources Committee, 24 September 2020
- 8.6 [Revenue Budget 2020/21 – period three position](#), Finance and Resources Committee, 27 August 2020
- 8.7 [Revenue Monitoring 2019/20 – outturn report](#), Finance and Resources Committee, 27 August 2020
- 8.8 [Finance Update](#), Edinburgh Integration Joint Board, 24 August 2020
- 8.9 [Fair Work and the Living Wage in Adult Social Care](#), Edinburgh Integration Joint Board, 24 August 2020

## 9. Appendices

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- 9.1 Principal additional expenditure and reduced income impacts of COVID-19 pandemic – Council
- 9.2 Response from the Chief Secretary to the Treasury on Council's request for a two-year waiver on the interest element of existing PWLB borrowing
- 9.3 External funding confirmed to date excluding non-Health and Social Care services and schools re-opening
- 9.4 Revenue Budget Update, 2020/21 - estimated position (detailed)
- 9.5 Revenue Budget Update, 2020/21 - estimated position (summarised)



## Principal additional expenditure and reduced income impacts of COVID-19 pandemic - Council

Appendix 1

These estimates do not include costs associated with the Health and Social Care Mobilisation Plan, nor those directly linked to schools re-opening, commentary on which is contained within the main report.

Service Area	Impact	Estimate	Increase/ (decrease)	Revised estimate
		F&R 3 Dec £m	F&R 21 Jan £m	F&R 21 Jan £m
<b>Increases in expenditure</b>				
Homelessness Services	Additional temporary accommodation costs required to observe social distancing. It is anticipated that a combination of the provision of additional accommodation for those rough sleeping, those with no recourse to public funds and a wider lack of move-on or settled accommodation will result in a gross in-year pressure of £9.3m. A £0.3m food funding contribution has now been secured, however, for homeless clients, reducing the net pressure to £9.0m. This pressure may reduce further depending on demand and eligibility for support through other existing and anticipated grant funding streams.	9.015	0.000	9.015
School meals/community food advice and distribution	Cost represents payment for children eligible for free school meals (FSM) which, following the receipt of additional ringfenced Scottish Government funding, was in place until mid-August. It also includes provision for income support measures and food distribution to vulnerable and/or at-risk groups (including those self-isolating as part of the Test and Protect scheme), ringfenced funding for which was also secured until the end of September. The Scottish Government has subsequently confirmed funding for continuing FSM provision over the October, Christmas/New Year, February and Easter holidays and the associated cost in 2020/21 of £0.385m is reflected in the updated projection. Following the recently announced funding package to support those at financial risk over the pandemic, a further allocation of around £0.300m will also be made available for wider community-based food support.	3.240	0.385	3.625
Waste and Cleansing	Additional refuse collection vehicles, fuel, external contractors, PPE, etc. Projection also reflects agency staffing and overtime expenditure linked to the reopening of Community Recycling Centres and for providing wider absence cover, as well as a reduction in income from sale of recyclates, based on depressed state of market. The January update also incorporates the financial impacts of greater-than-normal waste tonnages collected in the year to date and necessarily-reduced enforcement activity.	1.952	0.743	2.695
Children's Services	Including additional agency, locum and overtime to cover internal staff absences; additional costs from external providers and/or need to identify alternative accommodation if children need to isolate; costs of additional placements due to illness and self-isolation; and emergency respite for children with disabilities. Projections are based on actual additional costs in Young People's Centres and Secure Units. In recognition of these pressures, the Scottish Government has made available £9m of additional resource for residential and secure young people's care, with the Council's anticipated allocation of this sum around £0.65m; this sum is included within the funding sources analysis in Appendix 3.	1.295	0.000	1.295
Resources - Customer	Represents additional staffing (including overtime) for benefit claim and business grants processing and vulnerable/shielding support customer contact. The Scottish Government has thus far made available £5m, with the potential for a further £7m, in acknowledgement of councils' vital role in administering these schemes; the estimated funding allocation for Edinburgh is similarly included in Appendix 3.	0.691	0.062	0.753
Public conveniences	Limited, phased reopening in areas of high footfall, especially in parks and at the seafront, as approved by the Policy and Sustainability Committee on 9 July. Projection reflects additional costs of full-year opening as outlined in report to Policy and Sustainability Committee on 6 October.	0.248	0.000	0.248
Street lighting	Increased energy and prudential borrowing costs due to delay in roll-out of LED programme.	0.231	0.000	0.231
Libraries	Following the decision taken at the Policy and Sustainability Committee on 10 November to allow for the safe re-opening and operation of further libraries and community centres, a corresponding additional Facilities Management cost of up to £0.2m will be incurred, dependent on the extent and timing of re-opening given current restrictions.	0.200	0.000	0.200
Additional security costs	Council Resilience Centres, Homelessness Accommodation and Temporary Mortuary	0.150	0.000	0.150
Temporary mortuary hire	Including provision for additional direct staffing	0.110	0.000	0.110
Other incident-related costs	Including ICT, PPE and Registrar's Service staffing, payment to Volunteer Edinburgh and food packages until the end of June for shielded groups not eligible for support through the Food Fund. Projection updated in light of updated estimate for non-Health and Social Care Partnership PPE expenditure.	2.486	(0.500)	1.986
<b>Total increases in expenditure - Council (excluding Health and Social Care)</b>		<b>19.618</b>	<b>0.690</b>	<b>20.308</b>
<b>Reductions in income</b>				
Parking Income - on-street	Loss of income from on-street car parking due to the suspension of city-wide parking charges, based on parking charge and enforcement reinstatement wef 22 June but with continuing shortfalls in income for most of the rest of the year due to reduced space availability and/or demand. While weekly income from late August until mid-October was generally between 10% and 15% lower than 2019/20's equivalent levels, this shortfall has grown markedly since that time, averaging 25% in the eight weeks to 20 December. Following implementation of tightened restrictions with effect from 5 January, these shortfalls would be expected to grow significantly, at least in the short term. The current year's forecast therefore includes provision for these weekly losses to increase, with a further general £3m risk contingency reflected within the Council-wide forecast to reflect the impact of continuing restrictions on this and related income streams.	11.674	0.000	11.674
Rental income - Council-owned properties	Increased risk of non-recovery of rental income due to economic downturn, partly linked to reduced tourism. Due to the likelihood of subsequent tenant insolvency and delays in re-letting, an 80% rental loss is assumed in each of the first three quarters. A targeted policy of support was agreed at the Finance and Resources Committee on 29 October. While these measures may reduce the level of in-year loss, the position remains subject to considerable uncertainty, particularly given the imposition of tighter restrictions and the consequent impact on trade.	9.000	0.000	9.000
Place (various)	Net loss of income - including pest control and scientific services, tables and chairs permits, cruise liner berthing fees and museum and galleries donations, admissions and rents based on expected periods of closure/service unavailability. The updated projections reflect assumed disruption until the end of the financial year.	2.479	0.506	2.985
Housing Property Services	Estimated reduction in sums chargeable to the Housing Revenue Account, reflecting revised current assessment and impact of mitigating actions identified thus far.	2.150	0.000	2.150
Roads	Reduction in staff salaries chargeable to the Capital Programme.	2.061	0.084	2.145
Parking Income - enforcement	Enforcement and bus lane cameras Penalty Charge Notice reductions	2.013	0.000	2.013

Service Area	Impact	Estimate	Increase/	Revised
		F&R 3 Dec	(decrease)	estimate
		£m	£m	£m
<b>Council Tax - collection rate and intervention income</b>	The year-on-year collection rate as of the end of November was some 1.36% lower than in 2019/20, although collection rates in the city are seeing much smaller reductions than in many other Scottish authorities. Through a combination of planned recovery action and anticipated income in respect of 2020/21 to be received in subsequent years, the level of potential bad debt provision has been revised, although the adequacy of this revised sum will be kept under review. As of early December 2020, combined intervention income for Council Tax and Non-Domestic Rates (representing the 10% surcharge applied on sums due in cases of summary warrant issue) was also around £1m short of budgeted levels due to a combination of an increase in Council Tax Reduction Scheme take-up, delayed recovery for both Council Tax and NDR and lower sums being billed as a result of extensive in-year NDR reliefs. To date, potential mitigations of up to £0.5m have been identified but there is a risk that the remaining shortfall cannot be contained within the £1.85m headline sum.	1.850	0.000	1.850
<b>Outdoor Centres</b>	Loss of fees and charges income, now extended to the period to end of March 2021. It has been confirmed that these sums are not recoverable from insurance.	1.751	0.000	1.751
<b>Cultural venues</b>	Loss of income - sales, rentals, admissions and rents. Revised forecast reflects projected position until end of year, offset by savings in casual staff costs.	2.247	(0.513)	1.734
<b>Parking - residents' and other permits</b>	Loss of income for residents', retailers', business and trade permit schemes and associated non-enforcement	1.675	0.000	1.675
<b>Planning and building standards</b>	Reduction in planning applications submitted due to construction shutdown. These projections will be reviewed in light of recently-introduced additional restrictions.	1.503	0.000	1.503
<b>Parks and Greenspace</b>	Losses of income including for events, trading stances, park leases, rechargeable tree works, nursery sales, timber sales and Edinburgh Leisure recharge.	0.996	(0.039)	0.957
<b>Communities and Families (other)</b>	Loss of income from adult education classes, libraries fees and charges, sports clubs and external funding.	0.833	0.000	0.833
<b>Community Access to Schools</b>	Increase is due to updated expectations of re-opening timescales and associated levels of lost income, including impact on WHEC.	0.785	0.000	0.785
<b>Other Catering</b>	Loss of income from closure of staff restaurants and coffee shops and cancellation of external events and internal catering, net of savings in food and drink, other supplies and services and agency and overtime costs. Projection updated based on position as of mid-November.	0.663	(0.008)	0.655
<b>Licensing</b>	Refunds/extensions for all licences, including cab, liquor and HMO (NB these costs are expressed net of assumed contributions from earmarked reserves).	0.442	0.012	0.454
<b>Public transport</b>	Loss of bus station income due to reduced departures, etc. While the figure shown reflects a revised assessment of income lost, enforced delays to the replacement of the Bus Station Information System and Real Time Passenger Information signage may give rise to additional costs in the current year.	0.420	0.000	0.420
<b>Council Tax (base)</b>	Reduction in Council Tax buoyancy due to temporary cessation of construction activities and subsequent economic slowdown. In common with the in-year collection rate, detailed analysis of the Council Tax base as of September 2020 showed a lower loss of buoyancy than had initially been anticipated, with the forecast amended accordingly.	0.300	0.000	0.300
<b>Refunds/discounts for cancelled services - garden waste</b>	Costs of extending current-year permits by further five weeks	0.150	0.000	0.150
<b>Total reductions in income - Council (excluding Health and Social Care)</b>		<b>42.992</b>	<b>0.042</b>	<b>43.034</b>
<b>Savings in expenditure</b>				
<b>Non-Domestic Rates</b>	Savings relative to budget framework provision following effective freezing of NDR poundage for 2020/21 and entitlement to full relief for hospitality, retail and leisure properties. As of the time of writing, following the awarding of 25% relief for unoccupied office properties in England and Wales, discussions are continuing concerning potential equivalent relief in Scotland (this would be additional to the level of saving currently shown).	(2.375)	0.000	(2.375)
<b>Energy</b>	Savings in gas, electricity and water costs across corporate building estate based on indicative analysis by Energy Management Unit. The projection has been updated based on analysis of invoices received until the end of August, with the potential for further savings in water charges. Greater certainty should be obtained as the year progresses.	(1.810)	0.000	(1.810)
<b>Libraries</b>	Reductions in agency and overtime expenditure and savings from vacant posts, assuming six libraries operational from October and remainder open from January. These projections are subject to change given on-going restrictions.	(0.700)	0.000	(0.700)
<b>School meals</b>	Reductions in food costs, less loss of income based on latest uptake figures and estimates for remainder of year	0.000	(0.244)	(0.244)
<b>Total savings in expenditure (excluding Health and Social Care)</b>		<b>(4.885)</b>	<b>(0.244)</b>	<b>(5.129)</b>
<b>Total net additional costs</b>		<b>57.725</b>	<b>0.488</b>	<b>58.213</b>
<b>Notes</b>				

1. Potential Early Years pressures of around £3.5m (primarily representing compensation for lost fee income for partner providers) are assumed to be funded from redirected 1,140 hours expansion monies and/or provider staff costs met through the Coronavirus Job Retention Scheme.



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Cllr Adam McVey  
Leader of Edinburgh City Council  
City Chambers  
High Street  
Edinburgh  
EH1 1YJ

23 December 2020

Dear Adam,

Thank you for your letter of 3 September to the Chancellor of the Exchequer about funding and financial flexibilities for the Scottish Government and Scottish local authorities. I am replying as the Minister responsible for this policy area.

I am very sorry for the delay in responding. The Treasury has received over 26,000 items of correspondence from MPs since the outbreak of COVID-19, and such a large and sustained increase in the amount of correspondence at the same time as delivering targeted action to protect millions of jobs and livelihoods is a significant challenge.

In July the UK Government made an unprecedented upfront funding guarantee to the devolved administrations, which included guaranteeing that the Scottish Government would receive at least £6.5 billion in additional funding this year on top of their Spring Budget 2020 funding. This guarantee has now been increased to £8.2 billion and is providing the Scottish Government with the funding certainty needed to plan and implement its coronavirus response this year, including to support local authorities.

The Scottish Government also has access to the financial tools and flexibilities agreed as part of its fiscal framework. This includes borrowing powers for agreed purposes and within agreed limits, as well as the ability to operate the

Scotland Reserve.

On the specific proposal in your letter, we would have to recognise at the start that it would come with a cost to the UK Government. Local authorities' payments to the PWLB are used to cover the cost of the underlying borrowing that finances PWLB loans, with any surplus over this cost funding public spending, including the grants paid to local authorities. If interest payments were suspended on PWLB loans, the UK government would have to find an alternative way to meet these commitments.

However, I worked with the Scottish Government's Cabinet Secretary for Finance to enable flexibilities in relation to local authorities in Scotland, so I was pleased to see the Scottish Government announce a package of support incorporating these flexibilities in October.

More recently, the Spending Review 2020 has confirmed a further £2.4 billion of additional funding for the Scottish Government in 2021–22 through the Barnett formula, plus funding to deliver our manifesto commitments to farmers and fisheries. Scotland will also benefit from UK Government investment to improve connectivity and productivity, including the Gigabit and Shared Rural Network programmes, support for new green industries and a £14.6 billion UK-wide research and development fund.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steve Barclay', written in a cursive style.

**RT HON STEVE BARCLAY MP**

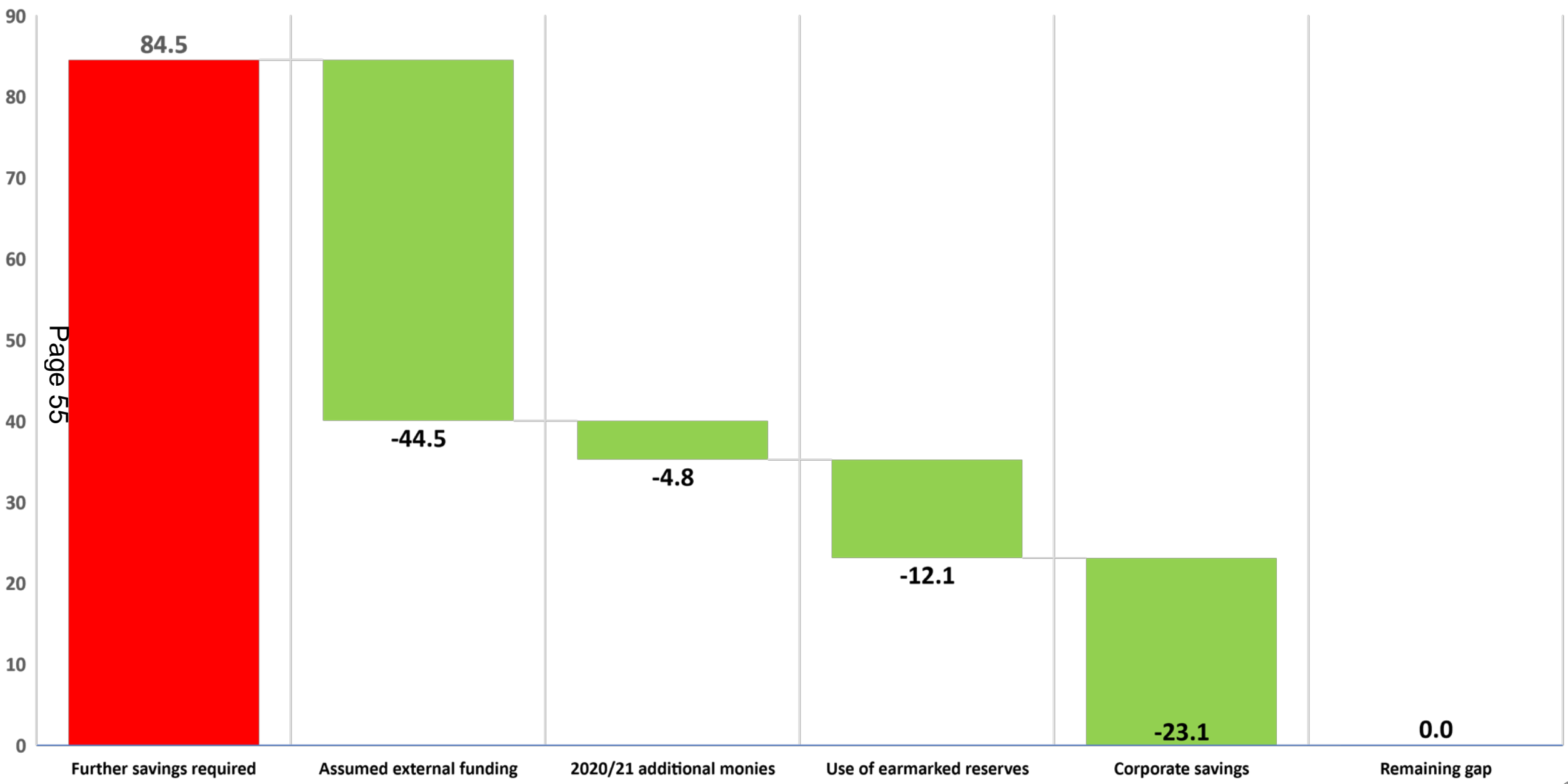
<b>Confirmed funding from Scottish Government:</b>	<b>Edinburgh's allocation (£m)</b>
Hardship Fund (April)	3.910
Further assistance linked to pass-through of Barnett Consequentials from support to councils in England (May)	12.122
Further assistance linked to pass-through of Barnett Consequentials from support to councils in England (August)	3.832
Food Fund/Free School Meals (April/August/December)	3.625
Seven-day registration facility opening (May)	0.057
Test and Trace administration (December)	0.201
Income compensation scheme (January)	17.960
Coronavirus Job Retention Scheme (i.e. furloughing; funding received from HMRC)	0.800
<b>Total confirmed funding</b>	<b>42.507</b>
<b>Anticipated further funding:</b>	
Business grants administration (December)	0.559
Business grants administration (January)	0.783
Residential care - additional pressures (January)	0.650
<b>Total anticipated further funding</b>	<b>1.992</b>
<b>Total confirmed and anticipated funding</b>	<b>44.499</b>

In addition to the sums shown above, the Council has received considerable further funds with directly-corresponding expenditure liabilities including additional Council Tax Reduction Scheme, Scottish Welfare Fund and Discretionary Housing Payment support. The Council has also disbursed numerous business support grant funds, with total payments of £138m made as of December 2020.

	Full-year £m
<b>Additional net expenditure pressures</b>	
Estimated COVID-19-specific expenditure and income (per Appendix 1)	58.213
Risk contingency	3.000 Non-specific allowance to reflect potential impacts of continuing and/or further restrictions between January and March 2021, including further losses of parking income, cultural venues and planning/building standards fees.
ALEO support	21.000 Position shows decrease of £3.5m since the report to the Finance and Resources Committee on 2 December 2020, reflecting (i) an estimated reduced in-year additional funding requirement for Edinburgh Leisure following continuation of furlough support and expected level of business interruption insurance settlement but acknowledging reductions in demand given current restrictions and (ii) confirmation of continuing funding for Edinburgh Trams until March 2021, offsetting net costs of operating key worker services.
Approved savings/management of residual pressures - anticipated shortfall in delivery	
Residual pressures	1.700 Figure assumes balanced position in Resources, with £0.5m of as-yet unmitigated pressures within Place Directorate and an emerging pressure of £1.2m primarily due to increased costs of out-of-council residential and secure placements within Communities and Families.
Whistleblowing Inquiry	0.600 Following ratification by Council on 19 November, up to £0.6m of costs related to the Whistleblowing Inquiry will require to be met in the current year.
	<b>84.513</b>
<b>Confirmed funding and savings:</b>	
Confirmed COVID-19 related funding	(44.499) Detail included in Appendix 3
2020/21 budget - unallocated additional monies	(4.830) Of the additional funding of £7.43m provided as part of the Scottish Budget's Stage One consideration, a £2m contribution to the EIJB was approved by Council on 30 June, up to £0.422m for Marketing Edinburgh by the Finance and Resources Committee in March and £0.178m part-year funding for Communities and Families grant recipients at the Policy and Sustainability Committee on 28 May.
Further timing-related and corporate savings	(23.100) Comprising treasury management-related and re-aligned capital programme loans charge savings (£5.5m), Q4 2019/20 improvement in service outturns (£3m), slippage in backlog R&M programme (£3m), Council Tax - increases in base (£3m), VERA/VR in-year provision - assumption that liabilities met fully from reserves (£2.5m), LDP revenue budget (£1.5m), Loans Fund Review - slippage in first year's additional related roads/infrastructure expenditure (£1m), ICT contract extension (£0.95m), past service pension costs - reductions in expected required in-year level of provision (£0.65m) and other net corporate savings (£2m).
Use of earmarked reserves	(12.084) Comprising funds for specific investment (£5.9m), risk management contingency (£4m), Council Tax Reduction Scheme (£3m), dilapidations (£2.5m), Workforce Management (£1.5m), Transformation Fund (£1.35m), Unallocated General Fund (former-CSIF element) (£0.9m), contribution from service reserves (£0.5m) and Council Priorities Fund (£0.4m). In light of the projected outturn, it may be possible to reduce these uses of reserves by some £8m.
	<b>(84.513)</b>
Remaining shortfall	<b>(0.000)</b>

Reconciliation to previously-reported position:

	£m
Position as of 3 December	6.8
<b>Unfavourable movements:</b>	
Net increase in COVID impacts (Council)	0.5
Reduction in VERA-related savings	0.4
Reduction in assumed use of reserves	8.0
<b>Favourable movements:</b>	
Reduction in ALEO support	(2.5)
Income compensation scheme - additional funding	(10.9)
Additional administration and other funding	(2.3)
<b>Revised position as of 21 January</b>	<b>0.0</b>



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# Governance, Risk and Best Value Committee

10.00am, Tuesday 16 February 2021

## 2020-30 Capital Budget Strategy – 2020/21 Month Eight Monitoring – referral from the Finance and Resources Committee

Executive/routine	
Wards	All
Council Commitments	

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the 2020-30 Capital Budget Strategy – 2020/21 Month Eight Monitoring to the Governance, Risk and Best Value Committee for scrutiny.

**Andrew Kerr**

Chief Executive

Contact: Sarah Stirling, Committee Services

Email: sarah.stirling@edinburgh.gov.uk | Tel: 0131 529 3009

# Referral Report

## 2020-30 Capital Budget Strategy – 2020/21 Month Eight Monitoring

### 2. Terms of Referral

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- 2.1 On 21 January 2021, the Finance and Resources Committee considered a report which provided capital expenditure and funding forecasts for 2020/21, providing explanations for variances.
- 2.2 The Finance and Resources Committee agreed:
  - 2.2.1 To note the Capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month eight 2020-21.
  - 2.2.2 To delegate authority to the Executive Director of Place to enter into a Delivery Agreement with Robertson Construction Group Ltd through the Scape Major Works Scotland framework, to construct 49 affordable homes for the contract sum of up to £7.4m. This cost increase would be funded through the HRA Budget Strategy 2021-2031 as reported elsewhere on the agenda.
  - 2.2.3 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

### 3. Background Reading/ External References

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Minute of the Finance and Resources Committee of 21 January 2021

[Webcast of the Finance and Resources Committee of 21 January 2021](#)

### 4. Appendices

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Appendix 1 – report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday, 21 January 2021

## 2020-30 Capital Budget Strategy – 2020/21 Month Eight Monitoring

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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- 1.1 To note the Capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month eight 2020-21;
- 1.2 To refer the report to the Governance Risk and Best Value Committee as part of its work programme; and,
- 1.3 To delegate authority to the Executive Director of Place to enter into a Delivery Agreement with Robertson Construction Group Ltd through the Scape Major Works Scotland framework, to construct 49 affordable homes for the contract sum of up to £7.4m. This cost increase will be funded through the HRA Budget Strategy 2021-2031 as reported elsewhere on the agenda.

**Stephen S. Moir**

Executive Director of Resources

Contact: Liam MacDonald, Senior Accountant,

Finance Division, Resources Directorate

E-mail: [Liam.MacDonald@edinburgh.gov.uk](mailto:Liam.MacDonald@edinburgh.gov.uk) | Tel: 0131 469 3174

## 2020-30 Capital Budget Strategy – 2020/21 Period Eight Monitoring

### 2. Executive Summary

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- 2.1 The report provides capital expenditure and funding forecasts for 2020/21, providing explanations for variances.
- 2.2 At month eight, the General Fund is projecting capital expenditure of £244.009m and capital income of £116.502m, resulting in a net requirement of £127.507m in loans fund advances. This is £40.247m lower than the revised budget update provided in period three due to updated cashflows across the programme.
- 2.3 At month eight, the Housing Revenue Account (HRA) is projecting capital expenditure of £46.800m and capital income of £32.574m, resulting in a net requirement of £14.226m in loans fund advances. New build construction, external works and common area projects have been able to recommence. Internal improvement works will be phased in gradually to take account of safe working practices.
- 2.4 The extent of the impact from COVID-19 is likely to differ between programmes and projects and it is still too early to understand the full cost to the Council.

### 3. Background

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- 3.1 The initial Capital Budget Strategy 2020-2030 was reported to Finance and Resources Committee on 10 October 2019 and approved on 20 February 2020 as part of the budget process.
- 3.2 It was subsequently consolidated with other key strategies into the Council's Capital Strategy which was approved by Council on 12 March 2020. This strategy set out for expenditure of £2,324.800m to 2029/30. While the programme was affordable in the short to medium term, there remained £154.600m which was unfunded and would require the Council to find additional revenue savings or additional funding in future years or lead to projects having to be removed from the capital investment programme or delayed.
- 3.3 Since the setting of the budget, COVID-19 and the measures put in place to protect citizens have created significant financial and logistical challenges and it will no

longer be possible to deliver projects within the timescales and budgets previously envisaged. Following guidance from Scottish Ministers, all construction sites were closed and are now re-opening in accordance with the [Coronavirus \(COVID 19\): construction sector guidance](#) six phase plan. This has required changes to working practices to protect both construction workers and the public at large.

- 3.4 A report was considered by Policy and Sustainability Committee on 25 June 2020 which addressed the potential impact COVID-19 would have on the 2020-30 Capital Budget. This report showed that it was difficult to estimate the full impact on the programme until market intelligence, such as tender returns, is available.
- 3.5 A further report was considered by Finance and Resources Committee on 27 August 2020 which provided an update on the 25 June 2020 report and detailed capital spend to period three in 2020/21 and the interim budget position for 2020/21. At month three, the General Fund was projecting capital expenditure of £284.019m and capital income of £107.991m, resulting in a net requirement of £176.028m in loans fund advances. The HRA was projecting capital expenditure of £56.969m and capital income of £33.033m, resulting in a net requirement of £23.936m in loans fund advances.
- 3.6 The period three monitoring also showed the re-phased interim 2020/21 general fund budget position based on cash flows and slippage. The net slippage position at that point from the approved budget was £171.184m. Similarly, the period three and five monitoring also showed the HRA 2020/21 budget showed an overall reduction in capital expenditure of £39.499m (40.9%), largely due to COVID-19 lockdown.
- 3.7 The period five monitoring report was considered by Finance and Resources Committee on 29 October and at that point, the General Fund was projecting capital expenditure of £275.169m and capital income of £109.142m, resulting in a net requirement of £166.027m in loans fund advances. Whilst the Housing Revenue Account (HRA) was projecting capital expenditure of £56.050m and capital income of £32.509m, resulting in a net requirement of £23.541m in loans fund advances
- 3.8 This report provides detailed capital spend to period eight in 2020/21, the interim budget position for 2020/21 and the updated forecast out-turn position for the 2020/21 financial year.

## 4. Main report

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### 2020/21 Capital Monitoring – Period Eight

#### General Fund

- 4.1 The period eight monitoring shows general fund expenditure of £145.910m. A breakdown by directorate is provided in Appendix 1.
- 4.2 Within Communities and Families, there has been capital expenditure of £33.135m as at period eight. Expenditure relates primarily to projects which were well underway prior to COVID-19 lockdown such as Meadowbank Sports Centre,

Broomhill Primary School and Castlebrae High School. There is also now forecast slippage of £14.026m in the year, this primarily relates to;

- Early Years of £4.947m, as a result of a COVID-19 lockdown and failure of a contractor followed by appointment of a new contractor to stabilise the condition of the uncompleted works and carry out thorough investigations and defect remediation proposals to form a new scope for the completion contract due to commence in March 2021 and complete in October 2021;
- Rising School Rolls of £4.147m to reflect updated expenditure profiles for a variety of projects including Sciennes Primary School were the Council are still in the early design stages with an expected August 2022 completion and Kirkliston Phase One due to delay in early design changes and client revisions;
- New South Edinburgh Primary of £2.478m due to the project being significantly delayed by utility companies relating to the diversion of a combined sewer, which was further compounded by COVID-19 delays as the new standard operating practices on-site reduced productivity, with a revised opening date for the new school of October 2021 now projected;
- Boroughmuir High School Extension of £1.500m due to contract award being delayed due to COVID-19 restrictions from an expected March sign-off, with work now expected to be completed by August 2022; and
- St Crispin's Special School replacement of £1.486m due to COVID-19 productivity and a cable diversion by a utility company with completion expected by summer 2021.

4.3 Within Place, there has been capital expenditure of £71.395m as at period eight. Expenditure relates primarily to Millerhill Recycling and Energy Recovery Centre (RERC) Capital Contribution £36.900m (including £7.380m share funded by Midlothian Council), Energy Efficiency Street Lighting Programme £2.387m; and Development Funding Projects £9.358m. There is also now forecast slippage of £10.035m in the year, this primarily relates to;

- Energy Efficiency Street Lighting Project of £3.422m due to the entire cashflow being updated to move optimism bias and contingencies to the end of the project and further delays due to the contractor's team self-isolating for several weeks after positive cases;
- Carriageways and Footways Improvements of £2.789m due to design process taking longer than anticipated as working through backlog of planned earlier works which were postponed due to COVID-19 lockdown;
- Town Centre Funding of £2.593m as progress on use of existing funding was revised on 11 June 2020 at Policy and Sustainability Committee and a further £0.954m was received in-year with plans for use of this approved at Housing, Homelessness and Fair Work Committee on 5 November 2020. However, the Council remains on track to commit this funding by the 31

March 2021 deadline and for it to be spent before the 30 September 2021 deadline; and

- Cycle Projects of £0.741m primarily due to construction on Quiet Route 6 and 61 moving back a couple of months into the start of the 2021/22 financial year.

- 4.4 Within Place – Trams to Newhaven, there has been capital expenditure of £24.941m as at period eight, with forecast slippage of £6.508m due to the reprofiling of contingency budgets following the updated quantitative risk assessment (QRA).
- 4.5 Within Place - Lending there has been capital expenditure of £8.889m as at period eight for completed units which have transferred to Edinburgh Living LLP at North Sighthill and Craigmillar Town Centre, with forecast slippage of £11.760m primarily due to delays on completion of units at North Sighthill which are now expected to be completed in 2021/22 for Edinburgh Living LLP lending and slippage of £4.718m in NHT lending as delays on site had pushed projected completion of Phase 3 to late 2020 pre-COVID and that site shutdown during lockdown further exacerbated the delays.
- 4.6 Within Resources - Asset Management Works Programme, there has been capital expenditure of £7.373m as at period eight across various projects as work restarts following the COVID-19 lockdown, with forecast acceleration of spend of £5.055m compared to the revised budget of £8.761m. The closure of Edinburgh Leisure properties allowed the £2.700m refurbishment of Warrender Swim Centre to be brought forward from 2022/23 financial year and the remaining £2.300m is a result of the programmes of work on some of the larger projects being accelerated during the school closures.

### **Housing Revenue Account**

- 4.7 The period eight monitoring shows HRA capital expenditure of £15.768m for the year to date across various programmes and workstreams relating to new builds and improvements to existing homes. The budget for 2020/21 has been revised from the initial approved budget of £96.468m to £56.969m, an overall reduction in capital expenditure of £39.499m (40.9%), largely due to the impact of site closures in the earlier phases of COVID-19 lockdown. Although new build construction and external works have been able to recommence, internal improvement works will be phased in gradually to take account of safe working practices and necessary national lockdown measures. The underspend will be rephased over the next 18 months. A breakdown by programme is provided in Appendix 2.
- 4.8 The revised forecast on new homes development is £1.041m lower than the period three revised budget estimate to reflect a slight slow-down in progress of works due to safe working practices but good progress is being made across the programme both on site and with design, development and pre-construction work. The latest forecast also assumes that additional land acquisition for Council housebuilding will take place before the end of the financial year.

- 4.9 Due to the current COVID-19 pandemic, the capital improvements work to Council Homes and Estates are currently split into three phases within the recovery plan. Phase one: return of all external works where appropriate, phase two: return of all common area projects where appropriate and phase three: return of internal works.
- 4.10 Planning is underway to test safe working practices in advance of the remobilised of phase three. The move to phase three will be subject to change based on Government advice and tenant feedback.
- 4.11 The revised forecast against improvements to Council Homes and Estates is £9.128m lower than estimated at period three when the budget was revised. This assumed construction operations returned to site quicker, however, the vast majority of contractors' staff were on furlough and it took longer than expected to return to full capacity. In addition to this, there were delays in the supply chain and the prolongation of works due to the implementation of safe working practices. The new Delivery Framework was also delayed by six months due to suppliers being furloughed. The new framework was approved at the Finance and Resources Committee on 29 October 2020. Prior to approval, procurement protocols were amended to mitigate risk to the Council of COVID-19 costs and this reduced the number of other works advertised in the interim period.
- 4.12 The period eight monitoring shows HRA capital income of £16.602m for the year to date, primarily from capital receipts from sales to Edinburgh Living LLP, Scottish Government grant and disposals through the Acquisitions and Disposals Programme. The budgeted income for 2020/21 has been revised from the initial approved budget of £73.122m to £33.033m, an overall reduction in capital income of £40.089m (54.8%). The latest forecast is showing an improvement on that forecast income up to £32.574m, with slippage of Edinburgh Living capital receipts offset by Scottish Government grant income for projects underway.
- 4.13 As a result of COVID-19 and a delay between initial feasibility work and detailed design, the Dumbryden Phase 2 budget requirement has exceeded the project budget originally approved by the Finance and Resources Committee on 27 March 2018. As such a new approval is sought to delegate authority to the Executive Director of Place to enter into the Delivery Agreement for the increased construction cost of £7.4m to allow construction to commence in early 2021. The overall budget (construction cost, land costs, contingency and professional fees) will be increased from £6.25m to £8.3m as part of the HRA Budget Strategy (2021-2031) report which is being approved considered separately on this agenda. This cost increase will be funded through the HRA Budget Strategy 2021-2031 as reported elsewhere on the agenda.
- 4.14 This results in a projected net requirement of £14.226m in loans fund advance, a decrease from the originally approved £23.936m. This will see a revenue benefit next year from lower than expected loan charges with this benefit offset when the capital expenditure is reprofiled and incurred in later years.



## 5. Next Steps

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- 5.1 This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.
- 5.2 Finance staff will continue work with project and programme managers to monitor capital budgets.
- 5.3 Further reports will be presented to Finance and Resource Committee at period 12 showing the out-turn position against the revised 2020-21 capital budget.

## 6. Financial impact

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- 6.1 The 2020/21 general fund period eight forecast outlines loans fund advances of £127.507m. The overall loan charges associated with this over a 30-year period would be a principal amount of £127.507m, interest and expenses of £108.331m, resulting in a total cost of £235.838m based on a loans fund interest rate of 4.39%. The average annual cost would be £7.861m for 30 years.
- 6.2 The 2020/21 HRA period eight forecast outlines loans fund advances of £14.226m. The overall loans charges associated with this over a 30-year period would be a principal amount of £14.226m, interest of £12.087m, resulting in a total cost of £26.313m based on a loans fund rate of 4.39%. The average annual cost would be £0.877m for 30 years.
- 6.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 6.4 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.

## 7. Stakeholder/Community Impact

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- 7.1 Consultation on the capital budget was undertaken as part of the Council's budget setting process.
- 7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

## 8. Background reading/external references

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- 8.1 [Edinburgh Tram – York Place to Newhaven Final Business Case](#), The City of Edinburgh Council, 14 March 2019
- 8.2 [Capital Budget Strategy 2020-30](#), Finance and Resources Committee, 10 October 2019
- 8.3 [Capital Budget Strategy 2020-30](#), The City of Edinburgh Council, 20 February 2020

- 8.4 [Housing Revenue Account Budget Strategy \(2020-2030\)](#), The City of Edinburgh Council, 20 February 2020
- 8.5 [Capital Strategy 2020-30 – Annual Report](#), The City of Edinburgh Council, 12 March 2020
- 8.6 [Capital Budget Update - 2019/20 Provisional Outturn and 2020/21 COVID-19 Forecast](#), Policy and Sustainability Committee, 25 June 2020
- 8.7 [2020-30 Capital Budget Strategy – 2020/21 Period 3 Monitoring and Revised Budget Update](#), Finance and Resources Committee, 27 August 2020
- 8.8 [2020-30 Capital Budget Strategy – 2020/21 Period Five Monitoring and Revised Budget Update](#), Finance and Resources Committee, 29 October 2020

## **9. Appendices**

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- 9.1 Appendix 1 – 2020/21 Capital Monitoring Period Eight – General Fund
- 9.2 Appendix 2 – 2020/21 Capital Monitoring Period Eight – HRA

## Appendix 1 - 2020/21 Capital Monitoring

### General Fund Summary

#### Period Eight

Expenditure	Approved Budget £000	Adjustments £000	Interim Budget £000	Actual to Date £000	Projected Outturn £000	Provisional Variance £000	%
Communities and Families	99,246	(33,939)	65,307	33,135	51,281	(14,026)	-21.48%
Edinburgh Integration Joint Board	-	284	284	1	284	-	0.00%
Place	192,495	(82,541)	109,954	71,395	99,919	(10,035)	-9.13%
Place - Lending	43,913	(12,584)	31,329	8,889	19,569	(11,760)	-37.54%
Place - Tram York Place to Newhaven	74,939	(15,291)	59,648	24,941	53,140	(6,508)	-10.91%
Contingency	4,242	-	4,242	-	4,242	-	0.00%
Resources - Asset Management Works	30,000	(21,239)	8,761	7,373	13,816	5,055	57.70%
Resources - Other	5,000	(3,367)	1,633	176	1,758	125	7.65%
<b>Total Gross Expenditure</b>	<b>449,835</b>	<b>(168,677)</b>	<b>281,158</b>	<b>145,910</b>	<b>244,009</b>	<b>(37,149)</b>	<b>-13.21%</b>

Funding	Approved Budget £000	Adjustments £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Provisional Variance £000	%
<i>Capital Receipts</i>							
General Asset Sales	3,000	145	3,145	5,757	5,757	2,612	83.05%
<i>Total Capital Receipts from Asset Sales</i>	<b>3,000</b>	<b>145</b>	<b>3,145</b>	<b>5,757</b>	<b>5,757</b>	<b>2,612</b>	<b>83.05%</b>
<i>Drawdown from Capital Fund</i>	14,195	-	14,195	-	14,195	-	0.00%
<i>Developer Contributions</i>	754	5,470	6,224	3,459	6,224	-	0.00%
<i>Developers Contributions Transferred to Investments</i>	-	-	-	2,255	-	-	0.00%
<i>Total Developer Contributions</i>	<b>754</b>	<b>5,470</b>	<b>6,224</b>	<b>5,714</b>	<b>6,224</b>	<b>-</b>	<b>0.00%</b>
<b>Total Capital Receipts and Contributions</b>	<b>17,949</b>	<b>5,615</b>	<b>23,564</b>	<b>11,471</b>	<b>26,176</b>	<b>2,612</b>	<b>11.08%</b>
<i>Grants</i>							
Scottish Government General Capital Grant	38,225	-	38,225	25,419	38,225	-	0.00%
Other Grants and Contributions	-	10,430	10,430	10,916	10,916	486	4.66%
Cycling, Walking and Safer Streets	2,281	-	2,281	-	2,281	-	0.00%
Town Centre Funding	-	954	954	954	954	-	0.00%
Transfer of Management of Development Funding (TMDF)	27,950	-	27,950	9,648	27,950	-	0.00%
Early Years and Childcare - Expansion	10,000	-	10,000	10,000	10,000	-	0.00%
Capital Grants Unapplied Account Drawdown	2,002	(2,002)	-	-	-	-	0.00%
<b>Total Grants</b>	<b>80,458</b>	<b>9,382</b>	<b>89,840</b>	<b>56,937</b>	<b>90,326</b>	<b>486</b>	<b>0.54%</b>
<b>Total Funding</b>	<b>98,407</b>	<b>14,997</b>	<b>113,404</b>	<b>68,408</b>	<b>116,502</b>	<b>3,098</b>	<b>2.73%</b>
<i>Borrowing</i>							
New Prudential Borrowing in Year	121,388	(75,548)	45,840	35,235	44,021	(1,819)	-3.97%
New On-Lending in Year	43,913	(12,584)	31,329	8,889	19,569	(11,760)	-37.54%
New Capital Advance - Trams to Newhaven	74,939	(19,431)	55,508	24,941	49,000	(6,508)	-11.72%
New Capital Advance - General Fund	111,188	(76,111)	35,077	8,437	14,917	(20,160)	-57.47%
<b>Balance to be funded through Loans Fund Advance</b>	<b>351,428</b>	<b>(183,674)</b>	<b>167,754</b>	<b>77,502</b>	<b>127,507</b>	<b>(40,247)</b>	<b>-23.99%</b>

## Appendix 2 - 2020/21 Capital Monitoring

### Housing Revenue Account

#### Period Eight

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Provisional Variance	
	£000	£000	£000	£000	£000	£000	%
New Homes Development	35,890	(15,124)	20,766	8,274	19,725	(1,041)	-5.0%
New Homes Land Costs	12,000	-	12,000	-	12,000	-	0.0%
Improvement to Council Homes and Estates	48,578	(24,375)	24,203	7,494	15,075	(9,128)	-37.7%
<b>Total Gross Expenditure</b>	<b>96,468</b>	<b>(39,499)</b>	<b>56,969</b>	<b>15,768</b>	<b>46,800</b>	<b>(10,169)</b>	<b>-17.8%</b>

Income	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Provisional Variance	
	£000	£000	£000	£000	£000	£000	%
Capital Receipts and Other Contributions	50,524	(24,424)	26,100	14,099	24,103	(1,997)	-7.7%
Capital Funded from Current Revenue	3,656	(3,656)	-	-	-	-	0.0%
Specific Capital Grant	18,942	(12,009)	6,933	2,503	8,471	1,538	22.2%
<b>Total Income</b>	<b>73,122</b>	<b>(40,089)</b>	<b>33,033</b>	<b>16,602</b>	<b>32,574</b>	<b>(459)</b>	<b>-1.4%</b>

<b>Balance to be funded through Loans Fund Advance</b>	<b>23,346</b>	<b>590</b>	<b>23,936</b>	<b>(834)</b>	<b>14,226</b>	<b>(9,710)</b>	<b>-40.6%</b>
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# Governance, Risk and Best Value Committee

10.00am, Tuesday 16 February 2021

## Accounts Commission: Local Government in Scotland – Financial Overview 2019/20 – referral from the Finance and Resources Committee

Executive/routine  
Wards All  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the Accounts Commission: Local Government in Scotland – Financial Overview 2019/20 to the Governance, Risk and Best Value Committee for scrutiny.

**Andrew Kerr**

Chief Executive

Contact: Sarah Stirling

Strategy and Communications Division, Chief Executive's Service

Email: sarah.stirling@edinburgh.gov.uk | Tel: 0131 529 3009

# Referral Report

## Accounts Commission: Local Government in Scotland – Financial Overview 2019/20

### 2. Terms of Referral

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- 2.1 On 2 February 2021, the Finance and Resources Committee considered a report which provided a summary of the main issues and themes identified within the Accounts Commission's recently published *Financial Overview 2019/20* and how these related to the local context within Edinburgh.
- 2.2 The Finance and Resources Committee agreed:
  - 2.2.1 To note the report.
  - 2.2.2 To refer the report to the Governance, Risk and Best Value Committee for its scrutiny.

### 3. Background Reading/ External References

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- 3.1 [Finance and Resources Committee – 2 February 2021 – Webcast](#)

### 4. Appendices

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- 4.1 Appendix 1 – report by the Executive Director of Resources

# Finance and Resources Committee

2.00pm, Tuesday, 2 February 2021

## Accounts Commission: Local Government in Scotland – Financial Overview 2019/20

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the contents of the report; and,
  - 1.1.2 refer the report to the Governance, Risk and Best Value Committee for its scrutiny.

**Stephen S. Moir**  
Executive Director of Resources

Contact: Hugh Dunn, Head of Finance  
Finance Division, Resources Directorate  
E-mail: [hugh.dunn@edinburgh.gov.uk](mailto:hugh.dunn@edinburgh.gov.uk)  
Tel: 0131 469 3150

## Accounts Commission: Local Government in Scotland – Financial Overview 2019/20

### 2. Executive Summary

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- 2.1 The report provides a summary of the main issues and themes identified within the Accounts Commission's recently published *Financial Overview 2019/20* and how these relate to the local context within Edinburgh.

### 3. Background

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- 3.1 On 26 January 2021, the Accounts Commission published its annual *Financial Overview* report, an independent high-level analysis of the financial performance of councils during the preceding year (2019/20), their financial standing entering the current year and associated longer-term financial outlook. As in previous years, the overview will be complemented by the publication of the *Performance Overview* report in May 2021. Both reports are, however, specifically couched within the context of the pandemic, with the Financial Overview including initial high-level consideration of its impacts and the subsequent Performance Overview expected to examine councils' responses in greater detail.
- 3.2 The report's contents and main conclusions are primarily drawn from councils' unaudited accounts and associated external audit reports (where available, given the extended timescales for this year's audit process), supplemented by data submitted to COSLA as part of the earlier cost collection exercise and to the Scottish Government in the case of mobilisation plan summaries for Integration Joint Boards.

### 4. Main report

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#### Overview of report and key messages

- 4.1 While there are, as anticipated, frequent references to the pandemic, the report's format largely follows that adopted for the 2018/19 reporting year, with respective sections on income, financial standing, financial outlook and an Integration Joint Board (IJB) overview. A series of key messages is also set out on pages 5 and 6 of the report, drawing specific attention to the following:



- (i.) greater real-terms reductions in councils' overall grant funding levels over the past seven years than for other areas of the Scottish Government budget;
- (ii.) nearly half of the increase in Scottish Government financial support for councils in 2019/20, and all of the initial additional support for 2020/21, representing funding for the expansion of early learning and childcare;
- (iii.) significant variations by council in levels of savings delivery;
- (iv.) an overall increase in usable reserve levels of £65m in 2019/20, albeit this position was heavily influenced by the impact of Glasgow City Council's equal pay funding strategy (which also affected debt and capital expenditure levels);
- (v.) an estimated Scotland-wide cost impact of COVID-19 in 2020/21 of £767m, just over half of which relates to lost income, with an estimated 60% to 70% of these total cost pressures being offset by the provision of additional Scottish Government funding;
- (vi.) wider medium-term financial implications of the pandemic; and,
- (vii.) in-year deficits incurred in the majority of IJBs in 2019/20 but with an expectation that the majority, if not all, of COVID-19 related mobilisation costs incurred will be offset by the provision of additional Scottish Government funding.

4.2 Given the report's Scotland-wide coverage, not all of its recommendations are of direct relevance but much of the content nonetheless resonates with the Council's own circumstances. The report also highlights [a guide for audit and risk committees](#) to support effective scrutiny of how public bodies have responded to the pandemic, including coverage of internal controls and assurance, financial management and reporting, governance and risk management.

### **Specific references or areas of particular relevance to Edinburgh**

4.3 **Paragraph 13** sets out the extent to which approved savings were delivered in 2019/20, identifying an average of 84% across a sample of fourteen councils but with this figure varying between 31% and 100%. Edinburgh's achieved level of savings was 77% but this headline figure masked a significant difference between directorate-specific (83%) and Council-wide (56%) efficiency savings. Given this recurring trend, subsequent years' efficiency and Council-wide savings targets have been significantly reduced. The preparedness assessment of accompanying implementation plans undertaken by Finance professionals has also informed the level of contingency included within the framework for delayed implementation or non-delivery, reducing the potential influence of optimism bias.

- 4.4 **Paragraphs 14 and 15** summarise the impact of the pandemic on councils' 2019/20 outturns. While the Scotland-wide impact was assessed to be comparatively modest at between £20m and £25m, Edinburgh's total COVID-related impact was proportionately much higher at £8.4m, including the loss of the Lothian Buses dividend (£6m) and parking income (£1.3m). This significant adverse movement in March 2020 resulted in the Council failing to break even for the first time since 2006/07, with an overall audited overspend of £4.9m. This disproportionate impact, reflecting the importance of income to the Council's budget, has continued in 2020/21, comments on which are provided in subsequent sections. A number of the other impacts affecting councils listed in Paragraph 15, including the ability to deliver pre-approved savings, considerable capital programme slippage due to a three-month construction industry shutdown, intentional delays in debt recovery and going concern audit considerations within councils' Arms-Length External Organisations (ALEOs) could equally be applied to Edinburgh.
- 4.5 **Paragraphs 16 to 24** examine, in some detail, the position in respect of councils' usable reserves. While the majority of councils increased their usable reserves in 2019/20, Edinburgh's level decreased from £144.8m to £120.1m, although around half of this movement represented the planned drawdown of Council Tax Discount Fund (CTDF) reserves to invest in the Council's 21st Century Homes programme.
- 4.6 **Exhibit 5 on page 17** shows the annual average rate of use of General Fund reserves over the past three years. While Edinburgh's profile over this period was somewhat uneven, reflecting a combination of planned contributions to and from reserves and the unbudgeted drawdown of £12.8m in 2019/20 necessary to achieve a balanced position, its average annual reduction over this period was 6.4%.
- 4.7 In recognition that the level of use in 2019/20, when considered against the risks the Council faces, is unlikely to be sustainable over the longer term, the Risks and Reserves report elsewhere on today's agenda sets out the basis of a realignment and reprioritisation of the Council's reserves, with this strategy comprising four key elements:
- (i.) an **increased unallocated General Fund balance** of £25m, equating to around 2.3% of the Council's net expenditure and being more in line with other authorities in Scotland;
  - (ii.) a series of **ringfenced reserves maintained for statutory<sup>1</sup> or specific policy<sup>2</sup> reasons** or to reflect timing differences between the receipt of income and its subsequent application, together totalling £55m;
  - (iii.) a **workforce transformation reserve** of £15m, less commitments incurred as part of the recent targeted staff release programme for senior managers, to

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<sup>1</sup> Including the Insurance Fund, Council Tax Discount Fund (ringfenced for the provision of affordable housing), licensing reserves and sums set aside under the Devolved School Management (DSM) scheme.

<sup>2</sup> Including the Spend to Save and City Strategic Investment Funds.

facilitate organisational restructuring and deliver associated recurring efficiency savings; and

(iv.) a **COVID contingency reserve** of £16m, acknowledging the continuing uncertainty of the recurring impacts of the pandemic on, in particular, income levels in key areas such as parking, commercial rentals and other fees and charges.

- 4.8 **Paragraphs 25 to 26** provide a brief overview of capital expenditure during the year, noting Edinburgh's significant year-on-year increase due to spend associated with, amongst others, the Trams to Newhaven project, the creation and expansion of a number of schools, on-lending to Edinburgh Living and housing-related construction through the 21st Century Homes programme.
- 4.9 **Paragraph 27** briefly examines councils' relative debt levels, with Edinburgh's year-on-year level of external debt increasing by some 13.6%. The primary increases are attributable to the projects listed at 4.8 above. Recurring provision for the associated loans charges has been included within the revenue budget framework. External debt levels are lower than the capital financing requirement as the Council has adopted a position of underborrowing as set out in the Treasury Strategy.
- 4.10 **Paragraph 30** notes the inclusion within most councils' audited accounts (including those of Edinburgh) of an emphasis of matter paragraph in respect of material uncertainty in property valuations linked to the pandemic. **Paragraphs 31 to 34** then contain an overview of in-year investment returns for Scotland's eleven main Local Government Pension Funds. Lothian Pension Fund's 2019/20 return, while negative in absolute terms due to the impacts of the pandemic on global markets, was more favourable than the average for Scotland as a whole. At this stage, following the triennial valuation, no material change to the employer's effective contribution rate is anticipated for the next three years.
- 4.11 **Paragraphs 35 to 37** set out the background to, and subsequent setting of, the 2020/21 revenue budget. The Council set an indicative three-year balanced budget on 18 February 2020, albeit in very different circumstances, underpinned by 4.79% annual increases in Council Tax for the period from 2020/21 to 2022/23 inclusive. Following the introduction of additional funding as part of the Draft Scottish Budget's Parliamentary consideration, the Council's level of core grant funding increased by 1% in 2020/21 but with the majority of this increase subsequently earmarked to contribute towards the city's pandemic response.
- 4.12 **Paragraphs 40 to 44** summarise the overall estimated cost impacts of the pandemic, in terms of both additional expenditure and reductions in income, albeit based on submissions to COSLA in July 2020 which, by necessity, made assumptions about the timing and nature of future service disruption. The broad categories of expenditure and income identified within these submissions are summarised in Exhibit 10 on page 25 of the Accounts Commission report. Given the subsequent tightening of restrictions, however, it is likely that these costs and income losses will have increased further.

- 4.13 Members received a further update on the revenue budget position at the Committee's last meeting on 21 January, the ninth such monitoring report during 2020/21. This highlighted estimated total expenditure and cost impacts for the Council of £84.5m, of which some 82% relates to lost income or additional required support for the Council's ALEOs. Expressed on a proportionate basis, these impacts exceed the Council's share of Scotland-wide net expenditure, emphasising its greater relative dependence on income.
- 4.14 **Paragraphs 49 to 55** summarise the range of financial support made available to councils as of the time of the report's preparation, estimating that the sums provided address between 60% and 70% of the cost pressures identified by councils. Based on the most recent report considered by the Finance and Resources Committee, however, the funded element for Edinburgh, even after taking account of costs incurred in 2019/20, is slightly lower than this at some 56%, again likely to be linked to the magnitude of unfunded income losses. There is a risk, however, that this shortfall increases in the remainder of 2020/21 if tight restrictions continue and no additional funding is provided.
- 4.15 **Paragraphs 56 to 58** provide an overview of the financial flexibilities made available in 2020/21 and 2021/22, a more detailed explanation of which is included in the Council Business Plan and Revenue Budget 2021/26 report elsewhere on today's agenda. **Paragraph 59** emphasises the need for pre-COVID financial planning and savings assumptions to be reviewed, with the results of the Council's own review included in the Revenue Budget report. This re-assessment has encompassed consideration of on-going expenditure and income aspects of the pandemic, as well as knock-on impacts on the ability to manage service pressures and deliver previously-approved savings in future years of the budget framework.
- 4.16 The remainder of the report looks specifically at **Integration Joint Boards**. In relation to the key messages set out, the position in Edinburgh was as follows:
- (i.) the EIJB recorded a deficit of £6.5m in 2019/20 (some 0.9% of gross expenditure) that was met through reserves. Remaining reserves are largely earmarked for committed purposes including staffing to deliver the EIJB transformation programme;
  - (ii.) the Chief Financial Officer's report to today's Board meeting advises that, based on recent returns to the Scottish Government, it is anticipated that all additional costs of the pandemic, including non-delivery of planned savings (together estimated, as of mid-January, at £26m for CEC-delegated services), will be met by the Scottish Government in 2020/21;
  - (iii.) the EIJB has not yet developed a medium-term financial strategy. Work was impacted as a result of COVID-19 and the need for partners to rework their own medium-term financial plans in response; and
  - (iv.) there has been no change at Chief Officer level since May 2018.

- 4.17 The EIJB had not agreed its 2020/21 budget by 1 April, being approved on 21 July 2020. While the EIJB had committed to reviewing the Integration Scheme in 2019/20, this was delayed due to COVID-19 and will now be undertaken in 2020/21.

## **5. Next Steps**

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- 5.1 Publication of the Financial Overview will be complemented by the issuing of the *Performance Overview* report in May 2021 and a subsequent report will be brought forward to both the Finance and Resources and Governance, Risk and Best Value Committees at that time.

## **6. Financial impact**

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- 6.1 There is no direct impact arising from the report's contents but the report reminds officers and members of the importance of a number of aspects of sound financial management in underpinning longer-term sustainability.

## **7. Stakeholder/Community Impact**

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- 7.1 There is no direct impact arising from the report's contents.

## **8. Background reading/external references**

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- 8.1 [Revenue Budget 2020/21: month eight position](#), Finance and Resources Committee, 21 January 2021
- 8.2 [City of Edinburgh Council – 2019/20 Annual Audit Report to the Council and the Controller of Audit](#), Governance, Risk and Best Value Committee, 3 November 2020

## **9. Appendices**

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- 9.1 One – Local Government in Scotland – Financial Overview 2019/20

Local government in Scotland

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# Financial overview 2019/20



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
January 2021

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## Audit team

The core audit team consisted of: Blyth Deans, Lisa Duthie, Chris Lewis and Lucy Ross, under the direction of Brian Howarth.

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## Links

 PDF download

 Web link



## Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

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# Chair's introduction

Councils and Integration Joint Boards (IJBs) play a vital role in supporting Scotland's communities. This has been amplified by the Covid-19 global pandemic. Covid-19 has fundamentally affected local government services and increased the uncertainty of how those services will be provided in the future. The financial impact of the pandemic on our public services is extreme. At the same time, we have seen the strength and resilience of many communities highlighted as they have worked with public service partners to provide invaluable support to those who need it most.

In 2019/20, before the pandemic really took hold in Scotland, the financial impact of Covid-19 was limited. This report notes that more councils added to their usable revenue reserves than in previous years. Reserves play an important role in effective financial management and provide a cushion for future unexpected events. I think that the emergence of the global pandemic and resultant UK lockdown from 23 March 2020 could be described as a once-in-a-lifetime event and Council reserves can be a key tool to manage the medium-term financial impacts of Covid-19.

Scottish Government funding accounts for the majority of council income. After several years of reductions in funding, there has been a real terms increase in 2019/20. It is important to note though that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. As we have reported before, councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans.

In IJBs, the bodies set-up to deliver local health and social care services, the financial pressures are significant, with many needing additional funding from councils and health board partners to break-even in 2019/20. We also continue to see a high turnover in leadership in many IJBs, at a time when they are tackling both the impact of Covid-19 along with the ongoing and longer-term pressures of increased demand.


2020 presented significant challenges to the preparation and audit of councils', pension funds' and IJBs' annual accounts. However, 92 per cent of annual accounts were signed off by the revised audit deadlines due to the dedication of local government finance staff and of our auditors in these challenging circumstances. I am grateful for everyone's hard work and diligence to achieve this outcome.



During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJB's finances and created significant financial uncertainty. Councils face the challenge of meeting additional mobilisation and recovery costs as well as the lost income resulting from closures of leisure facilities and reductions in income from fees and charges. Councils are also administering support schemes on behalf of the Scottish Government. Substantial additional funding for councils has been announced by the Scottish Government together with some further financial flexibilities, but it is currently unclear whether this will cover all cost pressures faced by councils in 2020/21 and beyond.

2020/21 also saw a large shift in the way that public services and communities worked together to support those most in need. Many communities and individuals stepped in to provide much needed local services and were empowered and encouraged to do so by councils, IJBs and their partners. We have heard of much good practice and hope that this continues.

The Accounts Commission's future reporting, together with the Auditor General for Scotland, will be refocused on the significant impact of Covid-19 across all public services. This report highlights the emerging and developing financial challenges due to Covid-19, but future financial overview reports will be better able to assess the full year impact in 2020/21, based on financial reporting to 31 March 2021. Our Local Government Overview 2021 report, due to publish in May, will consider the initial response phase of the pandemic.

Audit Scotland has published a [Guide for audit and risk committees](#)  to support effective scrutiny of how public bodies have responded to Covid-19. This covers key areas, including internal controls and assurance, financial management and reporting, governance and risk management. Good governance, strong financial management and transparency of decision making will be critical for local government bodies in dealing with the implications and fallout from the pandemic.

### **Elma Murray**

Interim Chair of the Accounts Commission

# Key messages

## Councils and pension funds

- 1** Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
- 2** Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare
- 3** Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings
- 4** More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20
- 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20)
- 6** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income. We estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain
- 7** Councils' auditors reported wider medium-term financial implications of Covid-19

## Integration Joint Boards (IJBs)

- 8** A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners
  - 9** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs
  - 10** Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20
-

## About this report







**1.** This report provides a high-level independent analysis of the financial performance of councils and IJBs during 2019/20 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils and IJBs. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' initial response to the Covid-19 pandemic, will be published in May 2021.

**2.** Our primary sources of information for the financial overview are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. We have supplemented this with data submitted by councils to COSLA as part of their Covid-19 cost collection exercise, and mobilisation plan financial summaries submitted to the Scottish Government by IJBs. COSLA returns were requested and obtained from auditors. We received 29 returns, with 3 outstanding. The COSLA returns are not subject to audit review.

**3.** The Covid-19 pandemic has created new challenges which have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts for all councils were not available for analysis and, as a result, judgements are based on data from unaudited accounts, except where significant audit adjustments have been identified. We are comfortable with this approach, and our analysis of available audited information tells us that the level of change between unaudited and audited accounts has not significantly affected our key judgements. We have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.

**4.** We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2019/20 prices, adjusted for inflation so that they are comparable. Similarly, where 2020/21 comparisons are made, we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

# Key facts

	2019/20 £ billion	2018/19 £ billion	Movement
 Councils' funding and income	<b>£18.5</b>	£17.7	4.5%
 Scottish Government revenue funding	<b>£10.3</b>	£9.8	5.4%
 Councils' capital spending	<b>£3.6</b>	£2.8	29.0%
 Councils' usable revenue reserves	<b>£2.0</b>	£1.9	3.4%
 IJBs' spending	<b>£9.2</b>	£8.6	7.0%
 Additional estimated cost in councils and IJBs due to Covid-19 in 2020/21	<b>£1.2 billion</b>		

# Councils' income in 2019/20

## Key messages

- 1** Councils' funding and income increased by £0.8 billion in 2019/20
  - 2** The cash increase in Scottish Government funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
  - 3** Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare
-

## Total revenue funding and income

### Councils' funding and income increased by £0.8 billion in 2019/20

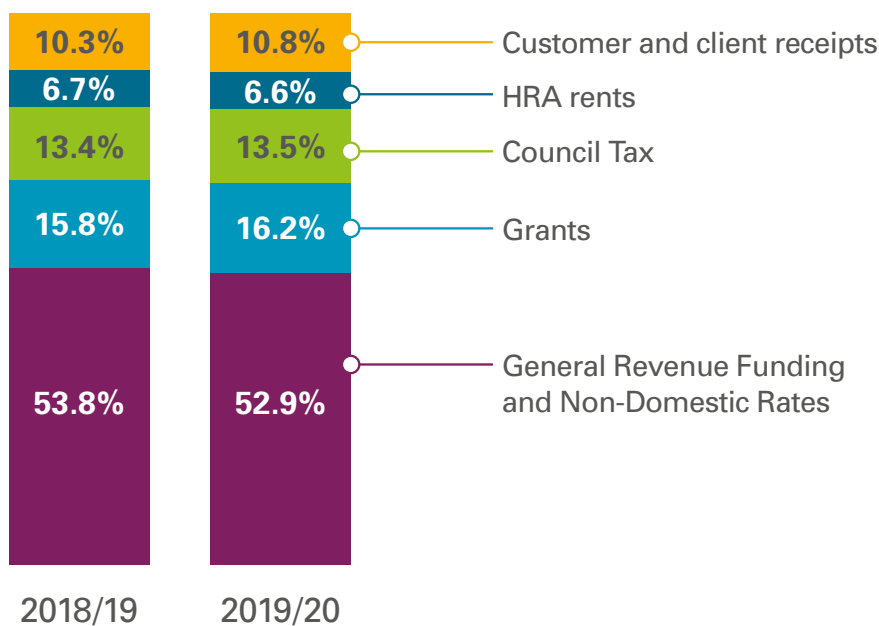
5. Total revenue funding and income received by councils was £18.5 billion in 2019/20, representing an increase of £0.8 billion (or five per cent) on the previous year. A comparison between years ([Exhibit 1](#)) shows that most of the funding comes from the Scottish Government and the relative value of specific grant income to councils has increased.

Councils' funding and income increased by £0.8 billion in 2019/20.

### Exhibit 1

#### Sources of funding and income, 2018/19 and 2019/20

The majority of funding for councils comes from the Scottish Government.



Source: Unaudited financial statements 2019/20 (audited financial statements 2018/19)

6. Grant income includes housing benefit and Scottish Government specific grants (eg Early Learning and Childcare and Criminal Justice Social Work), which are treated as service income by councils generally. Scottish Government direct grants increased by £0.2 billion in 2019/20. There were also increases in grants from other sources. For example, Aberdeen City Council received £0.1 billion from Transport Scotland for the Aberdeen Western Peripheral Route.

7. Council tax income has increased by £0.1 billion (or 5 per cent) mainly as the Scottish Government raised the cap on council tax rate increases to 4.8 per cent. Twelve councils took the decision to increase the council tax rate by the full amount.

## Scottish Government funding

### Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20

8. In 2019/20, the total revenue funding from the Scottish Government increased by 5.4 per cent in cash terms and increased by 3.4 per cent in real terms ([Exhibit 2](#)). Total revenue funding of £10.3 billion consists of the general revenue grant funding of £7.0 billion; Non-Domestic Rates distribution (NDR) £2.8 billion and specific grants of £0.5 billion.

## Exhibit 2

### Changes in Scottish Government revenue funding in 2019/20

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20.

	2018/19	2019/20	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,521	9,811	3.0%	1.1%
Specific Revenue Grants	274	508	85.5%	82.0%
<b>Total revenue funding</b>	<b>9,795</b>	<b>10,319</b>	<b>5.4%</b>	<b>3.4%</b>
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	<b>10,150</b>	<b>10,674</b>	<b>5.2%</b>	<b>3.2%</b>

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

### Funding in 2019/20 improved relative to others, but an historic difference still exists

9. Funding from the Scottish Government to local government between 2013/14 and 2019/20 decreased by 4.7 per cent, in real terms ([Exhibit 3, page 12](#)). The increased funding in 2019/20 improved the position that existed last year (2018/19), when the total reduction was 7.6 per cent. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013/14 and 2019/20, demonstrating that local government funding has still undergone a larger reduction than the rest of the Scottish Government budget over this period.

### Nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare

10. There is an element of the revenue settlement for funding that is linked to specific ongoing policy initiatives and expectations.

11. Specific revenue grants increased in cash terms by £234 million in 2019/20, growing from 2.8 per cent of total revenue funding to 4.9 per cent. This represented 45 per cent of the increase in revenue funding in cash terms between 2018/19 and 2019/20. The majority of this increase could be attributed to an additional £210 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 from 600 hours by 2020 for all three- and four-year-olds and eligible two-year-olds.

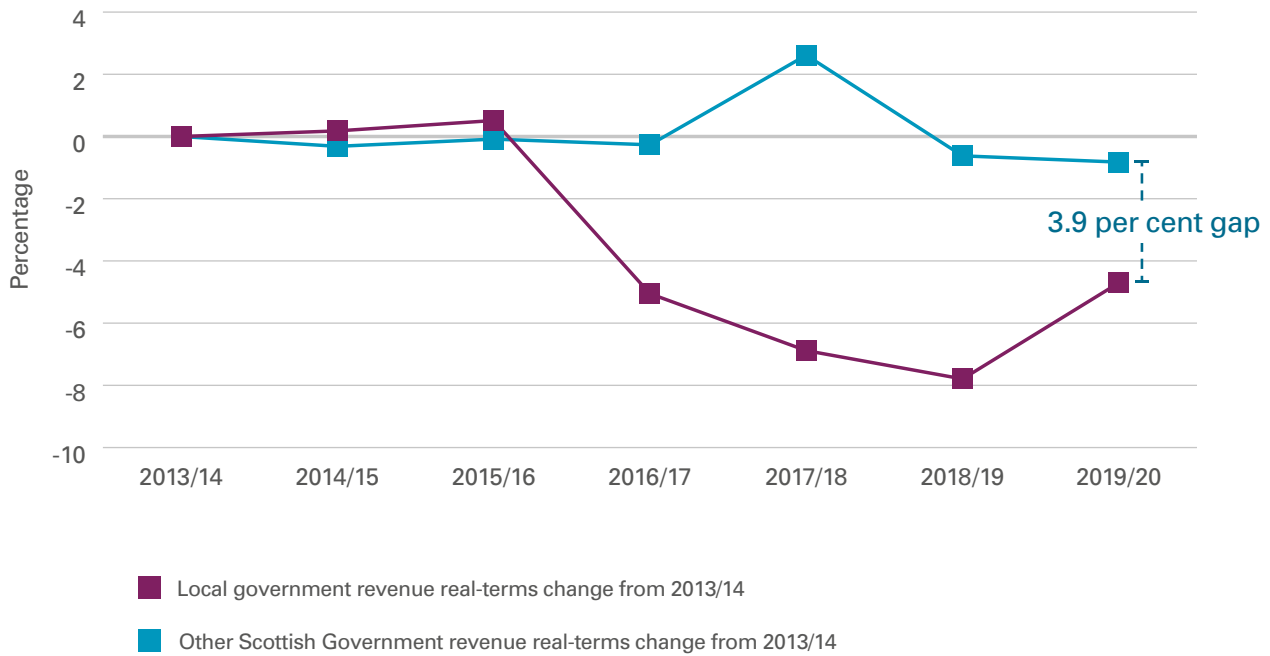
Scottish Government revenue funding increased by 3.4% in real terms in 2019/20. Nearly half of this was to support the expansion in Early Learning and Childcare.



### Exhibit 3

#### A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas

Over the last six years local government revenue funding from the Scottish Government fell by 4.7 per cent, while other Scottish Government revenue funding fell by 0.8 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

# Councils' financial position in 2019/20

## Key messages

- 1** On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils
- 2** In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19
- 3** More councils added to their usable revenue reserves in the year totalling £65 million (net)
- 4** Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue
- 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year
- 6** Councils had the highest level of capital expenditure of the last five years
- 7** Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19
- 8** Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks

## Council budgets and outturn 2019/20

### In 2019/20 budget gaps were to be addressed by planned savings

**12.** In 2019/20, councils identified budgeted net expenditure of £12.6 billion. The initial budget gap in 2019/20 was £0.5 billion (three per cent). In 2018/19, the initial budget gap was similar at £0.4 billion. Planned savings were the most common way of addressing funding gaps in 2019/20.

### Councils appear to have delivered 2019/20 savings plans, but with significant variation

**13.** A sample analysis of 14 councils identified that 84 per cent of the planned savings were delivered. However, there was significant variation in how individual councils performed against their savings targets:

- East Lothian Council, which planned savings of £5.2 million, and Stirling Council, which planned savings of £7.3 million, reported achieving 100 per cent of their targets.
- Comhairle nan Eilean Siar planned to deliver savings of £2.6 million but achieved savings of £0.8 million or just 31 per cent of its target.

## Impact of Covid-19

### The effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets

**14.** Covid-19 restrictions began in March 2020 and the financial effect on councils (excluding social care – see [paragraph 70](#)) in 2019/20 was limited to between £20 million and £25 million.<sup>1</sup> Councils reported that lost income and unachieved savings accounted for two-thirds of identified financial impacts. The remaining costs were mainly associated with mobilising support services for vulnerable groups and the wider community.

**15.** There were no additional Covid-19-related funding allocations from the Scottish Government in 2019/20. Our review of available annual audit reports confirms that Covid-19 did not have a significant impact on councils' outturn, and costs were mostly managed within existing available budgets. Additional Covid-19-related funding allocations to councils were not received until 2020/21.

### In 2019/20, councils' auditors reported wider financial consequences of Covid-19 in their annual reports

- **Delays in growth deals:** Dumfries and Galloway Council. The impact of Covid-19 has delayed some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement as part of the Borderlands growth deal.
- **Additional borrowing:** East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.
- **Planned savings proposals:** East Lothian Council identified that many of the plans related to savings have effectively been placed on hold to enable the council to focus its attention and support on responding to Covid-19. East Dunbartonshire Council anticipated that transformation programme savings for 2020/21 were unachievable due to the impact of the pandemic.

The financial effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets.

- **Medium term financial planning:** West Lothian Council reported that early planning arrangements for its next medium-term financial plan have been deferred to 2021/22 as management focuses on the more immediate impact and actions arising from the impact of Covid-19.
- **Capital programmes:** Aberdeenshire Council identified that the capital programme was suspended for around three months with a phased restart thereafter. In Inverclyde Council officers have reviewed the phasing of the 2020–23 Capital Programme in light of Covid-19 and have estimated the slippage for 2020/21 as 47 per cent. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the site working requirements, increases in the price of materials and general cost increases generated by Covid-19.
- **Delays in bad debt collection:** Aberdeenshire Council reported that elements of the debt recovery processes had been suspended for several months owing to Covid-19 and recognised the potential for bad debts to increase.
- **Expected capital receipts:** West Dunbartonshire Council identified that expected capital receipts of £9 million from the sale of sites were subject to greater uncertainty due to Covid-19 effects on asset values.
- **Going concern issues in subsidiary/joint venture partners:** Some auditors of group component bodies, including those arms-length external organisations (ALEOs) and partners that provide housing repair and leisure services, drew attention to the additional going concern uncertainty due to the financial impact of the Covid-19 pandemic.

## Reserves

### More councils (22) added to their usable revenue reserves, but most of the total relates to Glasgow City Council

**16.** Last year we reported that councils were increasingly using up revenue reserves to balance their budgets. This trend did not continue into 2019/20 ([Exhibit 4, page 16](#)). Twenty-two councils reported increases in their revenue reserves balance (13 last year) with a net increase of £65 million (or 3 per cent) across all councils.

**17.** The most significant increase was Glasgow City Council, where usable revenue reserves went up by £87 million (or 80 per cent) mainly due to the equal pay funding strategy that was implemented in the year ([paragraph 28](#)).

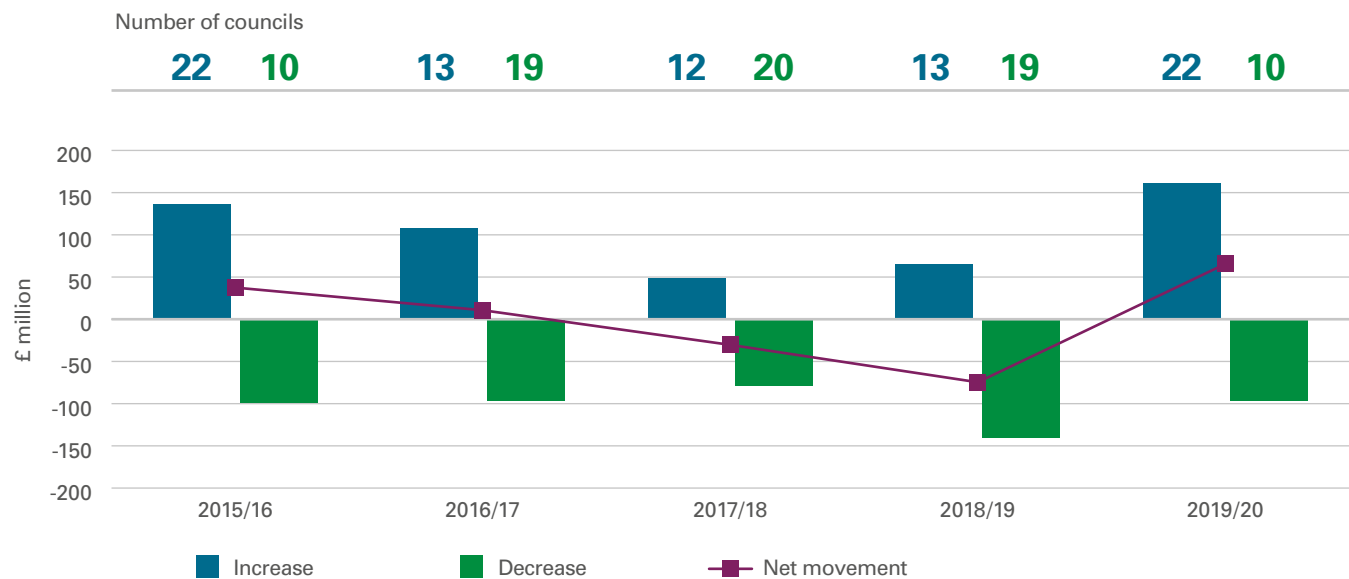
**18.** Highland Council also experienced a significant increase in its usable revenue reserves of £15 million (or 47 per cent). Contributing factors include spending constraints on recruitment and discretionary spend and £22 million of delivered savings and additional income.

More councils added to their usable revenue reserves in 2019/20, with a net increase of £65 million across all councils.

## Exhibit 4

### Movement in usable revenue reserves over the past five years

More councils added to their usable revenue reserves in 2019/20.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2015/16 to 2018/19

### There is variation in whether councils have been adding to or using up general fund reserves

**19.** Councils have different strategies for managing their financial position and reserves position over time, so we would expect to see variation in the movements and balances held. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, as well as enabling funds to be built up for known future commitments.

**20. Exhibit 5 (page 17)** shows the annual average rate of general fund use at 31 March 2020, based on the last three years. It indicates how long it would take for a council to run out of its general fund reserve if the pattern of use (over the last three years) were to continue. An amount less than minus 25 per cent would indicate reserves would be depleted in less than four years.

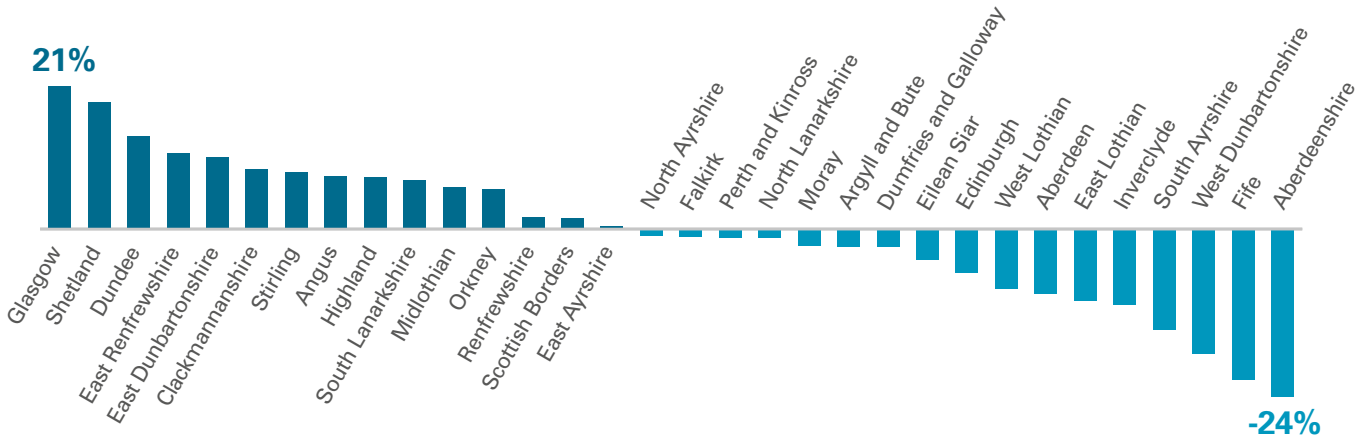
### Moray Council sustainability has improved with a significant surplus in 2019/20

**21.** In our 2018/19 report, we highlighted Moray Council as being at risk of depleting its reserves within five years. In 2019/20, the council's financial position improved, with the general fund increasing by £7 million. This was in contrast to a budgeted reduction of £5 million in the general fund. The turnaround was largely due to better than expected funding and income, including council tax income, Business Rates Incentivisation Scheme (BRIS) retention, a one-off VAT refund and insurance settlement and additional general revenue grant funding. The council also exceeded its savings target and delivered £13 million of savings in year.

## Exhibit 5

### Average annual movement in the general fund (including HRA) over the last three years

The movement on councils' general fund reserves varies significantly.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2018/19 and 2017/18

### Two councils are now at risk of running out of general fund reserves in the medium term if current trends continue

**22.** Fife and Aberdeenshire Council are now at risk of running down their general fund balance within four to five years if their current trend of using these continues ([Exhibit 5](#)). Neither council planned to use general fund balances as part of their 2020/21 initial budget, but the unusual circumstances of Covid-19 may now affect this.

**23.** Local auditors report that Aberdeenshire Council regularly reviews reserves as part of its medium-term financial strategy. The recent [Best Value Assurance Report](#) (October 2020) identified that reserves have largely decreased due to planned use. However, this also includes some unplanned use, including additional contributions of £5.5 million to the Aberdeenshire Integration Joint Board (IJB), to meet the council's share of IJB revenue budget overspends. The Report notes that the remaining balance is low relative to other councils.

**24.** Fife Council has been drawing on its reserves over the last few years, particularly the planned use of committed balances. However, the council's medium-term financial strategy forecasts the level of general fund will continue to deteriorate over the next three years and will be insufficient to fully mitigate against the financial impact of Covid-19.

## Capital

### Councils recorded the highest level of capital expenditure over the last five years

**25.** Capital expenditure increased by £0.8 billion (or 29 per cent) to £3.6 billion in 2019/20. Glasgow City Council's sale and leaseback transactions, as part of the equal pay funding strategy, make up £0.5 billion of the increase ([paragraph 28](#)). Excluding this, capital expenditure is still the highest level recorded by councils



Best Value Assurance Report: Aberdeenshire Council

October 2020 [Download](#)

over the last five years. This is aligned with a peak in Scottish Government capital funding ([Exhibit 12, page 29](#)).

**Some councils had significant increases in their capital investment:**

- City of Edinburgh Council: £0.15 billion (or 49 per cent) increase. New or additional investment across several areas including the Trams to Newhaven Project, creation and expansion of educational properties, investment in council houses, sports facilities and road infrastructure.
- Moray Council: £0.04 billion (or 87 per cent) increase. Investment in schools and early learning and childcare facilities, council houses and waste management facilities. This includes a joint venture with Aberdeen City and Aberdeenshire Councils to build an energy from waste plant.

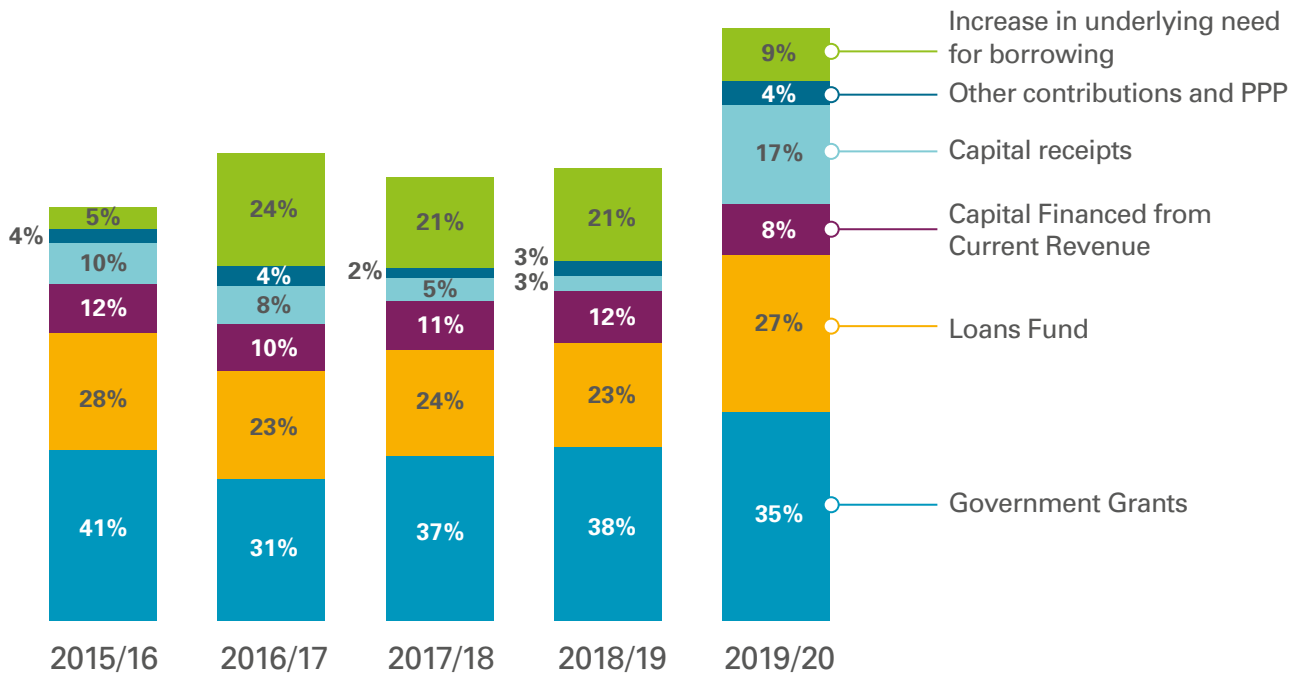
**The main sources of capital financing are still government grants and internal loans fund repayments from council services**

**26.** Government grants continued to provide the main source of capital finance. The effect of the sale and leaseback arrangements at Glasgow City Council significantly increased the element of funding generated from capital receipts in 2019/20 ([Exhibit 6](#)).

**Exhibit 6**

**Capital expenditure analysed by source of finance 2015/16 to 2019/20**

Sixty-two per cent of capital expenditure was financed by government grants or internal loans fund repayments.



Source: Unaudited financial statements 2019/20 and audited financial statements 2015/16–2018/19

## Debt

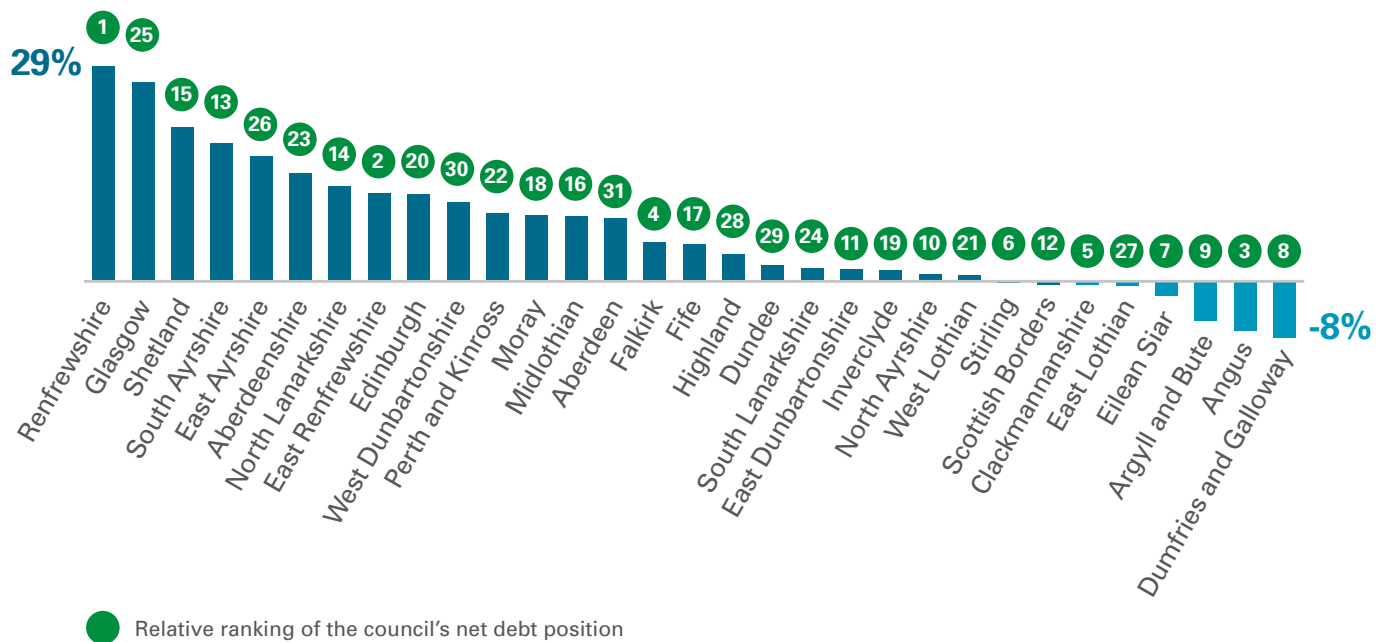
### Most councils increased their net debt, typically by 4 per cent or more in 2019/20

27. Total net debt (total debt<sup>2</sup> less cash and investments) across councils has increased by £1.4 billion, or nine per cent, to £17 billion. [Exhibit 7](#) shows the relative movement in net debt between 2018/19 and 2019/20 for each council. The median movement is 4.3 per cent. Renfrewshire Council incurred the most significant increase, but this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire Council still has the lowest level of net debt relative to its annual revenue. As noted earlier in this report, the Glasgow City Council sale and leaseback of council properties ([paragraph 28](#)) also contributed to a significant increase in its net debt position.

## Exhibit 7

### Percentage movement in net debt between 2018/19 and 2019/20 at council level with relative ranking of total net debt

Most councils increased their net debt by 4 per cent or more.



Note: Orkney has been excluded as it has net investments.

The rankings (1 to 31) indicate the net debt position of the council relative to others, with 1 being the lowest. Net debt is shown as a proportion of net annual revenue.

Source: Unaudited financial statements 2019/20.

### Equal pay settlements at Glasgow City Council were financed through sale and leaseback

28. Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £500 million cost of settlement was met by a funding strategy that raised £549 million. This included the refinancing of a City Property loan arrangement (the Council's Arm's Length Organisation or ALEO) and the sale and leaseback of 11 council properties to City Property. As the income from the funding strategy exceeded the cost of settlement, the council has earmarked £70 million to support any



future equal pay liability arising from the implementation of a new pay and grading system. This accounts for the majority of the net increase of £84 million in the general fund balance held by the council ([paragraph 17](#)).

**29.** The arrangement is represented in non-current assets and by a deferred liability. This contributed £453 million to the total Scottish debt. The total annual rent payable to City Property by the Council is now £20.4 million and is subject to annual inflation of 2.75 per cent.

## Audit of 2019/20 annual accounts

### Auditors drew attention to material uncertainty in property valuations relating to Covid-19

**30.** Most councils' auditors reported a material valuation uncertainty in council property valuations related to the potential impact of Covid-19. An 'emphasis of matter' paragraph was included in the independent auditor's reports to draw attention to this matter.

## Local Government Pension Funds

### Pension Fund investment returns were negative in 2019/20 as a result of Covid-19

**31.** The eleven main Scottish Local Government Pension Funds experienced negative investment returns as a result of the impacts of Covid-19 on global markets in the last quarter of 2019/20. The annual return was between -1.9 per cent and -8.3 per cent in individual funds, based on the average assets position ([Exhibit 8](#)).

## Exhibit 8

### Investment returns based on average assets in Scottish Pension Funds 2019/20

2019/20 investment returns were adversely affected by Covid-19.



Source: Audited accounts of the Pension Funds 2019/20

### **Funds still tended to outperform their benchmarks**

**32.** In the majority of funds, the overall investment returns still outperformed their individual annual benchmarks to 31 March 2020. Since then there has been a partial recovery in global markets. The auditors of Tayside Pension Fund report that net assets fell by 16 per cent due to Covid-19 in the last quarter of 2019/20 but had recovered over two-thirds of these losses by the end of June 2020.

### **Some elements of pension investments were more uncertain as result of Covid-19**

**33.** A number of pension fund auditors drew attention to the levels of greater uncertainty attached to 'level 3' investments, by including an 'emphasis of matter' paragraph in their auditors' reports. In Fife Pension Fund, level 3 investments include investments in property, infrastructure and private equity. These make up around £270 million or 11 per cent of the fund's total investments at 31 March 2020. As there is no market data to support the valuation these are based on judgements by investment funds. These valuations included material valuation uncertainty disclosures this year due to Covid-19.

### **The next triennial valuation of Scottish Local Government Pension Funds is due to be completed in March 2021**

**34.** Triennial valuations of Scottish Local Government Pension Funds are due to be completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19, but most funds still tended to outperform their benchmarks.

# Councils' financial outlook

## Key messages

- 1** 2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets
  - 2** Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare
  - 3** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income
  - 4** We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain
  - 5** Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms
  - 6** Councils need to review and revise their medium-term financial plans due to Covid-19
-

## Budget gap 2020/21

### Initially councils identified a total budget gap of £0.5 billion in 2020/21 and again plan to address these through savings targets

**35.** Councils original 2020/21 budgets were set before the Covid-19 pandemic emerged in Scotland. Councils set net expenditure budgets after taking into account projections of local income from fees and charges. Councils approved net expenditure budgets of £13.5 billion for 2020/21 including a budget gap of £0.5 billion (or three per cent). The budget gap is shown before action such as savings, council tax rate increases and use of reserves. There is still some inconsistency in how councils present their own budget gaps. For example, whether it is stated before or after the council tax increase. The relative size of the budget gap was consistent with the two previous years. Savings plans were the main way councils planned to bridge the budget gap, contributing 55 per cent with council tax increases contributing a further 23 per cent.

**36.** Eighteen councils approved a council tax rate increase in line with the 4.84 per cent cap set by Scottish Government in 2020/21. Six councils increased their council tax rate by three per cent and the remaining eight councils approved an increase of between 3.95 per cent and 4.8 per cent.

### More councils presented multi-year indicative budgets in 2020/21

**37.** A new development was for more councils to set multi-year indicative budgets, as part of the 2020/21 budget setting process. Fifteen councils presented multi-year indicative budgets. In four councils (Aberdeen, Aberdeenshire, Scottish Borders and Stirling) budgets covered the next five years, with the others covering three years.

## 2020/21 funding settlement

### Prior to additional Covid-19 related funding, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms

**38.** The Local Government revenue settlement from the Scottish Government in 2020/21, before taking into account changes due to Covid-19, increased by 3.4 per cent (cash terms) from 2019/20 to £10.7 billion. This was a real terms increase of 1.4 per cent ([Exhibit 9](#)).

## Exhibit 9

### Changes in Scottish Government revenue funding in 2020/21 (excluding Covid-19 funding)

Scottish Government revenue funding increased by 1.4 per cent in real terms in 2020/21.

	2019/20	2020/21	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,811	9,958	1.5%	-0.5%
Specific Revenue Grants	508	710	39.8%	37.1%
<b>Total revenue funding</b>	<b>10,319</b>	<b>10,668</b>	<b>3.4%</b>	<b>1.4%</b>
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	<b>10,674</b>	<b>11,023</b>	<b>3.3%</b>	<b>1.3%</b>

Source: Finance Circulars 04/2020 and Scottish Government budget documents

### **Most of the increased funding in 2020/21 was to fund the expansion in Early Learning and Childcare**

**39.** Specific revenue grants increased in cash terms by £202 million in 2020/21, growing from 4.9 per cent of total revenue funding to 6.7 per cent. This represented 1.4 per cent of the increase in revenue funding in cash terms between 2019/20 and 2020/21. Most of this increase was due to an additional £201 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 hours by 2021.

### **Financial impact of Covid-19 in 2020/21**

#### **The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million<sup>3</sup>**

**40.** As noted above, initial budgets and funding settlements did not reflect the changed environment and financial effects of Covid-19. During the early phases of Covid-19, the Convention of Scottish Local Authorities (COSLA) worked with councils to summarise the expected financial effects of Covid-19 on local government. This was summarised by COSLA in their *Cost Collection Exercise: Analysis and Narrative – 3rd Iteration (Full Year Figures), (July 2020)* and the financial impact of Covid-19 in 2020/21 is estimated to total £767 million (excluding Education and Early Learning and Childcare costs). The projected amount covers the full financial year and includes gross additional costs of £855 million, offset by savings of £88 million (from lower property costs and school meal costs). £86 million of the gross additional cost figure relates to projected capital costs.

**41.** This estimate does not include additional social care costs which are covered in [paragraph 70](#) as part of Health and Social Care Partnership costs.

#### **Lost income accounts for over half of Covid-19 costs in councils**

**42.** Loss of income accounts for over half of the forecast additional costs. Loss of income from fees and charges was projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income ([Exhibit 10, page 25](#)). All councils projected a loss of income from sports and leisure facilities at July 2020, totalling £75 million. Mobilisation costs and the costs arising from reconfiguring services (recovery costs) made up the remaining Covid-19 costs.

**43.** Several larger urban councils have ALEOs that were set up to manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

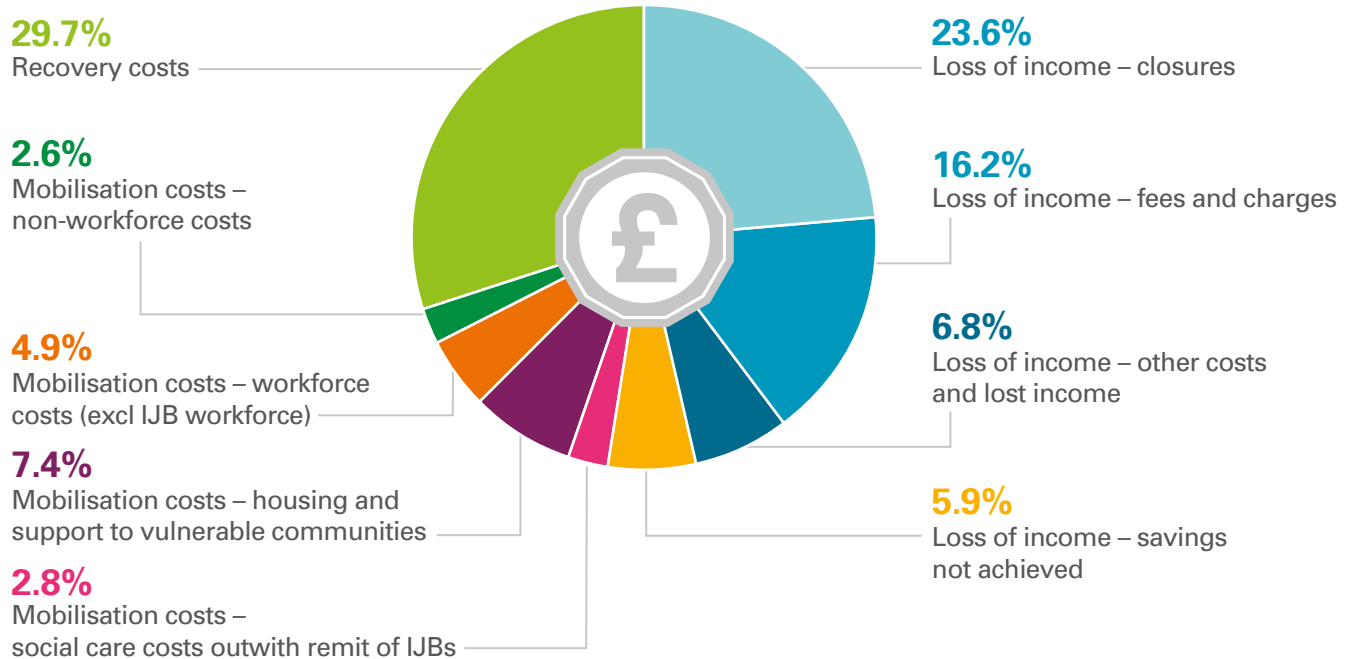
**44.** Loss of income from harbour and ferry activities is another area that has been projected to be significantly impacted. Four councils projected a loss of income totalling £11 million.

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million. Over half of this relates to lost income.

## Exhibit 10

### 2020/21 Projected Covid-19 related expenditure/lost income

Loss of income accounts for over half of the forecast additional costs.



Source: COSLA summary (full year returns) (July 2020) and COSLA council returns. Proportions based on returns from 25 councils.

## Scottish Government support for Covid-19 pressures

### The proportion of NDR and General Revenue Grant funding was adjusted

**45.** In March 2020, the Scottish Government made a £972 million reduction to the distributable amount of Non-Domestic Rates (NDR) in 2020/21 together with a corresponding increase in the General Revenue Grant (GRG). This reflected measures arising from The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020 which included 1.6 per cent of Universal Relief, 100 per cent relief for Retail, Hospitality and Leisure and 100 per cent relief for Airports and Baggage Handlers.

**46.** The change reflected a recognition that NDR income collected by councils would be lower than anticipated due to Covid-19. As the Scottish Government guarantee each council's formula share of GRG plus NDR, the change resulted in no overall impact on council's total revenue funding.

### Councils have administered funding of over £1 billion as part of the Covid-19 Business Support Fund Grant Scheme

**47.** In March 2020, the Scottish Government announced that businesses could apply for grants to help them deal with the impact of Covid-19.<sup>4</sup> These grants would be administered by councils on behalf of the Scottish Government, with funding made available to councils to finance the costs incurred. Councils received a grant of £950 million in 2020/21 providing an initial advance of the estimated costs projected by the Scottish Government, based on the number of businesses eligible for relief within each council area. The remaining amount will be disbursed as necessary up to a maximum collective limit of £1.2 billion.

**48.** Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by September 2020.

**Further funding of £936 million has been announced by November 2020**

**49.** As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced ([Exhibit 11, page 27](#)). This is made up of the following:

- £723 million of revenue support, including £90 million (estimated) from the loss of income compensation scheme
- £150 million of NHS funding to be passed on to Health and Social Care Partnerships
- £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, school transport support and digital inclusion funding

**We estimate that funding announced by November 2020 meets 60 to 70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain**

**50.** In [paragraph 40](#), we noted estimated council cost pressures of £767 million, split between revenue cost projections of £681 million and capital cost projections of £86 million. Not all the announced additional funding can be matched to these costs. Of the total £936 million announced, £234 million has been provided to benefit third parties or did not form part of the council's original cost submission.

**51.** The funding for the Scottish Welfare Fund (£45 million), council tax reduction scheme (£50 million) and discretionary housing payments (£5 million) are administered by the councils but will benefit individuals and businesses within the community.

**52.** The additional educational recovery funding (£134 million) is a consequence of the decision to re-open schools and early years establishments full-time from 11 August 2020. The necessary social distancing and cleaning measures result in additional costs to councils to be met from this funding. These were not envisaged in the councils' initial cost collection exercise, which predated decisions to return to school on a full-time basis.

**53.** The funding of £150 million to be passed to Health and Social Care Partnerships did not form part of the councils' estimated costs as these form part of the IJB mobilisation costs. These are described at [paragraph 70](#).

**54.** After taking into account the above issues, we estimate that the beneficial announcements of revenue funding to councils meet 60 to 70 per cent of the estimated revenue costs at July 2020. However, some of this funding is ringfenced, with £236 million being allocated for specific purposes. For example, £65 million for the food fund and for free school meals. Councils may have cost pressures in other separate areas, which may not be met by this specific funding.

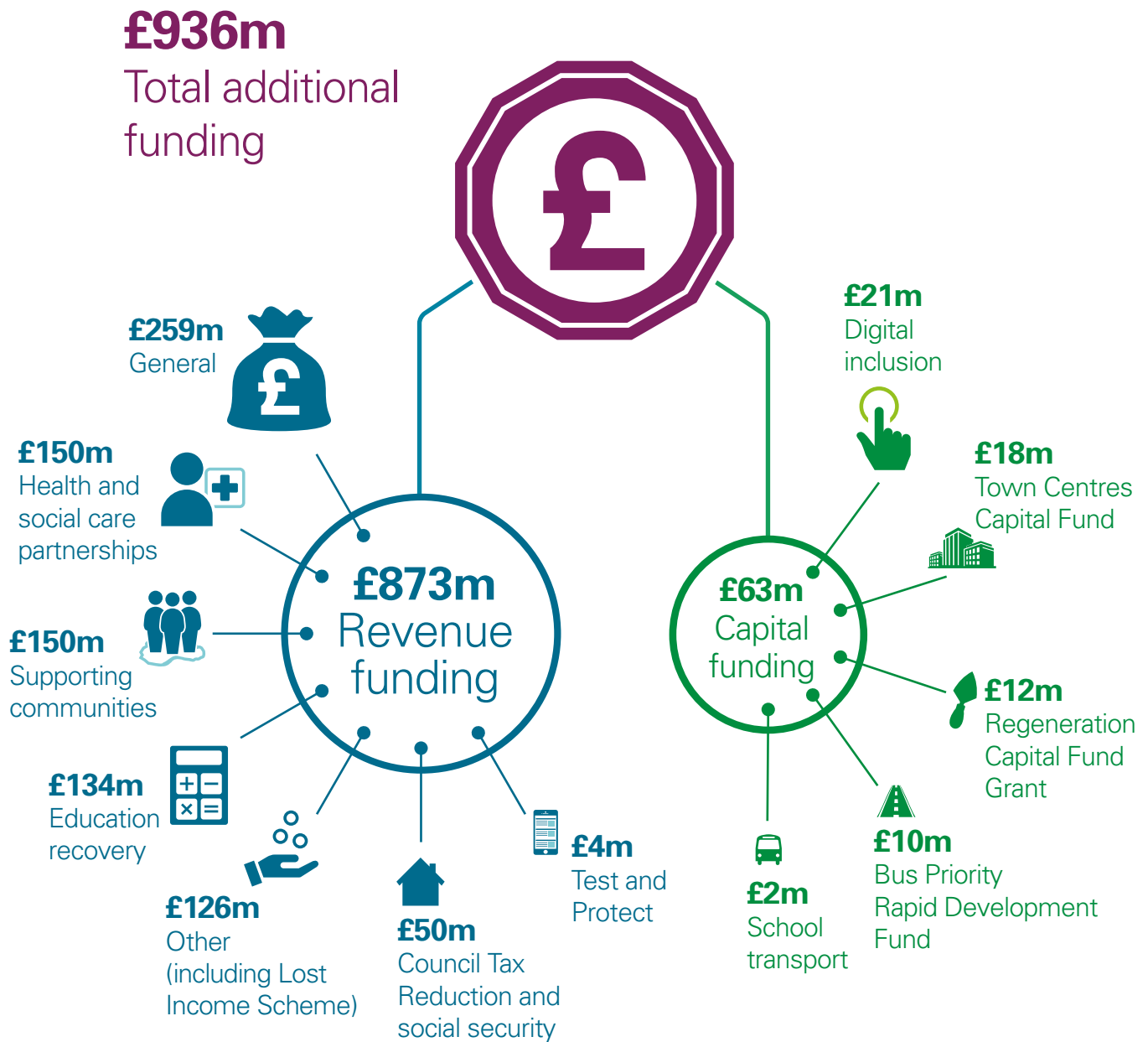
**55.** The effects of the Covid-19 pandemic continue to develop, as do projections of associated costs and funding.

As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced.

### Exhibit 11

#### Scottish Government Covid-19 funding in 2020/21

Councils were allocated £936 million of additional Covid-19 funding in 2020/21 (November 2020).



Source: Scottish Government funding announcements and COSLA report



#### The Scottish Government has given councils additional financial flexibility to respond to the Covid-19 crisis

**56.** Councils have been given an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million.<sup>5</sup> This figure will apply if all councils are able to use all the new flexibilities, however COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the effects of Covid-19 may impact on some areas, for example expected capital receipts. The new funding levers open to councils to respond to Covid-19-related



pressures only and apply to this and the next financial year. Additional spending powers include the following:

- enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs
- extending debt repayment periods over the life of the asset rather than the contract period
- allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

**57.** In addition to these measures, the Scottish Government has provided flexibility around the guidance for using the following specific funding:<sup>6</sup>

- Pupil Equity Funding
- Challenge Authority and Schools' Programme funding
- funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be repurposed to the Covid-19 response, and
- deploy early learning and childcare funding flexibly to deliver critical provision for children and families.

**58.** The extent of how these individual flexibilities may be used by each council, is yet unclear. Judgements will be required by each council and this may depend on the extent of unavoidable commitments already existing, for example in early learning contract commitments to parents.

## Medium and long-term financial planning

### The financial changes due to Covid-19 mean that councils need to review and revise their medium-term financial plans

**59.** Auditors have reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.

## Capital funding

### Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms

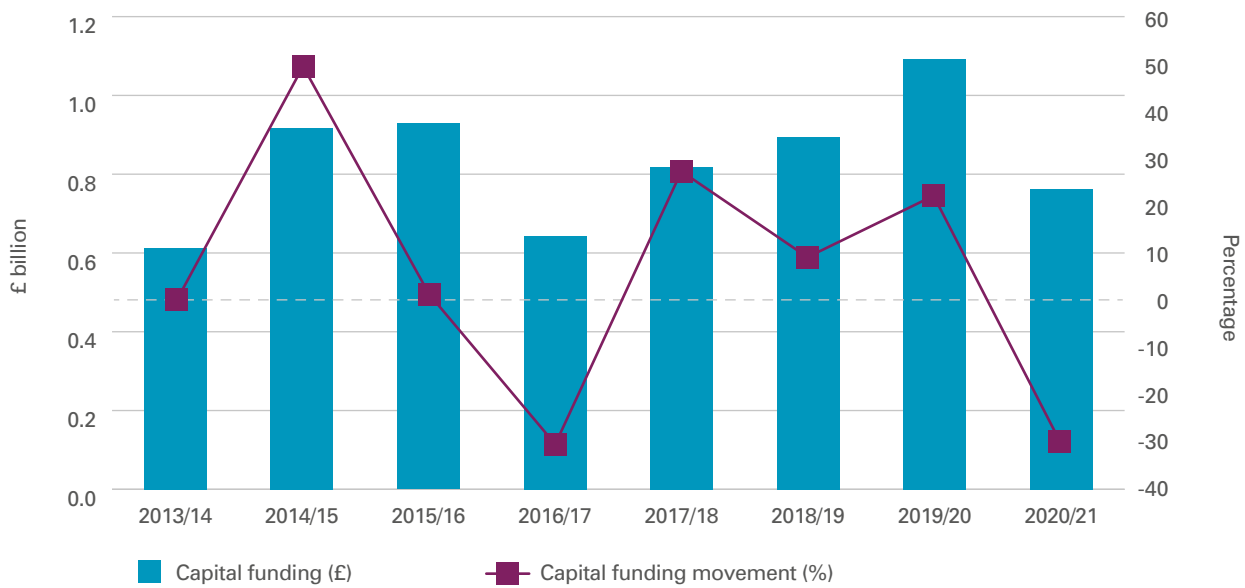
**60.** The Local Government capital settlement in 2020/21 decreased from £1.1 billion in 2019/20 to £0.8 billion. Capital funding had experienced significant increases in the past three years (33 per cent increase between 2017/18 to 2019/20). Total capital funding has now returned to levels more similar to those in 2017/18, in real terms ([Exhibit 12, page 29](#)). This could have a significant impact on councils' future investment plans.

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms.

## Exhibit 12

### Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)

Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents

# Integration Joint Boards

## Key messages

- 1** A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits
  - 2** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all these costs
  - 3** Revisions will be required to medium-term financial plans to reflect the impact of Covid-19
  - 4** There were changes in chief officer at 12 IJBs in 2019/20
-

## Funding and expenditure

### In 2019/20 overall funding to IJBs increased by six per cent

**61.** Overall funding to IJBs, in 2019/20, increased by £0.5 billion (or six per cent) to £9.1 billion. Most of this increase is in health board contributions to the IJB.

### Sixteen IJBs recorded deficits

**62.** Sixteen of the thirty IJBs reported a total deficit of £32 million in 2019/20, compared with only eight IJBs reporting a deficit of £11 million in 2018/19. Of the remaining IJBs, 13 reported a total surplus of £17 million and one reported a breakeven position.

### A further six IJBs needed additional funding to achieve surplus or breakeven

**63.** Six of the IJBs that reported a surplus or breakeven position would not have achieved this without additional funding from partners. A total of thirteen IJBs had extra financial support from partners of £50 million. Without this, 22 IJBs would have reported a total deficit of £77 million (19 IJBs with a deficit of £58 million in 2018/19).


### IJBs reported mixed performance against the achievement of savings targets in 2019/20

**64.** We reported last year that of the £208 million projected budget gap for 2019/20, 59 per cent of this was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Comparing this to actual performance and based on a sample of 22 IJBs, only four delivered 100 per cent of planned savings in 2019/20. Generally, there was significant variation in how IJBs performed against savings targets, with savings achieved ranging from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

### IJB reserves have decreased in 2019/20

**65.** The IJBs' total reserves decreased by £15 million (9 per cent), to £143 million. This contrasts with a £34 million increase in reserves in 2018/19. Last year we reported that some of the increase in reserves was a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. The Scottish Government has advised health boards and IJBs that it expects these earmarked balances to be used before further funds are drawn down. Part of the decrease in reserves this year relates to the use of these specific funds ([Exhibit 13, page 32](#)).

**66.** Some of the more significant reductions include:

- Edinburgh IJB used reserves of £7 million to address a budget gap, as outlined in the recent Edinburgh City Council [Best Value Assurance Report](#)  (November 2020).
- Dumfries and Galloway and South Lanarkshire IJBs used up a significant element of specific reserves, including Primary Care Transformation and Mental Health programmes of work.

A majority of IJBs struggled to achieve break-even in 2019/20 or recorded deficits.

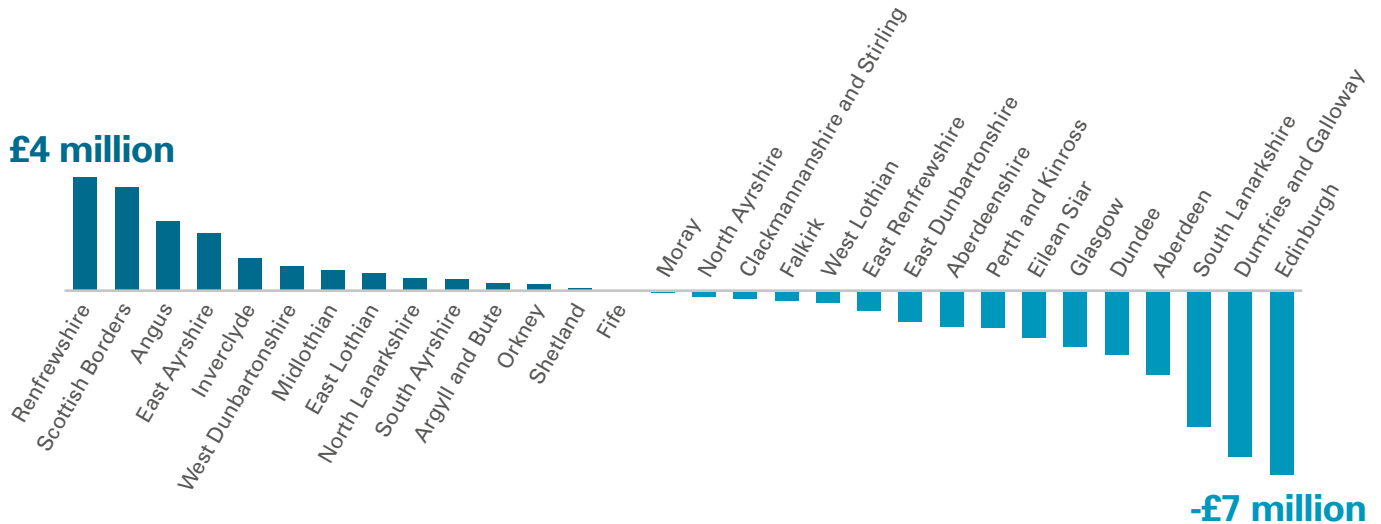


Best Value Assurance  
Report: City of Edinburgh  
Council  
November 2020 

## Exhibit 13

### Individual movements in general fund reserves between 2018/19 and 2019/20

Sixteen IJBs reported a decrease in the general fund balance.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified



## Financial planning

### More IJBs agreed budgets with partners before the start of the financial year

**67.** Previously we reported that eleven IJBs failed to agree a budget with their partners at the start of the 2019/20 financial year. This position improved for 2020/21, when only six IJBs had not agreed their budgets by 1 April. Auditors identified the main reasons for this as the impact of Covid-19 and the timing of partner bodies setting their budgets.

### Prior to Covid-19 costs, the projected budget gap was £185 million for 2020/21

**68.** Auditors identified a total estimated budget gap of £185 million for 2020/21, representing 2 per cent of total projected net expenditure. This is an improvement in comparison to 2019/20 (£208 million). The 2020/21 budget gap as a proportion of total projected net expenditure varied between 0.6 and 5.7 per cent.

**69.** Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.

## Covid-19 related costs

### As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million

**70.** Financial data, provided to the Scottish Government by NHS Boards, shows estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships of £422 million for 2020/21. This projected total covers the full financial year and is based on returns submitted to NHS Boards by IJBs in the period June to September 2020. The main contributory factors to this are:

- additional costs for externally provided services, including PPE (£113 million)
- additional payments to Family Health Services contractors (£18 million) and prescribing (£15 million)
- additional temporary staff (£27 million)
- additional care home beds (£21 million)
- additional staff overtime and enhancements (£20 million)
- costs associated with Community Hubs (£27 million)
- homeless and criminal justice services (£10 million)
- mental health services (£10 million)
- expected underachievement of savings (£72 million), and
- loss of income (£24 million).

### It is not yet clear if the Scottish Government will provide financial support to IJBs for the full impact of the pandemic

**71.** Several IJBs have included an assumption within budget papers and monitoring reports that the Scottish Government will provide financial support to cover all 'reasonable' expenditure included in cost submissions. However, there remains uncertainty around the extent to which the Scottish Government will fund these costs. Uncertainty of funding in care elements of the IJB has a significant impact on councils too, as the impact of costs and funding has been assumed to be neutral or excluded from council estimates.

**72.** At September 2020, the Scottish Government confirmed that £2.6 billion received in consequentials will be passed on for health and social care. This amount should be sufficient to cover the projected Covid-19-related revenue costs of £1.62 billion for health (£1.2 billion) and social care (£0.42 billion) for 2020/21.

**73.** In late September 2020, the Scottish Government announced additional funding of £1.1 billion to support the health and social care sector in dealing with Covid-19 related pressures. The funding will be allocated to NHS Boards and Health and Social Care Partnerships across Scotland to meet the costs of additional staffing or sickness expenditure, enhanced infection prevention and control measures, and the purchase of PPE. However, the basis for allocation to individual partnerships is not yet clear.<sup>7</sup>

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million.

### Revisions will be required to medium-term financial plans

**74.** More IJBs developed medium-term financial plans in 2019/20. Auditors reported that 26 had a medium-term financial plan in place. The impacts of Covid-19 could be significant for individual IJBs and medium-term financial plans will need to be revised to reflect this.

### Wider governance issues

#### There were changes in chief officer at 12 IJBs in 2019/20 and instability of leadership continues to be a challenge

**75.** Auditors continued to identify significant changes in senior officers of IJBs. In 2019/20 there were changes in the chief officer at 12 of the 30 IJBs. Two-thirds of the chief officers who resigned left for a new role, either at another IJB (three chief officers) or elsewhere (five chief officers). There were also changes in chief finance officer at two of the IJBs. At Western Isles IJB (Curam is Slainte nan Eilean Siar) the absence of a chief officer has contributed to delays in strategic planning and issues with workforce planning.

#### Some IJBs did not review their integration scheme due to Covid-19

**76.** The Public Bodies (Joint Working) (Scotland) Act 2014 sets out that IJBs have a statutory duty to review their integration scheme within a five-year period. Auditors reported that six IJBs had not reviewed their integration scheme within the required timeframe. In all cases, Covid-19 was noted as a reason for the delay.

Instability of leadership continues to be a challenge for IJBs.

# Endnotes


- 1 COSLA returns (3 month and full year returns) – based on 29 councils. Cost projection ranges were derived for the missing councils. Please note that this also includes the loss of the £6 million dividend from Lothian Buses.
- 2 Debt is total outstanding borrowing and other liabilities, including assets acquired through Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models.
- 3 Excludes additional costs due to the decision to re-open schools and early years establishments full-time from 11 August 2020, as the cost collection exercise was conducted prior to this.
- 4 Scottish Government announcement (<https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/>)
- 5 Scottish Government announcement (<https://www.gov.scot/news/supporting-local-government-recovery>)
- 6 Scottish Government announcement (<https://www.gov.scot/publications/coronavirus-covid-19-letter-to-local-authorities-regarding-education-and-early-learning-and-childcare-funding-flexibility>)
- 7 The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Health and Social Care Partnerships are the partnerships that deliver services based on decisions made by the IJB.



# Local government in Scotland

## Financial overview

### 2019/20

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission) 

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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 16 February 2021

## Annual Assurance Schedule – Chief Executive - Strategy and Communications

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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1.1 To note the annual assurance schedule.

**Andrew Kerr**

**Chief Executive**

Contact: Gavin King, Democracy, Governance and Resilience Senior Manager

E-mail: [gavin.king@edinburgh.gov.uk](mailto:gavin.king@edinburgh.gov.uk) | Tel: 0131 529 4239

## Annual Assurance Schedule – Chief Executive - Strategy and Communications

### 2. Executive Summary

---

- 2.1 The purpose of this report is to present the Annual Assurance Schedule from Strategy and Communications to the Governance, Risk and Best Value Committee for scrutiny.

### 3. Background

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- 3.1 Each year the City of Edinburgh Council requires that the Executive Directors complete Certificates of Assurance that represent their view of the effectiveness and appropriateness of controls in their areas of responsibility. These Certificates support the writing of the Annual Governance Statement which is a component part of the authority's Statement of Accounts.
- 3.2 An Assurance Schedule, to help prompt Executive Directors and relevant Heads of Service to consider various aspects of their control environment, is circulated in advance of Certificates.
- 3.3 A review of the process was undertaken by Strategy and Communications in response to feedback received in relation to last year's exercise resulting in the implementation of a 'comply or explain' model. The format and design of documentation was also updated to reduce manual administration and implement auto-population of improvement actions. This is designed to help officers to use improvement actions to inform the corporate governance framework self-assessment exercise. The process will continue to be reviewed in line with feedback.

### 4. Main report

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- 4.1 The Strategy and Communications Assurance schedule (appendix 1) was completed and returned to the Democracy, Governance and Resilience Team, after which a Certificate of Assurance was issued. This informed the drafting of the Annual Governance Statement, submitted to Council as part of the Unaudited Annual Accounts.

- 4.2 The Certificates of Assurance require Heads of Service and their Executive Directors to confirm that:
- 4.2.1 They have considered the effectiveness of controls in their service area/directorate, including controls in place to mitigate major risks to their division/directorate's objectives.
  - 4.2.2 To the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise); and
  - 4.2.3 They have identified actions, where appropriate that will be taken to continue improvement.
- 4.3 The schedule is completed by the relevant Executive Director or Head of Service.
- 4.4 Before signing their Certificate of Assurance, the Executive Director or Head of Service should ensure that the schedule has been completed accurately.
- 4.5 An overview of the Strategy and Communications Division is attached at appendix two. This ensures that the assurance statement can be considered relative to the overall responsibilities, functions, budgets and staffing levels for the division.

## **5. Next Steps**

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- 5.1 Actions in the schedule are taken forward by the division's senior management team.

## **6. Financial impact**

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- 6.1 The annual assurance process and production of the annual governance statement is contained within the relevant budget.

## **7. Stakeholder/Community Impact**

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- 7.1 The annual assurance schedule exercise is a corporate activity concerned with internal controls and does not require consultation or external engagement.
- 7.2 The Annual Assurance Schedule template was drafted using input from the Council's subject matter experts. This included contributions from Resilience, Internal Audit, Health and Safety, Governance, Legal Services, Financial Services and Human Resources.

## **8. Background reading/external references**

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- 8.1 City of Edinburgh Council – 30 June 2020– [Unaudited Annual Accounts](#)

**9. Appendices**

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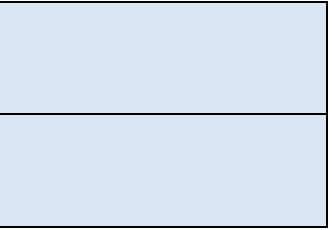
Appendix 1 - Strategy and Communications Assurance schedule

Appendix 2 - Overview of the Strategy and Communications Division

# Head of Service's Annual Assurance Statement

For the year ending 31 March 2020

Service Area	Strategy and Communications			
Completed by	Gavin King	Job title	Democracy, Governance and Resilience Senior Manager	Date completed
Signed off by		Job title		
Print name of signatory		Date of signature		
Reviewed by		Role		Date
Issued to Internal Auditor		Date		





## Introduction

The Statement of Accounts 2019/2020 will include the Annual Governance Statement signed by the Council Leader, the Chief Executive and the Head of Finance. The Annual Governance Statement is supported by Certificates of Assurance from each of the Executive Directors.

Before signing the Certificate of Assurance Executive Directors should ensure that this schedule has been completed accurately. The Certificates of Assurance require Executive Directors to confirm that:

1. they have considered the effectiveness of controls in their directorates, including controls in place to mitigate major risks to their directorate's objectives;
2. to the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise); and
3. they have identified actions that will be taken to continue improvement.

Executive Directors seek assurance through issue of this schedule to their Heads of Service to satisfy themselves that effective controls are in place across all of their service areas. Completing this schedule helps prompt Heads of Service to consider various aspects of their control environment and will inform the Executive Director's assessment of compliance (suggested managers to provide information and/or responses are highlighted below).

**This schedule should be used as a prompt to think about good governance and the internal control environment and is not an exhaustive list.**

Section	Requirements	Supporting officers
Section 1	Internal Control Environment	Head of Service
Section 2	Risk and Resilience	Service Area Risk Committee Representative/Resilience Co-ordinator
Section 3	Workforce Controls	Head of Service
Section 4	Council Companies	Senior Relationship Lead / Company Observer(s)
Section 5	Engagement and Consultation	Head of Service
Section 6	Policy	Head of Service
Section 7	Governance and Compliance	Head of Service
Section 8	Responsibility and Accountability	Head of Service
Section 9	Information Governance	Service Area Record Officers
Section 10	Health & Safety	SMT Health & Safety Lead
Section 11	Performance	Head of Service
Section 12	Commercial and Contract Management	Head of Service
Section 13	Change and Projects	Head of Service
Section 14	Financial Control	Service Area Financial Manager or Representative
Section 15	Group Accounts	RESOURCES only
Section 16	National Agency Inspection Reports	Head of Service
Section 17	Internal Audit, External Audit & Review Reports	Head of Service
Section 18	Progress	Head of Service

## Guidance on completing the Schedule

The schedule should be completed by the Head of Service or by a nominated senior manager.

The format has changed again this year, to align with the Council's Corporate Governance Framework. The primary worksheet for completion is the 'Assurance Statements' tab. Where improvement actions are recorded these will auto-populate the first column of the 'Improvement Plan' tab.

Your assessment should consider how your service area's arrangements would stand up to external scrutiny. Please note that although evidence does not need to be provided as part of this exercise, responses made in the schedule may be subject to audit at a later date. Additional guidance notes are provided below.

Please return your completed schedule to [governance@edinburgh.gov.uk](mailto:governance@edinburgh.gov.uk) no later than 17 April 2020.

**Step 1:** Please address each statement in the "Assurance Statements" tab. The options for the response are included as a drop down. Please note this submission covers the financial year 1 April 2019 to 31 March 2020.

**Step 2:** For each statement please enter a "Compliant", "Partially Compliant" or "Not Compliant" response for your service area. A clear summary of any issues relating to the statement in the reporting period should be completed in the free text explanation cell to the right. There is no word limit however responses should be as concise as possible. These should include a brief description and reference to any evidence that explains the issue(s). You should also set out the actions that you will be taking to address the non-compliance and/or issues in the "Improvement Actions" cell.

**Step 3:** Please set out any relevant service area controls that your service area has in relation to each assurance statement in the free text explanation cell.

**Step 4:** On the "Improvement Plan" tab please provide the details for each "Action Owner" and "Action Deadline" where "Improvement Actions" have auto-populated from the "Assurance Statement" tab.

### For further information or assistance please contact:

	Gavin King	Laura Callender
	Democracy, Governance and Resilience Senior Manager	Governance Manager
	Strategy & Communications	Strategy & Communications
	529 4239 or <a href="mailto:gavin.king@edinburgh.gov.uk">gavin.king@edinburgh.gov.uk</a>	529 3655 or <a href="mailto:laura.callender@edinburgh.gov.uk">laura.callender@edinburgh.gov.uk</a>

### Internal Control Environment

1	Explanation
1.1	Please explain why your service area is not fully compliant.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
1.2	Please explain why your service area is not fully compliant.
<b>Corporate Governance Framework</b>	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.
1.3	1. Please explain why reviews are not undertaken or were not effective and what needs to be done to rectify this. 2. Please describe any weaknesses that were identified that could have an impact on the Annual Accounts.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
1.4	Please detail any problems that have been identified and could have an impact on the Annual or Group Accounts.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.

Risk and Resilience	
2	Explanation
2.1	Please explain why your risk management arrangements do not identify all of the key risks to your service area (and the Council) including those arising from or that could impact on: <ol style="list-style-type: none"> <li>1. Change (e.g. structural, service delivery, demographic and/or management);</li> <li>2. Partnerships (external and internal);</li> <li>3. Projects;</li> <li>4. Legal or regulatory action(s);</li> <li>5. Reputational damage; and</li> <li>6. Bribery (e.g. the identification, recording and minimising of bribery risks).</li> </ol>
Corporate Governance Framework	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.
2.2	Please explain why current controls and procedures do not effectively record and manage the risks identified to a tolerable level and explain why suitable actions are not in place to mitigate the risk.
Corporate Governance Framework	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.
2.3	<ol style="list-style-type: none"> <li>1. Please explain why regular reviews are not undertaken and what needs to be done to rectify this.</li> <li>2. Please describe and evidence any weakness that were identified and the impact they could have on the Annual Accounts.</li> </ol>
Corporate Governance Framework	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.
2.4	Please explain why the process(es) for escalation/communication to the relevant Risk Committees are inadequate.
Corporate Governance Framework	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.
2.5	Please explain where your arrangements were inadequate and the instances when they failed to support and promote the relevant policies or procedures to your staff.
Corporate Governance Framework	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.
2.6	Your resilience and business continuity arrangements should include: <ol style="list-style-type: none"> <li>1. A Service Area Resilience Group and Workplan</li> <li>2. A Resilience Coordinator and deputies for each essential activity area</li> <li>3. A Counterterrorism Coordinator and deputy</li> <li>4. A Building Incident Manager for each staffed Council premise; and</li> <li>5. All who should have received the appropriate training.</li> </ol> Please explain why you do not have these arrangements in place.
Corporate Governance Framework	4.2.1 Establishing and implementing robust planning and control cycles that take into account stakeholder input, risks and are adaptable to changing circumstance.
Workforce Controls	
3	Explanation
3.1	Please explain why the arrangements your service area had in place did not ensure your service area's compliance with payroll policies, overtime controls, absence management and performance.

<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
3.2	1. Please explain why your service area's controls failed to effectively manage off-payroll workers/contractors. Please explain why your service area's controls failed to ensure that statutory workforce requirements were met e.g. PVG/disclosure checks, statutory registration/qualification, European Working Time Directive, right to work in the UK. 2.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
3.3	Please explain why your service area's arrangements failed to ensure compliance with the Council's HR Policies and procedures including: 1. Employee Code of Conduct; 2. Recruitment; 3. Disciplinary; 4. Grievance; 5. Bullying and Harassment; 6. Maintaining a register of gifts and hospitality; 7. Recording conflicts of interest; and 8. Recording and approving secondary employment where required.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
3.4	Please explain why your service area's controls failed to effectively manage new starts, movers and leavers.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
3.5	Please explain why your service area's arrangements have failed to effectively manage staff health and wellbeing.
<b>Corporate Governance Framework</b>	5.2.4 Ensuring arrangements are in place to support and maintain the health and wellbeing of the workforce.
3.6	Please explain why the arrangements your service area had in place failed to ensure the effective delivery of staff training and development.
<b>Corporate Governance Framework</b>	5.2.2 Developing the capability of members and officers through the encouragement and provision of appropriate training and continued professional development tailored to their respective roles.
3.7	Please explain why your service area's arrangements failed to support and manage staff performance.
<b>Corporate Governance Framework</b>	5.2.3 Ensuring arrangements are in place to consider leadership effectiveness and staff performance.
<b>Council Companies</b>	
<b>4</b>	<b>Explanation</b>
4.1	Please explain why your service area's arrangements failed to effectively provide oversight and monitoring of Council companies.
<b>Corporate Governance Framework</b>	7.3.1 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.
4.2	Please explain why appropriate agreements were not in place with the ALEOs you are responsible for.

<b>Corporate Governance Framework</b>	1.2.1 Ensuring the organisation's ethical standards are understood and upheld by external providers of services and embedded across the Council. Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	7.3.1
<b>Engagement and Consultation</b>		
<b>5</b>	<b>Explanation</b>	
5.1	Please explain why your service area's arrangements failed to effectively engage with institutional stakeholders, service users and individual citizens.	
<b>Corporate Governance Framework</b>	2.2.1 Ensuring effective engagement with clarity of purpose, objectives and intended outcomes. 2.2.2 Developing partnerships based on trust, shared commitments, a challenge culture and added value. Ensuring effective engagement with clarity of purpose, objectives and intended outcomes.	2.3.1
5.2	Please explain why your service area's communication methods failed to collect and evaluate views and experiences while ensuring inclusivity.	
<b>Corporate Governance Framework</b>	2.3.2 Developing effective communication methods that encourage, collect and evaluate views and experiences while ensuring inclusivity.	
5.3	Please explain why your service area's arrangements failed to support the recording, monitoring and managing of customer service complaints and customer satisfaction .	
<b>Corporate Governance Framework</b>	2.1.1 Demonstrating an open culture through decisions that have been subject to consultation and/or engagement, are public, evidenced, impact assessed and, where necessary, justification for confidentiality explained. effective communication methods that encourage, collect and evaluate views and experiences while ensuring inclusivity. to take decisions based on objective information and rigorous analysis, whilst considering best value, risk, stakeholder views and future impacts.	2.3.2 Developing 4.1.1 Supporting decision makers
5.4	Please explain why your service area failed to consult and engage with recognised trade unions on a regular basis.	
<b>Corporate Governance Framework</b>	2.2.1 Ensuring effective engagement with clarity of purpose, objectives and intended outcomes.	
<b>Policy</b>		
<b>6</b>	<b>Explanation</b>	
6.1	Please explain why your service area's arrangements do not ensure staff awareness and understanding.	
<b>Corporate Governance Framework</b>	1.1.2 Ensuring this is reflected in policies and processes that are regularly reviewed and monitored for compliance. Ensuring the organisation's ethical standards are understood and upheld by external providers of services and embedded across the Council.	1.2.1
6.2	Please explain why your service area's arrangements failed to ensure the annual review of the policies owned by your service area.	
<b>Corporate Governance Framework</b>	1.1.2 Ensuring this is reflected in policies and processes that are regularly reviewed and monitored for compliance. Demonstrating an open culture through decisions that have been subject to consultation and/or engagement, are public, evidenced, impact assessed and, where necessary, justification for confidentiality explained.	2.1.1
<b>Governance and Compliance</b>		
<b>7</b>	<b>Explanation</b>	
7.1	Please explain why your service area's arrangements are not sufficient to ensure compliance with the framework, e.g. 1. Committee Terms of Reference and Delegated Functions; 2. Scheme of Delegation; 3. Contract Standing Orders; and 4. Financial Regulations.	
<b>Corporate Governance Framework</b>	1.1.1 Developing a leadership culture based on values, integrity and public interest that is communicated and understood by all and forms the basis of a framework for decision making and action.	
7.2	Please explain why your service area was not fully compliant with the relevant Scottish, UK and EU legislation and regulations and any mitigating circumstances/reasons.	

<b>Corporate Governance Framework</b>	1.3.1 Demonstrating commitment to adherence to the rule of the law and regulations while ensuring individuals fulfil their responsibilities and optimise available powers to the benefit of all. Partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.
<b>Responsibility and Accountability</b>	
8.1	Please explain why your service area's officers were not clear on their roles and responsibilities in terms of relationships and decision making.
<b>Corporate Governance Framework</b>	5.2.1 Ensuring clarity on roles, responsibilities and expectations for members and officers in terms of relationships and decision making.
8.2	Please explain why your service area is not fully compliant.
<b>Corporate Governance Framework</b>	1.2.1 Ensuring the organisation's ethical standards are understood and upheld by external providers of services and embedded across the Council.
8.3	Please explain why your service area's arrangements are not sufficient to ensure compliance with the decision making processes and structures, e.g. 1. Objective information; 2. Consideration of best value; 3. Risk; 4. Stakeholder views; and 5. Rigorous analysis and consideration of future impacts.
<b>Corporate Governance Framework</b>	4.1.1 Supporting decision makers to take decisions based on objective information and rigorous analysis, whilst considering best value, risk, stakeholder views and future impacts.
8.4	Please explain why your service area failed to consult and engage with elected members as appropriate and required under the Scheme of Delegation.
<b>Corporate Governance Framework</b>	7.2.1 Elected member and senior management owned annual reporting on performance, best value and resource stewardship.
<b>Information Governance</b>	
<b>9</b>	<b>Explanation</b>
9.1	Please explain why your staff were not fully aware of their responsibilities and how this has impacted on compliance.
<b>Corporate Governance Framework</b>	6.3.1 Ensuring that data is properly managed, accurate and of a good quality.
9.2	Please explain why your service area is not fully compliant.
<b>Corporate Governance Framework</b>	6.3.1 Ensuring that data is properly managed, accurate and of a good quality.
<b>Health &amp; Safety</b>	
<b>10</b>	<b>Explanation</b>
10.1	Please explain why your service area's arrangements failed to ensure your staff were (1) fully aware of their H&S responsibilities and (2) trained appropriately.
<b>Corporate Governance Framework</b>	5.2.1 Ensuring clarity on roles, responsibilities and expectations for members and officers in terms of relationships and decision making. <span style="float: right;">5.2.2</span> Developing the capability of members and officers through the encouragement and provision of appropriate training and continued professional development tailored to their respective roles.

10.2	Please explain how your service area failed to have the necessary H&S controls and procedures in place.
<b>Corporate Governance Framework</b>	6.1.1 Ensuring that risk management is embedded and clearly allocated in decision making throughout the organisation.
10.3	Please explain how your arrangements failed to ensure all applicable H&S laws and regulations were complied with.
<b>Corporate Governance Framework</b>	1.3.1 Demonstrating commitment to adherence to the rule of the law and regulations while ensuring individuals fulfil their responsibilities and optimise available powers to the benefit of all.
10.4	Please explain the weaknesses you have identified in the governance and reporting structure for H&S in your service area.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis.
<b>Performance</b>	
<b>11</b>	<b>Explanation</b>
11.1	Please explain why the required arrangements were not in place.
<b>Corporate Governance Framework</b>	2.1.1 Demonstrating an open culture through decisions that have been subject to consultation and/or engagement, are public, evidenced, impact assessed and, where necessary, justification for confidentiality explained. 5.1.1 Regularly reviewing and improving effectiveness through performance monitoring, benchmarking and other methods to achieve defined outcomes. 7.2.1 Elected member and senior management owned annual reporting on performance, best value and resource stewardship.
11.2	Please explain why the required arrangements were not in place.
<b>Corporate Governance Framework</b>	5.1.1 Regularly reviewing and improving effectiveness through performance monitoring, benchmarking and other methods to achieve defined outcomes.
<b>Commercial and Contract Management</b>	
<b>12</b>	<b>Explanation</b>
12.1	Please explain where your service area's procurement activities failed to comply with the Council's Contract Standing Orders.
<b>Corporate Governance Framework</b>	1.2.1 Ensuring the organisation's ethical standards are understood and upheld by external providers of services and embedded across the Council. 1.3.1 Demonstrating commitment to adherence to the rule of the law and regulations while ensuring individuals fulfil their responsibilities and optimise available powers to the benefit of all.
<b>Change and Projects</b>	
<b>13</b>	<b>Explanation</b>
13.1	Please explain where your service area failed to have the appropriate arrangements in place for any of it's projects or programmes, including: business justifications; 2. Clear operational governance (i.e. authority to take decisions); 3. Effective controls to track delivery and take corrective action if required; and 4. A formal closure process. 1. Clear
<b>Corporate Governance Framework</b>	2.1.1 Demonstrating an open culture through decisions that have been subject to consultation and/or engagement, are public, evidenced, impact assessed and, where necessary, justification for confidentiality explained. 3.1.1 Having a sustainable vision for the organisation which sets out strategy, forward planning and impact on stakeholders. 4.1.1 Supporting decision makers to take decisions based on objective information and rigorous analysis, whilst considering best value, risk, stakeholder views and future impacts. 4.2.1 Establishing and implementing robust planning and control cycles that take into account stakeholder input, risks and are adaptable to changing circumstance.

<b>Financial Control</b>	
<b>14</b>	<b>Explanation</b>
14.1	Please explain where your service area's financial controls failed to ensure compliance.
<b>Corporate Governance Framework</b>	4.3.1 Ensuring that the budgeting process and financial strategy are sustainable whilst considering objectives, service priorities, affordability and medium/long-term plans. 6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
14.2	Please explain (1) why your service area's monitoring arrangements could not be relied upon to identify any problems or variances and, (2) if any, what these were.
<b>Corporate Governance</b>	6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
14.3	Please explain (1) why your service area did not have the required arrangements in place, and (2) the details of any material commitments or contingent liabilities that should have been notified to the CFO.
<b>Corporate Governance Framework</b>	4.3.1 Ensuring that the budgeting process and financial strategy are sustainable whilst considering objectives, service priorities, affordability and medium/long-term plans. 6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
14.4	Please explain why your service area did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
14.5	Please explain why your service area did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	4.3.1 Ensuring that the budgeting process and financial strategy are sustainable whilst considering objectives, service priorities, affordability and medium/long-term plans. 6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
14.6	Please explain why (1) your service area did not have the required arrangements in place, and (2) if there were any issues that could have affected the Annual Accounts.
<b>Corporate Governance Framework</b>	4.3.1 Ensuring that the budgeting process and financial strategy are sustainable whilst considering objectives, service priorities, affordability and medium/long-term plans. 6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
<b>Group Accounts (Resources only)</b>	
<b>15</b>	<b>Explanation</b>
15.1	Please explain why (1) your service area did not have the required arrangements in place, and (2) if there were any issues that could have affected the Group Accounts.
<b>Corporate Governance Framework</b>	6.4.1 Ensuring that financial management is integrated at all levels of planning and control, and supports the achievement of outcomes and short-term financial and operational performance.
15.2	Please explain why (1) your service area did not have the required arrangements in place, and (2) if there were any issues that could have affected the Group Accounts.
<b>Corporate Governance Framework</b>	6.2.1 Ensuring that risk management and internal control strategies, policies and arrangements are aligned with achieving objectives and evaluated on a regular basis. 6.2.2 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. 6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon.
<b>National Agency Inspection Reports</b>	
<b>16</b>	<b>Explanation</b>



16.1	Please explain why your service area did not have the required arrangements in place and provide detail on any issues that could have an impact on the signing of the Annual Governance Statement, including how these have been reported.
<b>Corporate Governance Framework</b>	7.3.3 Ensuring that recommendations from Internal Audit, External Audit, peer challenge, reviews and inspections are welcomed and acted upon.
16.2	Please explain why your service area did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	2.1.1 Demonstrating an open culture through decisions that have been subject to consultation and/or engagement, are public, evidenced, impact assessed and, where necessary, justification for confidentiality explained. 6.2.3 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body; provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon. 7.3.3 Ensuring that recommendations from Internal Audit, External Audit, peer challenge, reviews and inspections are welcomed and acted upon.
<b>Internal Audit, External Audit &amp; Review Reports</b>	
<b>17</b>	<b>Explanation</b>
17.1	Please explain why your service area did not have the required arrangements in place.
<b>Corporate Governance Framework</b>	2.1.1 Demonstrating an open culture through decisions that have been subject to consultation and/or engagement, are public, evidenced, impact assessed and, where necessary, justification for confidentiality explained. 7.3.3 Ensuring that recommendations from Internal Audit, External Audit, peer challenge, reviews and inspections are welcomed and acted upon.
<b>Progress</b>	
<b>18</b>	<b>Explanation</b>
18.1	Please describe and detail any outstanding issues or recommendations.
<b>Corporate Governance Framework</b>	7.3.3 Ensuring that recommendations from Internal Audit, External Audit, peer challenge, reviews and inspections are welcomed and acted upon.



Assurance Statement						
Ref	Statement	Response		Extract of Evidence from the Council's Corporate Governance Framework (for information only)	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
1	Internal Control Environment	Assessment of Compliance	Did your service area have any issues in this area during the reporting period?	Extract of Evidence from the Council's Corporate Governance Framework (for information only)	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
1.1	I have internal controls and procedures in place throughout my service area that are proportionate, robust, monitored and operate effectively.	Compliant	None	Annual Internal Audit Plan (based on most significant risks to the Council) CLT Change Board – programme/project management framework Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV Community planning – Edinburgh Partnership, Community Plan 2018-28 Contingency planning and business continuity arrangements EIJB – scrutiny and accountability arrangements agreed through scheme Enterprise Risk Management Policy and Risk Management Procedure External validation/review eg. external audit, independent assurance providers GRBV quarterly scrutiny of top risks GRBV scrutiny of CLT risk register, delivery of Internal Audit Plan and of all Internal Audit reports Health and safety audits Informal and formal reviews eg. internal audit, quality assurance audits Overdue audit recommendations report monthly to CLT and quarterly to GRBV Policies that mitigate risks eg. Anti-bribery, Fraud Prevention, Whistleblowing Quarterly corporate risks scrutinised at CLT Quarterly Risk and Assurance Committees Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Report template and guidance – section on risks	Regular SMT meetings which cover risk, audit actions and project management Similar management controls in each senior manager's area Head of Service attends Chief Executive and Resources Risk Committee Annual review of internal controls by SMT	
1.2	I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	Compliant	None	Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools Schools assurance programme Shareholder or service level agreements Team Central – monitoring implementation of audit recommendations Training, eLearning and workshops for staff and members Wide ranging internal and external counter fraud activity	There are service level agreements or contracts in place with all organisations that help provide a service. There is a responsible contract manager within the service for each contract.	
1.3	My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Compliant	None	Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools Schools assurance programme Shareholder or service level agreements Team Central – monitoring implementation of audit recommendations	The internal controls are reviewed at SMT. Annual review of internal controls	
1.4	The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	Compliant	None	Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools Schools assurance programme Shareholder or service level agreements Team Central – monitoring implementation of audit recommendations	Funding agreement in place with the city TSI who provide an annual report to the council detailing delivery of agreed outcomes and relevant activity. Funding agreement in place between the Council and Climate KIC for the Healthy Deep Demonstrator programme. Report on outcomes given to CLT, sustainability programme board and P and S.	Further capacity for monitoring activity and spend against the Climate KIC funding agreement being recruited with a specific responsibility for monitoring match funding and budget spend.
2	Risk and Resilience	Assessment of Compliance	Did your service area have any issues in this area during the reporting period?	Extract of Evidence from the Council's Corporate Governance Framework (for information only)	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
2.1	I have risk management arrangements in place to identify the key risks to my service area (and the Council).	Compliant	None.	Budget Planning CLT Change Board – programme/project management framework CLT scrutiny Contingency planning and business continuity arrangements Council Business Plan Enterprise Risk Management Policy GRBV quarterly scrutiny of top risks Health and safety audits	SMT regular reviews divisional risk register Services within division also have risk register review process Risks are escalated to divisional risk register - there are also mechanisms to escalate Council wide risks to directorate risk committee due to second line activities within directorate	
2.2	I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.	Compliant	None	Internal and external audits Internal Audit Plan development considers top risks Leader's induction includes Risk Management Quarterly corporate risks scrutinised at CLT Quarterly Risk and Assurance Committees Report template and guidance – section on risks	See above	
2.3	The robustness and effectiveness of my risk management arrangements is regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Compliant	None	Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure	Internal Audit reviewed the Brexit risk register process - improvements once finalised will be shared to improve overall process	

2.4	There is appropriate escalation/communication to the service area Risk Committee and CLT Risk Committee (as appropriate) of significant issues, risks and weaknesses in risk management.	Compliant	None	Risk management procedure Risk management tools Schools assurance programme Service Planning Training, eLearning and workshops for staff and members	Risks are escalated to divisional risk register - there are also mechanisms to escalate Council wide risks to directorate risk committee due to second line activities within directorate	
2.5	I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	Compliant	None		Directorate supports whistleblowing arrangements for Council Culture of openness encouraged by management Team managers meeting established to discuss culture and working approach	
2.6	My service area has appropriate resilience arrangements in place and my service area's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	Compliant	None		Business continuity plans completed across the division Reviewed by each senior manager	
3	<b>Workforce Control</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
3.1	I have arrangements in place to ensure compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Compliant	None	360 reviews Annual Internal Audit Plan (based on most significant risks to the Council) Employee Assistance Programme Employee Engagement External validation/review eg. external audit, independent assurance providers Financial benefits (credit union, season ticket loans, car benefit scheme, pension schemes)	All managers undergo relevant HR training on policies Guidance circulated to all staff on remote working Remote working was included in the divisional business continuity plans	
3.2	I have robust controls in place to ensure that statutory workforce requirements are met, including the management of off-payroll workers/contractors (including agency workers and consultants), ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures.	Compliant	None	Funding scheme for professional qualifications HR Policies (Absence Management, Stress Management, Avoidance of Bullying and Harassment, Equal Treatment) Informal and formal reviews eg. internal audit, quality assurance audits Inspiring Talent Programme Internal and External training opportunities Leader Induction and Essential Learning Leadership Development Programme- Future, Engage, Deliver Managing Attendance Training for managers Occupational Health service	Close working relationship with Pertemps, advised by HR to ensure agency working is completed as per Council rules All agency employment is reviewed with Finance and agreed by head of service	
3.3	I ensure compliance with the Council's HR policies and procedures across all of my service areas, eg. that recruitment and selection is only undertaken by appropriately trained individuals and is fully compliant with vacancy approvals and controls.	Compliant	None	Onboarding, induction essential learning and CPD for officers Open framework agreement for Learning and Development People Strategy Performance Management Framework (Performance Conversations) Policies that mitigate risks eg. Anti-bribery, Fraud Prevention, Whistleblowing Regular reporting including Health & Safety Performance, absence levels Staff benefits (enhanced entitlements leave entitlement, flexible working options, childcare vouchers, ride to work scheme, premium benefits scheme)	All recruiting managers undergo relevant training and this is checked by the senior manager before any new recruitment	
3.4	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.	Compliant	None	Wide ranging internal and external counter fraud activity Wider Leadership Team (incl. Learning Sets) Wider Leadership Team programme	Senior managers work with their management team to ensure that HR guidance on new starters is implemented Training programme on division's activities launched last year	
3.5	I have arrangements in place to manage staff health and wellbeing; ensuring that sickness absence, referral to occupational health and stress risk assessments is managed in compliance with the Council's HR policies.	Compliant	None		My people use is mandatory and managers trained on use of software Ask HR used and managers trained on policies	
3.6	I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.	Compliant	None		teams identify learning and development goals through annual appraisal processes. Any essential training is identified as part of onboarding or as part of the 1:1 line management. Division has run a collective programme of learning and development. Training opportunities for example for equalities, BSL and Gaelic are promoted to the directorate even where not required for the role	New annual learning and development plan designed and delivered.
3.7	I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.	Compliant	None		1-1s recommended for all staff performance conversations had formally twice a year and regularly informally returns on performance conversations are tracked by HR to ensure compliance	

4	Council Companies	Assessment of Compliance	Did your service area have any issues in this area during the reporting period?	Extract of Evidence from the Council's Corporate Governance Framework (for information only)	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
4.1	I have arrangements in place for the oversight and monitoring of the Council companies I am responsible for, that give me adequate assurance over their operation and delivery for the Council.	Compliant	None	Annual Assurance Process (Directorates) Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Service Level Agreement Register	Not applicable	
4.2	I have an appropriate Service Level Agreement, or other appropriate legal agreement, in place for each Arm's Length External Organisation that I am responsible for.	Compliant	None	Shareholder or service level agreements	Not applicable	
5	Engagement and Consultation	Assessment of Compliance	Did your service area have any issues in this area during the reporting period?	Extract of Evidence from the Council's Corporate Governance Framework (for information only)	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
5.1	My service area engages effectively with institutional stakeholders, service users and individual citizens, applying the council's consultation and engagement standards with evidence that the insights gathered are used to shape my service areas activities.	Compliant	None	Budget consultation Business sector forums Community engagement activity Community engagement strategy/policy Complaints Improvement Plan Consultation framework Consultation Hub Council Change Strategy: Planning for Change and Delivering Services 2019-2023	Consultation hub is utilised New consultation approval process has been implemented in the division new consultation standards developed for the whole organisation including the directorate	
5.2	I have arrangements in place throughout my service area to ensure that there are effective communication methods that encourage, collect and evaluate views and experiences (while ensuring inclusivity e.g. customer surveys, consultation procedures, social media presence, etc.) and that these insights are used to inform the work of the service area.	Compliant	None	Committee Papers Online Current partnerships eg. Poverty Commission, Tourism Strategy, EIJ, City Deal Edinburgh Partnership (LCCPs, Neighbourhood Networks) Edinburgh People Survey Government partnership working Have Your Say webpage Multi-agency partnerships Multi-channel methodology eg. social media platform development Networks/user groups – eg. Edinburgh Tenants' Federation Partnership agreements eg. Police Scotland	S+C colleague survey carried out in 2019 - results communicated and discussed with wider division and within teams An action plan created for the division to implement changes requested by staff Weekly huddle - with open remit for staff to present and to ask any questions Head of service sends weekly update with opportunity for staff to feedback any views/changes	Further follow up on staff survey planned by senior management
5.3	I have appropriate arrangements in place throughout my service area for recording, monitoring and managing customer service complaints and customer satisfaction.	Compliant	None	Partnership governance arrangements Partnership governance documentation Partnership plans eg. Edinburgh Children's Partnership Petitions and Deputations Policies and procedures (consultation framework) Poverty Commission Public participation – deputations and petitions Public sector partnerships Publication of Council diary	complaints policy implemented across division	
5.4	I regularly consult and engage with recognised trade unions.	Compliant	None	Report template – section on consultation Stakeholder group meetings Strategic documentation eg. vision statements, aims, etc. Strategic plans and agreements Strategy and Performance Hub Surveys eg. Edinburgh People Survey, Annual Tenant Survey Third sector partnership working eg. EVOG Webcasting of Council and major committees, including subtitles	Head of service a member of partnership at work forum Head of service attends regular trade union briefings	
6.1	Policy	Assessment of Compliance	Did your service area have any issues in this area during the reporting period?	Extract of Evidence from the Council's Corporate Governance Framework (for information only)	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
6.1	I have arrangements in place to ensure all service area staff are made aware of and fully understand the implications of all relevant existing and new council policies and procedures.	Compliant	None	Annual Assurance Exercise Annual Policy Assurance Statements Corporate Policy Framework and Toolkit, including consultation and engagement strategies Council Papers Online Employee policy refresher arrangements, process workshops and communications	Monthly publication of policy activity both Council and national Weekly publication of key Council decisions Training provided for key policy changes - eg Data protection	
6.2	I have arrangements in place for the annual review of policies owned by my service area, via the relevant executive committee, to ensure these comply with the Council's policy framework.	Compliant	None	Information Governance framework Policy Register Report template and guidance (incorporating adherence to commitments and policy implications)	Annual review of divisional policies carried out and reported to Policy and Sustainability Committee	
7	Governance and Compliance	Assessment of Compliance	Did your service area have any issues in this area during the reporting period?	Extract of Evidence from the Council's Corporate Governance Framework (for information only)	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)

7.1	I ensure service area staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my service area are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	Compliant	None	Codes of Conduct Committee Terms of Reference and Delegated Functions Council's Procedural Standing Orders Councillors' Code of Conduct Disclosure and PVG checks Employee Induction Employee Performance Framework Leadership Programme Legal Services provision of advice Member/Officer Protocol Policies and procedures	Head of Service signs off all reports Authority levels discussed in management team	Refresher training to be carried out as part of the directorate learning and development programme
7.2	I ensure my service area's activities are fully compliant with relevant Scottish, UK and EU legislation and regulations.	Compliant	None	Regulatory body reporting eg. SSSC, GTCs Scheme of Delegation to Officers Statutory officer appointments and responsibilities Statutory/lead officers' independent reports to committee eg. Monitoring Officer, Chief Social Work Officer, Chief Internal Auditor	Major legislative change highlighted in monthly policy briefing and discussed at SMT and service area management teams Scheme of Delegation updated to include any relevant legislation	
8	<b>Responsibility and Accountability</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
8.1	My service area ensures our officers are clear on their roles and responsibilities in terms of relationships and decision making.	Compliant	None	Annual Assurance Process (Council Companies and Joint Boards) Annual Assurance Process (Directorates) Codes of Conduct Commercial and Procurement Strategy Committee Terms of Reference and Delegated Functions Complaints Improvement Plan Consultation and engagement Contract Standing Orders Council Change Strategy: Planning for Change and Delivering Services 2019-2023 Council company monitoring including Governance Hub, Council Observers on Boards, committee reporting		Refresher training to be carried out as part of the directorate learning and development programme
8.2	I ensure that the Council's ethical standards are understood and embedded across my service area and are upheld by external providers of services.	Compliant	None	Edinburgh People Survey Employee Code of Conduct Grant Standing Orders Member/Officer Protocol Monitoring/reporting on delivery of 52 coalition commitments Onboarding and induction for officers Performance Framework Policies and procedures Procurement framework Procurement Handbook Public participation – deputations and petitions Report template and guidance Scheme of Delegation to Officers Service Level Agreement template Standard Condition of Grant	Key training and policies highlighted to staff Divisional values created - based on Council values but created, considered and agreed by team Annual division plan	
8.3	My service area ensures that 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)	Compliant	None	Edinburgh People Survey Employee Code of Conduct Grant Standing Orders Member/Officer Protocol Monitoring/reporting on delivery of 52 coalition commitments Onboarding and induction for officers Performance Framework Policies and procedures Procurement framework Procurement Handbook Public participation – deputations and petitions Report template and guidance Scheme of Delegation to Officers Service Level Agreement template Standard Condition of Grant	Report writing training provided to staff - highlighting the need to consider best value, stakeholder consultation/engagement and next steps Committee reports are all approved by the relevant senior manager and then by the Head of Service	
8.4	I consult with elected members as appropriate and as required under the Scheme of Delegation.	Compliant	None	Edinburgh People Survey Employee Code of Conduct Grant Standing Orders Member/Officer Protocol Monitoring/reporting on delivery of 52 coalition commitments Onboarding and induction for officers Performance Framework Policies and procedures Procurement framework Procurement Handbook Public participation – deputations and petitions Report template and guidance Scheme of Delegation to Officers Service Level Agreement template Standard Condition of Grant	All delegated decisions are within proper officer powers or are operational	
9	<b>Information Governance</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
9.1	I ensure service area staff are made aware of their responsibilities in relation to the proper management of Council information, including the need to adhere to relevant legislation, Council policies, procedures and guidance around: information governance; records management; data quality; data breaches and privacy impact assessments; information rights; information compliance; information security; and ICT acceptable use.	Compliant	None	Annual communications plan, awareness raising initiatives and training events Centralised Information governance unit Council wide Record of Processing Data quality reviews and audits form part of statutory returns Established framework of management information and reporting to support operational decision making and trend analysis Information Board Information governance policies, framework, guidance, procedures and toolkit Information sharing agreements and data protection impact assessments Locking Client's Record Guidance Mandatory training for all employees Staff responsibilities outlined in relevant policies - Employee Code of Conduct, ICT Acceptable Use Policy, Policy on Fraud Prevention	Lunch and learn sessions provided on new GDPR regulations Guidance provided to all staff Any data breaches are reported to the head of service and the DPO	
9.2	I ensure data sharing arrangements with third parties are recorded, followed and regularly reviewed throughout all service areas in my service area.	Compliant	None	Standard data related terms and conditions in all new Council contracts	All data sharing agreements are passed through the Information Governance Unit	
10	<b>Health and Safety</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>

10.1	Service area staff are made aware of their responsibilities under relevant Health & Safety policies and procedures and I have appropriate arrangements in place for the identification and provision of Health & Safety training necessary for all job roles, including induction training.	Compliant	None	Contingency planning and business continuity arrangements Corporate Health and Safety Strategy and Plan Council Health and Safety Group Employee Code of Conduct Enterprise Risk Management Policy Enterprise Risk Management Policy and Risk Management Procedure External validation/review eg. external audit, independent assurance providers Health and safety audits	<b>All senior management attended health and safety training</b> <b>Staff attended health and safety training if relevant to work activities</b> <b>Head of Service attends health and safety group</b>	
10.2	I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all Health & Safety risks are adequately controlled.	Compliant	None	Health & Safety policies and procedures Institution of Occupational Safety and Health training Mandatory Health & Safety training for staff Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure		
10.3	I have competencies, processes and controls in place to ensure that all service areas in my service area, and other areas of responsibility, operate in compliance with all applicable Health & Safety laws and regulations.	Compliant	None	Risk management tools Scheme of Delegation Schools assurance programme Training, eLearning and workshops for staff and members	<b>Health and Safety reviewed as a standing agenda item on the directorate SMT monthly meeting</b>	
10.4	I have a robust governance and reporting structure for Health and Safety in my service area.	Compliant	None		<b>Health and Safety reporting process for elected members rolled out in 2019</b> <b>Head of service attends health and safety group</b>	
11	<b>Performance</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
11.1	I have arrangements in place for reporting to CLT, Committee and/or Council and, where performance monitoring identifies inadequate service delivery or poor value for money, ensure that improvement measures to address these issues are implemented and monitored.	Compliant	None	Annual external reporting eg. Local Government Benchmarking Framework, Scottish Public Services Ombudsman, Scottish Government, etc Annual performance report to Council B agenda protocol Best Value reporting CLT Quarterly performance meeting Committee Terms of Reference and Delegated Functions Local Government Benchmarking Framework	<b>Regular reporting of divisional activities to CLT, P+S and GRBV</b>	
11.2	My service area regularly works with relevant teams in Strategy and Communications to review and improve effectiveness by performance monitoring, benchmarking and other methods to achieve defined outcomes.	Compliant	None	Monitoring/reporting on delivery of 52 coalition commitments Performance Framework Strategy and Performance Hub	<b>annual reporting of the sustainability programme outcomes and the city carbon emissions to CLT and Council committees</b>	<b>development of a carbon scenario tool with ECCI as part of the sustainability programme</b>
12	<b>Commercial and Contract Management</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
12.1	I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.	Compliant	None	Annual Assurance Process (Directorates) Codes of Conduct Commercial and Procurement Strategy Committee Terms of Reference and Delegated Functions Contract and Grants Management team Contract Standing Orders Council company monitoring including Governance Hub, Council Observers on Boards, committee reporting Grant Standing Orders Legal Services provision of advice Policies and procedures Procurement Handbook Scheme of Delegation to Officers Service Level Agreement Register	<b>all contracts are approved by senior manager and head of service, before being signed by proper officer</b> <b>Guidance sought from procurement prior to tender</b> <b>Major contracts run through project boards</b>	<b>Plan to avoid procurement waivers particularly with elections</b>
13	<b>Change and Project Management</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>

13.1	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.	Compliant	None	2050 City Vision Budget Planning Capital Budget Strategy City Plan CLT Change Board Committee Terms of Reference and Delegated Functions Contract Standing Orders Council Business Plan Council Change Strategy: Planning for Change and Delivering Services 2019-2023 Council's Risk Appetite Statement Enterprise Risk Management Policy External audits, reviews and validation Finance Rules Financial Regulations Procurement framework Report template and guidance Revenue Budget Framework Risk Registers Scheme of Delegation to Officers Service Planning Sustainability Strategy process Treasury Management Strategy	Project management training provided to staff projects approved by head of service Major projects part of CLT change board reporting Divisional projects reported quarterly to SMT Reported to GRBV	
14.1	<b>Financial Control</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
14.1	The operation of financial controls in my service area is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	Compliant	None	Budget Framework Comprehensive system of revenue and capital monitoring, with SMT and CLT oversight Contract Standing Orders Corporate Debt Policy Council Business Plan	Regular meetings with Finance and head of service and senior managers Oracle utilised for purchasing	
14.2	I am confident that the arrangements in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.	Compliant	None	Council Change Strategy: Planning for Change and Delivering Services 2019-2023 Elected Member training on financial statements, financial planning and treasury management Employee Training Finance & Resources Committee and Governance, Risk & Best Value Committee	Regular meetings with Finance and head of service and senior managers Authorisation of head of service required for significant spend	
14.3	I have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Chief Financial Officer.	Compliant	None	oversight/scrutiny Finance Rules Financial Regulations Internal control framework Medium-term Financial Strategy Professional officer representation/support/advice on major project boards, project assurance reviews, SMTs	Regular meetings with Finance and head of service and senior managers	
14.4	I have arrangements in place to review and protect assets against theft, loss and unauthorised use; identify any significant losses; and, ensure the adequacy of insurance provision in covering the risk of loss across my service area.	Compliant	None	Tiered framework of financial planning and control Treasury Management Strategy	Security arrangements are in place and regularly reviewed. No significant losses have been identified, all mobile devices are encrypted in line with Council procedures. Laptops are equipped with appropriate security measures (e.g. bit locker passwords) and clear desk policies are in place and monitored.	
14.5	I have arrangements in place for identifying any weaknesses in my service area's compliance with Council financial policies or statutory/regulatory requirements.	Compliant	None			
14.6	I have arrangements in place for identifying any internal control, risk management or asset valuation problems within my service area that could affect the Annual Accounts.	Compliant	None		SMT regular reviews divisional risk register Services within division also have risk register review process Risks are escalated to divisional risk register - there are also mechanisms to escalate Council wide risks to directorate	
15	<b>Group Accounts (Resources only)</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
15.1	I have arrangements in place for identifying and reviewing any developments during the year that should lead to additions, deletions or amendments to the companies included in the Group Accounts.			Annual assurance exercise (internal audit input and oversight) Annual Corporate Governance Framework self-assessment (internal audit input) Annual Governance Statement – informed by the work of IA Annual Internal Audit Plan (based on most significant risks to the Council) Audit Charter Chief Internal Auditor's direct reporting line to GRBV Committee Terms of Reference and Delegated Functions - GRBV Comprehensive system of revenue and capital monitoring, with SMT and CLT oversight Council Companies/AI FOs – Governance Hub Observers annual reporting to		



15.2	I have arrangements in place to identify and review any internal control, risk management or asset valuation problems with Council companies that could affect the Group Accounts.			Council Companies/ ALEOs – Governance Hub, Governance, Risk & Best Value Committee and GRBV External validation/review eg. external audit, independent assurance providers Executive Committee and Governance, Risk & Best Value Committee oversight/scrutiny Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Shareholder or service level agreements		
16	<b>National Agency Inspection Reports</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
16.1	I have arrangements in place to identify any reports relating to my service area and can confirm that there were no inspection reports that could impact on the signing of the Annual Governance Statement.	Compliant	None	Committee Terms of Reference and Delegated Functions Governance, Risk and Best Value Committee – chaired by an opposition councillor and excluding executive committee conveners from its membership, with power to act on its own accord Executive Committee and GRBV oversight of external audit and inspection activity Scrutiny of directorate annual assurance schedules	Audit Scotland reports are considered by the service and then reported onto GRBV with suggested actions Close working relationship with Finance on Ausit Scotland reporting	
16.2	I have arrangements in place that adequately monitor and report on the implementation of recommendations.	Compliant	None		monthly policy briefing COSLA briefing co-ordinated within division	Consolidated decision tracker for Best Value, assurance and Annual Accounts recommendations being created
17	<b>Internal Audit, External Audit and Review Reports</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
17.1	I have arrangements in place to ensure that all recommendations from any internal audit, external audit or review report published during the year, that have highlighted high, medium or significant control deficiencies, have been (or are being) implemented and that this is monitored effectively.	Compliant	None	A validation audit is included in the annual Internal Audit Plan Agreed management actions arising from internal audits are recorded and monitored through Team Central Integral part of Annual Assurance Schedule Overdue management actions are reported monthly to CLT and quarterly to GRBV	audit actions updated on pentana upcoming deadlines reported to senior managers and head of service audit actions regularly reviewed by SMT	
18	<b>Progress</b>	<b>Assessment of Compliance</b>	<b>Did your service area have any issues in this area during the reporting period?</b>	<b>Extract of Evidence from the Council's Corporate Governance Framework (for information only)</b>	<b>Relevant service area controls</b>	<b>Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)</b>
18.1	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	Compliant	None	Agreed management actions arising from internal audits are recorded and monitored through Team Central Overdue management actions are reported monthly to CLT and quarterly to GRBV A validation audit is included in the annual Internal Audit Plan Integral part of Annual Assurance Schedule External Audit Report is scrutinised by GRBV and an improvement plan developed Council participates in LAN (council scrutiny bodies) whose activity is based on shared risk assessment		Consolidated decision tracker for Best Value, assurance and Annual Accounts recommendations being created

		Improvement actions	Action Owner	Action Deadline
<b>1 Internal Control Environment requirements</b>				
1.1	I have internal controls and procedures in place throughout my service area that are proportionate, robust, monitored and operate effectively.	0		
1.2	I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	0		
1.3	My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	0		
1.4	The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	Further capacity for monitoring activity and s	Paula McLeay	Dec-20
<b>2 Risk and Resilience</b>				
2.1	I have risk management arrangements in place to identify the key risks to my service area (and the Council).	0		
2.2	I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.	0		
2.3	The robustness and effectiveness of my risk management arrangements is regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts	0		
2.4	There is appropriate escalation/communication to the service area Risk Committee and CLT Risk Committee (as appropriate) of significant issues, risks and weaknesses in risk management.	0		
2.5	I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	Presentation on whistleblowing to division	Gavin King	Dec-20
2.6	My service area has appropriate resilience arrangements in place and my service area's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	0		

3 Workforce				
3.1	I have arrangements in place to ensure compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.			
		0		
3.2	I have robust controls in place to ensure that statutory workforce requirements are met, including the management of off-payroll workers/contractors (including agency workers and consultants), ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures.			
		0		
3.3	I ensure compliance with the Council's HR policies and procedures across all of my service areas, eg. that recruitment and selection is only undertaken by appropriately trained individuals and is fully compliant with vacancy approvals and controls.			
		0		
3.4	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.			
		0		
3.5	I have arrangements in place to manage staff health and wellbeing; ensuring that sickness absence, referral to occupational health and stress risk assessments is managed in compliance with the Council's HR policies.			
		0		
3.6	I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.			
		New annual learning and development plan d	Laurence Rockey	Oct-20
3.7	I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.			
		0		
4 Council Companies				
4.1	I have arrangements in place for the oversight and monitoring of the Council companies I am responsible for, that give me adequate assurance over their operation and delivery for the Council.			
		0		
4.2	I have an appropriate Service Level Agreement, or other appropriate legal agreement, in place for each Arm's Length External Organisation that I am responsible for.			
		0		
5 Engagement and Consultation				

5.1	My service area engages effectively with institutional stakeholders, service users and individual citizens, applying the council's consultation and engagement standards with evidence that the insights gathered are used to shape my service areas activities.	0		
5.2	I have arrangements in place throughout my service area to ensure that there are effective communication methods that encourage, collect and evaluate views and experiences (while ensuring inclusivity e.g. customer surveys, consultation procedures, social media presence, etc.) and that these insights are used to inform the work of the service area.		Further follow up on staff survey planned by s Laurence Rockey	Oct-20
5.3	I have appropriate arrangements in place throughout my service area for recording, monitoring and managing customer service complaints and customer satisfaction.	0		
5.4	I regularly consult and engage with recognised trade unions.	0		
<b>6</b>	<b>Policy</b>			
6.1	I have arrangements in place to ensure all service area staff are made aware of and fully understand the implications of all relevant existing and new council policies and procedures.	0		
6.2	I have arrangements in place for the annual review of policies owned by my service area, via the relevant executive committee, to ensure these comply with the Council's policy framework.	0		
<b>7</b>	<b>Governance and Compliance</b>			
7.1	I ensure service area staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my service area are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.		Refresher training to be carried out as part of Gavin King	Sep-20
7.2	I ensure my service area's activities are fully compliant with relevant Scottish, UK and EU legislation and regulations.	0		
<b>8</b>	<b>Responsibility and Accountability</b>			
8.1	My service area ensures our officers are clear on their roles and responsibilities in terms of relationships and decision making.		Refresher training to be carried out as part of Gavin King	Sep-20

8.2	I ensure that the Council's ethical standards are understood and embedded across my service area and are upheld by external providers of services.	0		
8.3	My service area ensures that 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)	0		
8.4	I consult with elected members as appropriate and as required under the Scheme of Delegation.	0		
<b>9</b>	<b>Information Governance</b>			
9.1	I ensure service area staff are made aware of their responsibilities in relation to the proper management of Council information, including the need to adhere to relevant legislation, Council policies, procedures and guidance around: information governance; records management; data quality; data breaches and privacy impact assessments; information rights; information compliance; information security; and ICT acceptable use.	0		
9.2	I ensure data sharing arrangements with third parties are recorded, followed and regularly reviewed throughout my service area.	0		

<b>10</b>	<b>Health and Safety</b>			
10.1	Service area staff are made aware of their responsibilities under relevant Health & Safety policies and procedures and I have appropriate arrangements in place for the identification and provision of Health & Safety training necessary for all job roles, including induction training.	0		
10.2	I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all Health & Safety risks are adequately controlled.	0		
10.3	I have competencies, processes and controls in place to ensure my service area, and other areas of responsibility, operate in compliance with all applicable Health & Safety laws and regulations.	0		
10.4	I have a robust governance and reporting structure for Health & Safety in my service area.	0		
<b>11</b>	<b>Performance</b>			
11.1	I have arrangements in place for reporting to CLT, Committee and/or Council when performance monitoring identifies inadequate service delivery or poor value for money and ensure that improvement measures to address these issues are implemented and monitored.	0		
11.2	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 E Paula McLeay	Dec-20
<b>12</b>	<b>Commercial and Contract Management</b>			
12.1	I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.		Plan to avoid procurement waivers particularly with elections	Oct-20
<b>13</b>	<b>Change and Project Management</b>			
13.1	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.	0		

<b>14</b>	<b>Financial Control</b>			
14.1	The operation of financial controls in my service area is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	0		
14.2	I am confident that the arrangements in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.	0		
14.3	I have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Chief Financial Officer.	0		
14.4	I have arrangements in place to review and protect assets against theft, loss and unauthorised use; identify any significant losses; and, ensure the adequacy of insurance provision in covering the risk of loss across my service area.	0		
14.5	I have arrangements in place for identifying any weaknesses in my service area's compliance with Council financial policies or statutory/regulatory requirements.	0		
14.6	I have arrangements in place for identifying any internal control, risk management or asset valuation problems within my service area that could affect the Annual Accounts.	0		
<b>15</b>	<b>Group Accounts (Resources only)</b>			
15.1	I have arrangements in place for identifying and reviewing any developments during the year that should lead to additions, deletions or amendments to the companies included in the Group Accounts.	0		
15.2	I have arrangements in place to identify and review any internal control, risk management or asset valuation problems with Council companies that could affect the Group Accounts.	0		
<b>16</b>	<b>National Agency Inspection Reports</b>			
16.1	I have arrangements in place to identify any reports relating to my service area and can confirm that there were no inspection reports that could impact on the signing of the Annual Governance Statement.	0		
16.2	I have arrangements in place that adequately monitor and report on the implementation of recommendations.			
<b>17</b>	<b>Internal Audit, External Audit and Review Reports</b>			

17.1	I have arrangements in place to ensure that all recommendations from any internal audit, external audit or review report published during the year, that have highlighted high, medium or significant control deficiencies, have been (or are being) implemented and that this is monitored effectively.			
18	<b>Progress</b>			
18.1	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.			
		Consolidated decision tracker for Best Value, a	Gavin King	Dec-20



# Year ahead 2021

## Strategy and Communications February 2021

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◆ EDINBURGH ◆  
THE CITY OF EDINBURGH COUNCIL

# Introduction

Strategy and Communications is a small but motivated team with a strong track record of supporting the organisation to deliver on its ambitions and priorities.

This was exemplified by the division's collective role in supporting the Council's ongoing response to Covid-19 and the development of the Business Plan as well as its continued role of working across the organisation to support delivery of core programmes of activity.

Natural synergies across the division enable teams to work easily and efficiently together, affording the flexibility to support several major workstreams simultaneously. Strong data analysis underpins strategic policy development and better decision-making, with policy progress complemented by effective communications and all-round presentation.

Since 2019, the division has:

- Supported and managed the operational and governance arrangements put in place for Covid-19
- Led the development of policy priorities: poverty and prevention, sustainability and net zero – and supported nationally recognised Poverty and Climate Commissions
- Developed a strong and focused framework around the budget setting process, delivering a three-year budget and change plan
- Managed the City Region Deal – enhancing the Council's reputation and providing a platform for greater regional collaboration
- Refocused and strengthened our communications offer to be more proactive, responsive and in tune with council/ coalition priorities
- Managed the Best Value process to a successful outcome
- Run a series of successful elections within current resources
- Supported the organisation to consult and engage with citizens and staff including through a new Capital Survey delivered in partnership with the NHS.

The gap left by the recent departure of the Head of Service has been successfully bridged by the SMT and their teams playing a greater role in the Chief Executive's senior team and in collaboration with the political leadership.

Being part of the Chief Executive function allows the team to work to one corporate vision and to lead and deliver upon key priority areas, such as poverty and sustainability, while responding to the recommendations of the Best Value Audit.

Having agreed our vision as a division in 2019, our ongoing workplan will deliver upon and promote the Adaptation and Renewal programme, new business plan, key council priorities, coalition commitments and legislative requirements while continuing to lay the foundations for Our Future Council.

# Our purpose

Strategy and Communications offers key corporate services necessary to support and enable the wider organisation to deliver its objectives.

The division supports and leads the development of policy built on first class research, and detailed analysis from the insight, performance and data teams.

Having formulated policy, we facilitate the democratic process by ensuring the Council's decision-making is robust, efficient and transparent to the public. We also facilitate the necessary engagement and collaboration with our community planning partners through the Edinburgh Partnership Board.

We then ensure those decisions are effectively communicated with residents, staff and other key stakeholders. We do this by using the latest techniques and approaches making sure the information is as succinct and informative as possible. The performance and insight information we produce to enable these decisions are crucial in ensuring accountability and public awareness and understanding of our output.

The division also plays a leading role in managing the delivery of major change across the Council ensuring that not only are priorities delivered, but also that savings targets are achieved. We do this directly through specific projects whilst also promoting best practice in programme management and ensuring that colleagues are held to account through the monthly Change Board.

Through this work, we ensure that:

- elected members have considered and rounded advice to help them make informed decisions;
- we empower communities and the public as widely as possible by ensuring they are aware of, engaged and can have trust in the decisions taken; and
- the delivery of those decisions is as strong as possible and that there is maximum accountability for them.

## What are we trying to achieve?

It is well known that Edinburgh has a number of complex social, economic and spatial challenges to address if it is to continue to thrive in a way that shares opportunity fairly across its communities.

To address the complex challenges the city needs a strong and forward-thinking council; a council that can show leadership and innovate to improve outcomes but also respond to factors beyond its control – particularly regarding funding. Our job as a division is to help find solutions to these challenges within and across the work of individual teams and directorates to deliver better outcomes for the people we serve.

For example, the important work we are doing on sustainability, poverty and prevention is both strategic and corporate – incorporating policy development and delivery of specific projects. This work must be communicated effectively to ensure the public better understand the need for change, what we're trying to achieve as an organisation and why it matters to them. This, of course, can only be achieved by working in partnership across the third and private sectors and with our community planning partners through our Local Outcome Improvement Plan

By bringing all the skills we have across the division together with a team ethic we have added enormous value to the organisation and the city.

# Strategy and Communications

## Providing leadership, support and analysis to help the council to achieve its aims and the city to realise its ambitions

We offer an end to end approach to help improve decision making and the implementation of those decisions.

Alongside this model we do hundreds of things every day to keep the Council moving and our elected members served

We are more than the sum of our parts.



# Strategy and Communications Structure

		Vacant Head of Strategy and Communications		
<b>Paula McLeay</b> Policy and Insight Senior Manager	<b>Gavin King</b> Democracy, Governance and Resilience Senior Manager	<b>Gillie Severin</b> Strategic Change and Delivery Senior Manager	<b>Andy Nichol</b> Programme Manager City Deal/City Vision PMO	<b>Mike Pinkerton</b> Communications Senior Manager
Poverty and Prevention Strategy	Corporate Governance	Delivery Unit	City Deal	Employee Communications
Insight Unit	Resilience	Integrated Change	City vision	Media and Social Media
Communities Strategies	Information Governance	Change Strategy		Marketing and Campaigns
Sustainability and Climate Change Strategy	Elections	Data, Performance & Business Planning		
	Member Services			



# Our objectives 2021

- 1 Roll out a new planning and performance framework across the organisation to support scrutiny of our performance at all levels.
- 2 Support the delivery of the business plan and the best value recommendations.
- 3 Provide corporate leadership for the implementation of the Council Poverty Plan.
- 4 Support the development of a programme to deliver the new Prevention Service model.
- 5 Develop and publish a City Sustainability Strategy and Council Emissions Plan.
- 6 Lead a council working group to develop an investment pipeline for climate action projects.
- 7 Support the refresh of the Economy Strategy.
- 8 Publish a new joint Equalities, Diversity and Inclusion Framework.
- 9 Lead the development of a Community Planning Improvement Plan as part of the Edinburgh Partnership.
- 10 Implement a new Consultation Advisory Panel and new Consultation Policy.
- 11 Work with CGI to deliver a new business intelligence solution and a new way to manage our data.
- 12 Continue to evolve Change Board reporting and align it with the business plan.
- 13 Support the approval of business cases as part of the Edinburgh and South East Scotland City Region Deal.
- 14 Support and progress the roll out of an Enterprise Content Management solution across the Council.
- 15 Deliver successful Scottish Parliamentary elections.
- 16 Approval of the Regional Growth Framework.
- 17 Provide a comprehensive operational governance framework for the Council that can be mapped to roles and responsibilities.
- 18 Review and refresh a new elected member training programme and plan.

- 19 Support ongoing response to Covid-19, providing up to date and accurate advice and clearly communicating service changes and support available.
- 20 Work closely with city partners to support Edinburgh's recovery, sharing communications expertise and resources to best promote the local economy.
- 21 Develop internal communications approach based on lessons learned from Covid-19, with focus on 'hard to reach' colleagues.

## Business as usual

The Strategy and Communications division also on a range of services which are crucial to the running of the Council. These include but are not limited to:

- 1 Provide comprehensive support to elected members.
- 2 Acting as the secretariat for the committees of the Council, the EIJB, SEStran and the LVJB.
- 3 Support and manage the Adaptation and Renewal Programme.
- 4 Oversee and report on major projects.
- 5 Lead and support Council consultations through the consultation hub.
- 6 Manage the Council's records and archives.
- 7 Support the Council deliver services during the pandemic and prepare in the event of incidents such as severe weather or terrorism.
- 8 Manage Freedom of Information Requests and Subject Access Requests within statutory deadlines.
- 9 Provide accurate and informative performance data across the Council.
- 10 Support the organisation to implement integrated impact assessments and provide cumulative impact assessments as required
- 11 Support and enable the Edinburgh Partnership.
- 12 Support the Children's Panel in Edinburgh.
- 13 Manage and support the Council's whistleblowing service.
- 14 Continue to join up communications activity to maintain coherence of messaging, support key Council projects, demonstrate Council leadership and reinforce priorities laid out in the Business Plan.

## Assurance action plan

Action	Update	Progress
Further capacity for monitoring activity and spend against the Climate KIC funding agreement being recruited with a specific responsibility for monitoring match funding and budget spend	Programme manager and administrative roles were recruited to support the monitoring and reporting of project spend. The programme has submitted all costs on time and with no identified issues. It is expected that the Council will receive all expected resources.	Complete
Presentation on whistleblowing to division	The profile of whistleblowing has increased significantly over the last few months with the review and the exposure from the Chief Executive	Completed corporately
New annual learning and development plan designed and delivered	This work was interrupted by the pandemic although training has continued throughout the division. The focus on the training needs in the division since February 2020 has been concentrated on the challenges of working from home and maintaining a sense of team. Work will evolve in this area as the Council looks to future working arrangements.	In progress
Further follow up on staff survey planned by senior management	The intention was to progress the follow up staff survey, but the impact of the lockdown has delayed this plan. The immediate focus was the safe decampment of colleagues to working from home and ensuring the right equipment and technology was in place. Significant effort has gone into maintaining mechanisms for communication and support through team huddles, regular online team meetings and 1:1 support. Significant effort has also been put into ensuring that 'soft support systems' have been maintained facilitating communication and peer relationships that benefit work and the wellbeing of colleagues.	In progress
Refresher training to be carried out as part of the directorate learning and development programme (training on decision making, knowledge of the Council's governance documentation)	Training has been delivered to managers across the division. A 'how the Council works' session is also included in the induction process for new managers and that covers how decisions are made in line with the Council's governance documentation.	Complete

Plan to avoid procurement waivers for elections	Work has been undertaken with Procurement for the election printing contract to be procured through the Council's framework.	Complete
Development of a carbon scenario tool with ECCI as part of the sustainability programme	The Carbon Scenario tool development milestones have all been delivered and progress is now being made to implement the tool in Council Business Case development. Funding for further smart development and roll out of the tool has been secured from the Scottish Government and it is being taken forward as an SCA project with ECCI.	Complete
Consolidated decision tracker for Best Value, assurance and Annual Accounts recommendations being created	Work is ongoing to identify which software could be utilised to provide a more efficient means of tracking and monitoring assurance actions. As an interim measure a template document version was issued to all directorates.	In progress



# Governance, Risk and Best Value Committee

10.00am, Tuesday 16 February 2021

## Edinburgh Living Annual Report 2019 – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine	
Wards	All
Council Commitments	

### 1. For Decision/Action

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- 1.1 The Housing, Homelessness and Fair Work Committee has referred an annual report on Edinburgh Living to the Governance, Risk and Best Value Committee for consideration.

**Andrew Kerr**

Chief Executive

Contact: Sarah Stirling, Committee Services

Email: sarah.stirling@edinburgh.gov.uk | Tel: 0131 529 3009

# Referral Report

## Edinburgh Living Annual Report 2019

### 2. Terms of Referral

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- 2.1 On 14 January 2021, the Housing, Homelessness and Fair Work Committee considered an annual report for Edinburgh Living which provided an overview of the financial year for 2019, including activities carried out by Edinburgh Living, the financial position at the end of the year and key areas of work for 2020.
- 2.2 The Housing, Homelessness and Fair Work Committee agreed:
  - 2.2.1 To note the 2019 Annual Report.
  - 2.2.2 To note the progress made to establish Edinburgh Living over 2019.
  - 2.2.3 To note that the 2020 Annual Report would be submitted to Committee following completion of the 2020 financial audit in 2021.
  - 2.2.4 To refer the report to the Governance, Risk and Best Value Committee in line with Edinburgh Living's governance arrangements.

### 3. Background Reading/ External References

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Minute of the Housing, Homelessness and Fair Work Committee of 14 January 2021

[Webcast of the Housing, Homelessness and Fair Work Committee of 14 January 2021](#)

### 4. Appendices

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Appendix 1 – report by the Executive Director of Place

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 14 January 2021

## Edinburgh Living Annual Report 2019

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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- 1.1 The Housing, Homelessness and Fair Work Committee is asked to:
  - 1.1.1 note the contents of the 2019 Annual report;
  - 1.1.2 note the progress made to establish Edinburgh Living over 2019;
  - 1.1.3 note that the 2020 Annual Report will be submitted to Committee following completion of the 2020 financial audit in 2021; and
  - 1.1.4 refer this report to the Governance, Risk and Best Value Committee in line with Edinburgh Living's governance arrangements.

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: [elaine.scott@edinburgh.gov.uk](mailto:elaine.scott@edinburgh.gov.uk) | Tel: 0131 529 2277

## Edinburgh Living Annual Report 2019

### 2. Executive Summary

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- 2.1 In line with the agreed governance structure set out for the Council's housing delivery Limited Liability Partnerships (LLPs), known as Edinburgh Living, an annual report providing an overview of each financial year is required to be submitted to the Governance, Risk and Best Value Committee. This report should be noted by the Housing, Homelessness and Fair Work Committee and referred on.
- 2.2 The report sets out the activities carried out by Edinburgh Living over the financial year 2019, the financial position at the end of the year and key areas of work for 2020. Due to the Covid-19 pandemic, the external audit of the financial statements for 2019 has been delayed resulting in late drafting of this report. The annual report for 2020 will be prepared for Committee in 2021.
- 2.3 Edinburgh Living was established in 2019 and owned 131 homes by the end of the year. This is the first annual report to be produced.

### 3. Background

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- 3.1 In February 2018, the City of Edinburgh Council agreed to establish two new LLPs which would own and manage homes for rent to households on low to moderate income; one offering mid-market rent (MMR) homes and the second offering market rent homes. The Business Case for the implementation of the LLPs was agreed by Scottish Government under the Edinburgh and South East Scotland City Deal (City Deal). The LLPs are known under the single banner of Edinburgh Living.
- 3.2 The Council agreed the Edinburgh Living governance structure and reporting requirements for the LLPs at the same meeting in February 2018. The annual reporting cycle includes the requirement for bi-annual updates to the Housing, Homelessness and Fair Work Committee and an annual update to the Governance, Risk and Best Value Committee.
- 3.3 The annual report includes an overview of the relevant financial year, a summary of the financial statements and a note of key areas of work for the forthcoming year.

- 3.4 Edinburgh Living MMR LLP became operational in January 2019, with the purchase of the first home at Clermiston. As a result, this is the first annual report to be presented and covers the financial year January to December 2019.
- 3.5 As a result of the global Covid-19 pandemic, the timetable for the completion of the financial statements for the year 2019 has been altered in line with the Council's audit timetable and reporting deadlines issued by Companies House. This has resulted in the later than expected drafting of the annual report.
- 3.6 Edinburgh Living's financial statements have been audited by Azets (formerly Scott-Moncrieff).
- 3.7 This report is specific to the activities of the LLPs during 2019. However, as of 10 December 2020, the MMR LLP owns 243 homes.

## 4. Main report

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- 4.1 The following report sets out a summary of the day to day governance of the LLPs, the financial position, an update of the key milestones in 2019 and workstreams taking place in 2020.

### Governance

- 4.2 The Council owns 99.99% of the Edinburgh Living MMR LLP and 99% of the market rent LLP. Scottish Futures Trust (SFT) owns the remaining shares.
- 4.3 Edinburgh Living is managed on a day to day basis by a Senior Management Team (SMT) made up of five senior Council officers and one staff member from SFT. Oversight is provided by a Corporate Body which comprises four elected members, the Executive Director of Place and a Director from SFT.
- 4.4 Risk and financial management are integral to the SMT's work plan throughout the year and updates are reported to the Corporate Body through quarterly business updates and annual business plan update.
- 4.5 Edinburgh Living's governance is aligned to that of the Council and major decisions including the sale of homes to Edinburgh Living and funding for the LLPs are agreed by the Council and its Committees.
- 4.6 Edinburgh Living has no staff and, in order to provide a consistent level of service, the Council supplies the services which allows Edinburgh Living to operate.
- 4.7 Where the Council cannot supply a required service, it procures them on behalf of Edinburgh Living. These services are paid for by Edinburgh Living through the collection of rent.
- 4.8 The Council does not currently have the requisite experience in delivering management and maintenance services to mid-market and market rent homes let under a Private Rented Tenancy (PRT) agreement. As a result, a service provider experienced in this field was required. In 2018, Lowther Homes was procured to provide day to day letting and management services for the homes owned by Edinburgh Living.

- 4.9 The contract is managed by the Council and includes monthly contract meetings and quarterly management reports to the SMT.
- 4.10 The Corporate Body meet quarterly to review progress and agree the audited financial statements on an annual basis. A summary of the financial statements is included below.

#### Strategic Alignment

- 4.11 The delivery of homes aligns closely with Council commitments. The following objectives were developed for Edinburgh Living and approved as part of the Business Case:
- 4.11.1 deliver quality new homes for rent in places where people choose to live;
  - 4.11.2 operate commercially and at scale;
  - 4.11.3 provide stable and good value rents and tenancy security;
  - 4.11.4 accelerate house building in the city;
  - 4.11.5 have a positive impact on the local economy, through creating opportunities for local businesses and supporting jobs in construction and housing related services;
  - 4.11.6 deliver a value for money service to customers; and
  - 4.11.7 support development of housing on brownfield sites
- 4.12 In addition to the above objectives, delivering affordable housing through this initiative makes a contribution to the prevention of homelessness by offering people on low to middle incomes, affordable, high quality, professionally managed homes and security of tenure.
- 4.13 In 2019/20 officers from Housing and Homelessness services worked together, and with the EdIndex Board, to raise the profile of the mid-market rent as a housing option for working homeless households. There was mixed success to this new initiative during 2019, with a total of six working homeless households finding new homes with Edinburgh Living.
- 4.14 With a focus on homelessness prevention, the developing relationship with the new Private Residential Sector (PRS) team within the homelessness service has resulted in more households finding homes within mid-market rent tenancies this year. Between October and December 2020, 12 working households have found new homes with Edinburgh Living.
- 4.15 The Council is continuing to work with Edinburgh Living's letting agent, Lowther Homes, to directly signpost clients to homes being delivered through Edinburgh Living. This approach is also being developed with other MMR housing providers in the city.

## Operations

- 4.16 The current Edinburgh Living pipeline focuses on purchasing homes delivered through the Council's mixed tenure housebuilding programme. Purchases are funded through a mixture of Council on-lending and a grant funding package of £16.1m, both of which were agreed by Scottish Government under the City Deal.
- 4.17 Following the implementation of the new Edinburgh Living LLPs, the first MMR tenants were welcomed into their new homes at Clermiston in January 2019. The development was opened by Kevin Stewart MSP.
- 4.18 Before the end of 2019, Edinburgh Living had purchased 131 new homes across six developments. Homes were generally let quickly, particularly in the first three quarters of the year and feedback received from tenants was positive throughout the year. Tenants were particularly pleased with the size and standard of their new homes and the service being provided by Lowther Homes.
- 4.19 Details of the new homes purchased during the year and their location is provided in Appendix 1 and Appendix 2.
- 4.20 Rents within the year 2019 were charged at no more than 100% of Local Housing Allowance, in line with Scottish Government grant conditions and demand for MMR homes was high throughout the year. Rent increases will be implemented in 2020 at CPI, in line with business case assumptions.
- 4.21 Over the course of the first year of operation, Council officers met regularly with staff from Lowther Homes to ensure that key performance indicators in the contract were met. During Covid-19 Lowther's approach to communication with tenants; including calls to check on tenants' wellbeing have been aligned to the Council's own approach. Throughout the year, arrears and voids remained low and within Business Plan assumptions.
- 4.22 The Senior Management Team met on a monthly basis throughout 2019 and the Corporate Body met on a quarterly basis. During 2019 the Corporate Body approved the draft five year Business Plan and instructed the development of a Performance Framework for the LLPs to be included in future updates of the Business Plan.

## Financial results 2019

- 4.23 The financial statements for 2019 have been prepared in accordance with the relevant accounting standards and audited by Azets and are included in full at Appendix 4. Edinburgh Living Corporate Body approved the statements at its meeting on 16 December 2020.
- 4.24 The main transactions reflected in the accounts are: the loan funding from the Council for the acquisitions of homes; interest on the loans; the bi-annual loan repayments; payment of legal fees pertaining to the acquisitions; payment of management and maintenance fees; administration costs and rental income. As part of the annual accounts process, the properties were revalued as at 31 December 2019 (the balance sheet date) and this showed an increase in value.

- 4.25 The Profit and Loss Account shows a profit of £8.252m but includes the gain from the increase in the property valuations of £8.235m. Once that adjustment is stripped out, the underlying position is a small profit of £16,777.
- 4.26 The financial modelling for Edinburgh Living projected that the early years would return relatively small profits. This is largely due to initial void periods before the properties are first let. Approximately four and half months rental income is required to cover the first loan repayment for each acquisition. Therefore, acquisitions made in the last four months of the year do not have long enough to generate sufficient income to cover the loan repayment applicable to the period between acquisition and the end of the financial year, which impacts on the profit. The longer-term picture remains positive and the LLP should return profits once it has a larger portfolio of established income-generating properties.
- 4.27 The Balance Sheet shows negative net current assets of £113,327. However, the LLP's main creditor is the Council and there is a working capital facility in place to help manage the cashflow. As with the Profit and Loss Account, the Balance Sheet position is projected to improve as the LLP matures.

The year ahead: 2020

- 4.28 Edinburgh Living has an ambitious programme to deliver 1,500 homes over five years, contribute to the Council's affordable housing delivery targets and make a positive impact on homelessness in the city.
- 4.29 Key areas of focus for the Edinburgh Living SMT in 2020 will be:
- 4.29.1 develop strategies to meet the Council's ambition for Edinburgh Living to operate at scale, accelerate housebuilding in the city and support the development of housing on brownfield sites, through increasing the number of homes available for Edinburgh Living to purchase, beyond the current pipeline;
  - 4.29.2 continue to build relationships with the new PRS Homelessness team;
  - 4.29.3 deliver homes at scale across the city with acquisitions anticipated at North Sighthill, Pennywell and Craigmillar;
  - 4.29.4 develop a dedicated website and establish branding and a presence in the market place; and
  - 4.29.5 continue to implement robust risk management, financial monitoring and reporting with a focus on lessons learned and continuous improvement.
- 4.30 At the time of writing all of the above are progressing.
- 4.31 In the context of reduced grant, limited land supply and increasing construction costs, Council officers are assessing options for the delivery of homes outside the current acquisition model. This includes alternative funding models and the potential for partnership working with the private sector.
- 4.32 The impact of Covid-19 has been mitigated through robust financial monitoring, a reliable emergency repairs service provided by Lowther Homes throughout the lockdown period and limited voids.



- 4.33 In addition, Edinburgh Living was able to support the city-wide effort to provide additional accommodation for homeless households during the pandemic through the leasing of homes that were left void when Lowther Homes ceased letting as part of the nationwide lockdown. In total 12 homes across three developments have been made available to the Temporary Accommodation team. Homeless households will be able to occupy the homes until they find a permanent home.
- 4.34 While MMR will not be the most suitable long term option for all the households who are currently occupying the homes, it is anticipated that some households will become Edinburgh Living tenants.
- 4.35 The Corporate Body has not met on a quarterly basis during 2020, meeting on a six monthly basis instead, in June and December. However, the Corporate Body has been updated through interim management updates where meetings have not been possible.
- 4.36 Settlements resumed at the end of October and Edinburgh Living has purchased an additional 112 homes in 2020.

## **5. Next Steps**

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- 5.1 Edinburgh Living will continue to report progress in line with existing governance arrangements.
- 5.2 An annual report for the year 2020 will be prepared for Committee towards the end of 2021, following completion of the external audit process for that year.

## **6. Financial impact**

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- 6.1 There are no direct financial implications arising directly from this report.

## **7. Stakeholder/Community Impact**

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- 7.1 The LLPs have a key role to play in delivering the Council's housing strategy and commitment to deliver 20,000 homes. The development of the LLPs will also have a positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction.
- 7.2 Edinburgh Living acquires new build homes that are developed through the Council's housebuilding programme to high standards in terms of energy efficiency and sustainability. A strong emphasis placed on providing homes that are cheap to heat and affordable to manage for tenants.
- 7.3 Community benefits are secured through housing contracts and the management and maintenance contract can enhance the local environment. As part of the Lowther Homes contract, the delivery of community benefits was focused on training schemes, apprenticeships and a bursary programme. Lowther Homes is

also committed to delivering benefits across fire safety, tackling fuel poverty and supporting local businesses. Further information on this work will be reported in the 2020 annual report.

## **8. Background reading/external references**

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- 8.1 [City Deal – New Housing Delivery Partnership Implementation, Housing and Economy Committee, Thursday 18 January 2018](#)
- 8.2 [City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, 01 February 2018](#)
- 8.3 [City Deal New Housing Delivery Partnership Acquisition of Homes 2018/19, Finance and resource Committee, Thursday 12 June 2018](#)
- 8.4 [Edinburgh Living LLPs: Acquisition of Homes 2019/20, Finance and Resources Committee, Tuesday 04 December 2018](#)
- 8.5 [Edinburgh Living LLPs: Acquisition of Homes 2019/20 – referral from the Finance and Resources Committee](#)

## **9. Appendices**

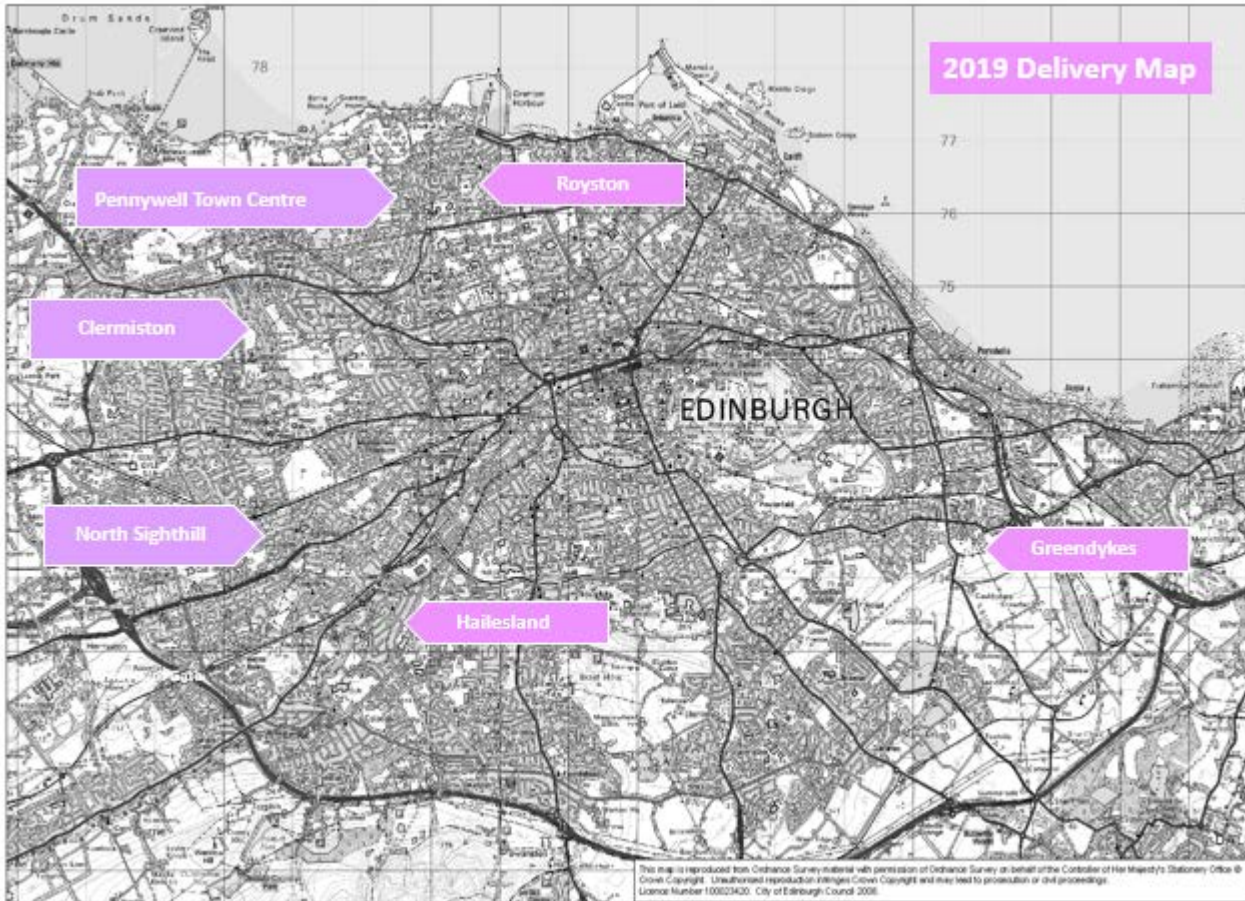
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- 9.1 Appendix 1: Unit numbers.
- 9.2 Appendix 2: Map of homes.
- 9.3 Appendix 3: Development Photos.
- 9.4 Appendix 4: Financial Statements

## Appendix 1 – Unit Numbers 2019

	<b>2019 actual</b>
Total Number of Units owned as at 31 December	131
Number of Units completed during that Financial Year	131
Number of Units in pipeline and under construction as 31 December 2019	320
Number of Units in pipeline and not yet under construction as at 31 December 2019	857

## Appendix 2 – Edinburgh Living Locations 2019



Appendix 3 – Edinburgh Living Photos



Royston



North Sighthill

## **Appendix 4 – Financial Statements**

### **Edinburgh Living MMR LLP**

#### **Members' report and financial statements**

Registered number SO306071

For the year ended 31 December 2019

## **Contents**

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## **Members' report**

The members present their members' report and financial statements for the year ended 31 December 2019.

### **Principal activities**

The principal activity of the LLP during the year was investment in residential property for rental purposes.

### **Business review**

Edinburgh Living is a housing delivery partnership created to address housing need in Edinburgh. The initiative is a partnership between the City of Edinburgh Council (The Council) and Scottish Futures Trust (SFT). The Limited Liability Partnership will deliver homes for mid-market rent to let households in housing need.

Edinburgh Living bought its first homes in January 2019 and over the course of its first year purchased 150 homes.

Edinburgh Living is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £248m along with a contribution of up to £16.1m from a Scottish Government grant.

### **Results**

The results for the year are shown on the profit and loss account on page 6.

### **Members**

The members who held office during the year were as follows:

Scottish Futures Trust Investments Limited  
The City of Edinburgh Council

### **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

Cash received by Edinburgh Living, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any loan advances and associated accrued interest charges, thirdly to fund the Lifecycle Account as necessary to establish and maintain the Maintenance Fund and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above allocations will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Edinburgh Living and the Council) has not been made in accordance with its terms.

Cash received from property disposals will be allocated firstly to reimburse any subsidy paid out under the Scottish Government Grant, secondly in payment of any accrued interest charges on loan advances, thirdly to repay the outstanding balance of the principal of the loan advances, fourthly to pay any operating costs including any disposal costs, to establish and maintain the Reserve Account balance, fifthly to pay for the acquisition of any replacement units, sixthly to fund the Lifecycle Account, seventhly to the Reserve Account as necessary and finally, following disposal of the final property, to repay the initial capital.

### **Disclosure of information to auditor**

The members who held office at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.



**Members' report** *(continued)*

**Auditor**

Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit Services Limited, a company owned by Azets.

The above report has been prepared in accordance with the special provisions relating to limited liability partnerships subject to the small limited liability partnerships' regime within Part 15 of the Companies Act 2006, as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Signed on behalf of the members

**Paul Lawrence** *on behalf of The City of Edinburgh Council*  
*Designated member*

Waverley Court  
4 East Market Street  
Edinburgh  
EH8 8BG  
16 December 2020

## **Statement of members' responsibilities in respect of the Members' report and the financial statements**

The members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Edinburgh Living MMR LLP**

### **Opinion**

We have audited the financial statements of Edinburgh Living MMR LLP ("the LLP") for the year ended 31 December 2019 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including a summary of significant accounting policies to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The members are responsible for the other information. The other information comprises the information included in the Members' report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Independent auditor's report** *(continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or the financial statement are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the members**

As explained more fully in the Members' responsibilities statement in page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP or to cease operation, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's Report.

### **Use of our report**

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

**Nick Bennett (Senior Statutory Auditor)**  
**For and on behalf of**  
**Azets Audit Services, Statutory Auditor**  
Chartered Accountants  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date:

**Profit and loss account**  
 for the year ended 31 December 2019

	<i>Note</i>	<b>2019</b> £	<b>2018</b> £
<b>Turnover</b>		224,830	-
Cost of sales		(76,423)	-
		148,407	-
<b>Gross profit</b>		148,407	-
Government grant release	8	23,065	-
Administrative expenses		(12,996)	-
Net gain from fair value adjustment on investment properties		8,235,245	-
		8,393,722	-
<b>Operating profit</b>		8,393,722	-
Interest payable and similar charges	4	(141,699)	-
		8,252,022	-
<b>Profit before tax</b>		8,252,022	-
		8,252,022	-
<b>Profit for the financial year available for discretionary division among members</b>	3	8,252,022	-

The LLP's turnover and expenses all relate to continuing operations.

There are no items of other comprehensive income for the current or previous year and therefore no separate statement of other comprehensive income has been presented.

## Balance sheet

at 31 December 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Investment properties	4	27,747,852	-
<b>Current assets</b>			
Debtors	6	51,807	2
Cash at bank and in hand		335,908	-
		<hr/>	<hr/>
<b>Current assets</b>		387,715	2
<b>Creditors: amounts falling due within one year</b>	7		
Trade and other payables		(428,991)	-
Deferred income	8	(72,050)	-
		<hr/>	<hr/>
<b>Net current assets</b>		(113,326)	2
		<hr/>	<hr/>
<b>Creditors: amounts falling due in more than one year</b>	7 & 8	(2,786,885)	-
		<hr/>	<hr/>
<b>Net assets attributable to members</b>		24,847,641	2
		<hr/> <hr/>	<hr/> <hr/>
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Other amounts	10	16,595,617	-
<b>Members' equity</b>			
Members' capital	11	2	2
Revaluation reserve		8,235,245	-
Profit and loss reserve		16,777	-
		<hr/>	<hr/>
		24,847,641	2
		<hr/> <hr/>	<hr/> <hr/>

These financial statements have been prepared in accordance with the special provisions relating to Limited Liability Partnerships subject to the small Limited Liability Partnerships' regime within Part 15 of the Companies Act 2006, as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, and in accordance with Section 1A "Small Entities" of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities), and the Statement of Recommended Practice Accounting by Limited Liability Partnerships.

The notes on pages 9 to 13 form part of these financial statements.

These financial statements were approved by the members and authorised for issue on 16 December 2020 and are signed on their behalf by:

**Paul Lawrence** on behalf of The City of Edinburgh Council  
Designated member

**Statement of changes in Members' interests**  
 for the year ended 31 December 2019

	Members' Capital (classified as equity)	Profit & Loss Reserve	Revaluation Reserve £	Loans & Other Debts Due to Members £	Total Members' interests £
Balance at 1 January 2018	2	-	-	-	2
Profit for the financial year	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
New loans from Members during year	-	-	-	16,595,617	16,595,617
(Loss/)Profit for the financial year	-	16,777	-	-	16,777
Revaluations	-	-	8,235,245	-	8,235,245
<b>Balance at 31 December 2019</b>	<b>2</b>	<b>16,777</b>	<b>8,235,245</b>	<b>16,595,617</b>	<b>24,847,641</b>

The notes on pages 9 to 13 form part of these financial statements.

The revaluation element of Members' other interests is non-distributable.

## Notes

(forming part of the financial statements)

### 1. General information

Edinburgh Living MMR LLP (the "Partnership") is a Limited Liability Partnership, incorporated and domiciled in the Scotland. The address of the registered office is Waverley Court, East Market Street, Edinburgh, EH8 8BG.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the LLP's financial statements.

#### ***Basis of preparation***

These financial statements were prepared in accordance with Section 1A small entities of Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014 and the LLP Statement of Recommended Practice (SORP) as issued in December 2018. The presentation currency of these financial statements is sterling.

#### ***Going concern***

In relation to the LLP's working capital requirements, the members have prepared cash flow forecasts which indicate that the LLP will continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least twelve months from the date of approval of these financial statements. The LLP finances its day to day working capital requirements through funds advanced to the LLP by its members, as detailed in note 8.

Covid-19 may impact upon future rental income and acquisitions of properties. The Board has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The Board concluded that there were sufficient resources available to the LLP to withstand a reasonable level of negative impact on the rental income. The LLP has a working capital facility arrangement in place with the Council to help manage its day-to-day cashflow in the early years as it builds up reserves.

Based upon the reasons outlined above, and after making appropriate enquiries, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the members continue to adopt the going concern basis in preparing the annual financial statements.

#### ***Cash flow statement***

Under Section 1A Small entities of FRS 102, the company is not required to prepare a cash flow statement.

#### ***Turnover***

The turnover shown in the profit and loss account represents rental income, exclusive of value added tax, and is recognised as it accrues.

#### ***Investment properties***

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- i. Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. No depreciation is provided in respect of investment properties applying the fair value model.



**Notes** *(continued)*

**2. Accounting policies** *(continued)*

**Investment properties** *(continued)*

If a reliable measure is not available with undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets until a reliable measure of fair value becomes available.

**Interest**

Interest payable and similar charges comprises interest payable on loans from members. Interest payable is recognised in the profit and loss account as it accrues.

**Taxation**

As members are personally liable for taxation on their share of the profits of the LLP there is no corporation or deferred tax charges.

The LLP is not making taxable supplies therefore is not required to register for VAT.

**Government grants**

The accrual model is applied to government grants relating to assets. Grants are recognised when receivable and measured at fair value.

Grants receivable in respect of contributions to fixed assets are initially credited to deferred income and released to the profit and loss account over the useful life of the asset which is deemed to be 40 years.

**Key sources of estimation uncertainty**

*Valuation of Investment Property*

The company believes that the most significant judgement applied is the valuation of investment properties. As described above investment properties are held at fair value. The investment property portfolio has been valued by the members and any valuation movement will be reflected in the profit and loss account. This results in inherent volatility in the expected results.

*Critical accounting judgements in applying the company's accounting policies*

The company believes that the major judgement applied is the use of the going concern principle which supports the valuation of the assets included in the Balance sheet.

**3. Profit for the financial year available for discretionary division among members**

	<b>2019</b>	<b>2018</b>
	£	£
<b>This is stated after charging:</b>		
Auditor's remuneration:		
Audit of these financial statements	7,000	-
	<u>                    </u>	<u>                    </u>

**Notes** (continued)

**4. Interest payable and similar charges**

	2019 £	2018 £
On members' loans	141,699	-
	141,699	-

**5. Investment properties**

		£
Balance at 1 January 2019	-	-
Acquisition cost	19,512,607	-
Change in fair value	8,235,245	-
Balance at 31 December 2019	27,747,852	-

The last valuation was carried out by a registered valuer and qualified Chartered Surveyor from the City of Edinburgh Council, in December 2019 and is based on market value.

The valuation report has been used to inform the measurement of assets in these financial statements. Although, due to COVID-19 impacts, the valuer has declared that the valuation be reviewed when the housing market resumes to normality and more information comes to light given the anticipated change in values. Despite this, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Edinburgh Living MMR LLP as at 31 December 2019 and thus can be relied upon.

**6. Debtors**

	2019 £	2018 £
Other debtors	49,713	-
Unpaid members' capital	2	2
Prepayments	2,092	-
	51,807	2

**Notes** (continued)

**7. Creditors**

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Amounts due to The City of Edinburgh Council	89,138	-
Retentions	250,629	-
Accruals	84,916	-
Other creditors	4,308	-
Deferred income	72,050	-
	501,041	-
	501,041	-
<b>Amounts falling due in more than one year:</b>		
Deferred income	2,786,885	-
	2,786,885	-
	2,786,885	-

**8. Deferred income**

	2019 £	2018 £
Grant received during the year	2,882,000	-
Grant released to profit and loss account	(23,065)	-
	2,858,935	-
	2,858,935	-

**9. Related party transactions**

Throughout the year the partnership was controlled by the members.

During the year the LLP entered into transactions with related parties as follows:

		Transactions £	Creditor at year end £
<b>Related party</b>			
The City of Edinburgh Council	Management fees	42,654	42,654
The City of Edinburgh Council	Interest	141,699	89,138
		184,353	131,792
		184,353	131,792

**Notes** (continued)

**10. Loans and other debts due to members**

On liquidation of the LLP, loan advances and related accrued interest will be repaid second after any required repayment of Scottish Government Grant.

	2019 £	2018 £
Due to The City of Edinburgh Council	16,595,617	-
	16,595,617	-
	16,595,617	-

**11. Members' capital**

	2019 £	2018 £
The City of Edinburgh Council	1	1
Scottish Futures Trust Investments Limited	1	1
	2	2
	2	2

**12. Ultimate controlling party**

The City of Edinburgh Council, Waverley Court, 4 East Market St Edinburgh, EH8 8BG is the ultimate controlling party.

**13. Subsequent events**

Covid-19 may impact upon rental income. The Senior Management Team (SMT) has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The SMT concluded that there were measures in place to enable to LLP to mitigate a reasonable level of negative impact on the rental income, therefore it is not considered to change the assessment of the LLP as a going concern.

The LLP has acquired a further 112 properties during 2020.