Public Document Pack

Notice of meeting and agenda

Housing, Homelessness and Fair Work Committee

10.00 am Thursday, 5th November, 2020

Virtual Meeting - via Microsoft Teams

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

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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

Contacts

Email: jamie.macrae@edinburgh.gov.uk / sarah.stirling@edinburgh.gov.uk

•EDINBVRGH•
THE CITY OF EDINBURGH COUNCIL

1. Order of Business

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

2. Declaration of Interests

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

3. Deputations

3.1 If any.

4. Minutes

4.1	Minute of the Housing, Homelessness and Fair Work Committee of 3 September 2020 – submitted for approval as a correct record	9 - 14
4.2	Minute of the Housing, Homelessness and Fair Work Committee of 18 September 2020 – submitted for approval as a correct record	15 - 16

5. Forward Planning

5.1	Housing, Homelessness and Fair Work Committee Work Programme	17 - 20
5.2	Housing, Homelessness and Fair Work Committee Rolling Actions Log	21 - 32

Business Bulletin

7. Executive Decisions

7.11	Parental Employability Support Fund Grants – Report by the Executive Director of Place	179 - 184
7.12	Economic Wellbeing Measures – Report by the Executive Director of Place	185 - 190
7.13	Town Centre Fund - Additional Allocations – Report by the Executive Director of Place	191 - 212
7.14	The EDI Group - Update Report – Report by the Executive Director of Place	213 - 258
7.15	Marketing Edinburgh Annual Report 2019/20 – Report by the Executive Director of Place	259 - 270
7.16	Appointment to Working Groups 2020/21 – Report by the Chief Executive	271 - 276

8. Routine Decisions

8.1	Place Directorate - Revenue Monitoring 2020/21 - Month Five Position – Report by the Executive Director of Place	277 - 284
8.2	Homelessness and Housing Support - Revenue Monitoring 2020/21 - Month Five Position – Report by the Executive Director for Communities and Families	285 - 290

9. Motions

9.1 By Councillor Jim Campbell – SPSO – Case Reference 201906053 - Upheld complaint against Council

"Committee:

Notes the decision of the Scottish Public Services Ombudsman, Case Reference 201906053, to uphold a complaint against Council regarding its failure to take action to protect the complainer.

Further notes the Council has issued an apology following the decision of the Ombudsman.

Asks for a brief report to this Committee within one cycle of any ongoing investigations being completed, or earlier if possible, detailing:

1. Council policy regarding tenants against whom repeated allegations of Anti-Social Behaviour have been made

2. The responsibilities within the Council for delivering these policies

3. The reasons that contributed to a failure in this case, including the failure to keep reasonable records

4. Any changes to policy or process that are being considered in light of this case."

10. Resolution to Consider in Private

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

11. Private Reports

11.1 Unsuitable Accommodation Order – Report by the Executive Director for Communities and Families 291 - 300

Motions and Amendments

Laurence Rockey

Head of Strategy and Communications

Committee Members

Councillor Kate Campbell (Convener), Councillor Mandy Watt (Vice-Convener), Councillor Chas Booth, Councillor Jim Campbell, Councillor Graham Hutchison, Councillor David Key, Councillor Kevin Lang, Councillor John McLellan, Councillor Claire Miller, Councillor Gordon Munro and Councillor Norman Work

Information about the Housing, Homelessness and Fair Work Committee

The Housing, Homelessness and Fair Work Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The meeting will be held via Microsoft Teams.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Jamie Macrae/Sarah Stirling, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, email jamie.macrae@edinburgh.gov.uk / sarah.stirling@edinburgh.gov.uk.

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

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

Webcasting of Council meetings

Please note this meeting may be filmed for live and subsequent broadcast via the Council's internet site – at the start of the meeting the Convener will confirm if all or part of the meeting is being filmed.

The Council is a Data Controller under current Data Protection legislation. We broadcast Council meetings to fulfil our public task obligation to enable members of the public to observe the democratic process. Data collected during this webcast will be retained in accordance with the Council's published policy including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site.

Any information presented by individuals to the Council at a meeting, in a deputation or otherwise, in addition to forming part of a webcast that will be held as a historical record, will also be held and used by the Council in connection with the relevant matter until that matter is decided or otherwise resolved (including any potential appeals and other connected processes). Thereafter, that information will continue to be held as part of the historical record in accordance with the paragraphs above.

If you have any queries regarding this, and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact Committee Services (committee.services@edinburgh.gov.uk).

This page is intentionally left blank

Minutes

Housing, Homelessness and Fair Work Committee

10.00am, Thursday 3 September 2020

Present

Councillors Kate Campbell (Convener), Watt (Vice-Convener), Booth, Jim Campbell, Key, Lang, McLellan, Miller, Mowat (substituting for Councillor Hutchison), Munro (item 4 onwards) and Work.

1. Work Programme

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

Decision

1) To note the Work Programme.

2) To request an annual update on the work of the Empty Homes Officer.

3) To note that the Rapid Rehousing Transition Plan would be considered at a special meeting of the Committee.

(Reference – Work Programme, submitted.)

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

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

Decision

1) To agree to close the following actions:

- Action 1 – Rapid Access Accommodation with Support for Edinburgh's Rough Sleepers
- Action 2 – Tenant and Customer Engagement
- Action 3 – Empty Homes Update
- Action 4 – Mixed Tenure Improvement Strategy Update
- Action 6 – Town Centre Fund – Allocations Report
- Action 8 – Housing Revenue Account Budget Strategy 2020/21
- Action 9 – Strategic Approach to Private Rented Sector

- Action 12 – Original Edinburgh – Old Town Business Improvement District; Proposal and Ballot
- Action 13 – Review of Scottish Government funded ‘No One Left Behind’ Employability Provision
- Action 15 – Private Sector Leasing Scheme – Update (B agenda)
- Action 16 – Marketing Edinburgh Update (B agenda)
- Action 17 – Support for Build to Rent
- Action 18 - Tenant Participation and Community Engagement
- Action 19 - The EDI Group – Update report
- Action 20 - Investment in Town Centres – Strategic Statement

2) To note that the following action would be transferred to the Policy and Sustainability Committee:

- Action 22 - Sustainability – Carbon Neutral Economy

3) To otherwise note the remaining outstanding actions.

(Reference – Rolling Actions Log, submitted.)

3. Housing, Homelessness and Fair Work Committee Business Bulletin

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

Decision

To note the Business Bulletin.

(Reference – Business Bulletin, submitted.)

4. No Recourse to Public Funds – Legal Position

During the Covid-19 pandemic the Council, to support public health objectives, accommodated around 50 people who at that point were believed to have no recourse to public funds (NRPF). Under normal circumstances accommodation would not have been provided. A number of these service users were still likely to be in accommodation at the end of the public health crisis. The legal position was confirmed in relation to the provision of services to those with NRPF.

Decision

1) To note the current legal position on people who were homeless with NRPF.

2) To agree that the Council would continue to provide support to people who potentially would have NRPF until the end of the current public health crisis and should explore every available avenue to continue doing so after the end of the current crisis, including but not limited to the potential to work with third sector organisations to provide this support.

3) To agree to delegate authority to officers to exercise maximum flexibility, within the existing legal framework, to work in partnership with national and local agencies and organisations, to support people who had no recourse to public funds and were at risk of destitution.

4) To agree that officers would develop proposals for managing cases for those with NRPF and provide a report to the Housing, Homelessness and Fair Work Committee within one cycle and that this report should explore every available avenue to continue to support those with NRPF, including but not limited to the potential to work with third sector organisations to provide this support.

5) To note that the Scottish Government and partners continue to engage with the UK Government around potential changes to legislation and resource provision for those with NRPF and to therefore agree that the Convener of the Housing, Homelessness and Fair Work Committee would write to the relevant Ministers within the Scottish and UK Governments to urge them to uphold fundamental human rights and ensure that councils could always legally support those who were destitute or at immediate risk of becoming destitute, irrespective of their immigration status.

6) To ask officers to update Committee in the next business bulletin on actions taken by the Council and partners to prevent destitution by working with people with no recourse on retaining and finding employment opportunities.

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

5. Homelessness Services – Update

An update was provided on the development of the Council's Temporary Accommodation Services, both prior to and during the Covid-19 pandemic.

Decision

1) To note the work to increase provision of self-contained properties to be used as temporary accommodation.

2) To note the development of a Rapid Rehousing Transition Plan (RRTP) for Edinburgh.

3) To note the previously approved decision to invest in Home Share properties and the progress in developing this service so far.

4) To note the current temporary accommodation that had been contracted since the Covid-19 pandemic.

5) To note the work on an exit strategy and transition post lock down to find positive solutions for people moving on from accommodation provided as a public health response to the Covid-19 pandemic.

6) To note that further work would be carried out to develop additional accommodation options.

7) To request a briefing note on accommodation provision for homeless people.

(References – Policy and Sustainability Committee of 9 July 2020 (item 5); report by the Executive Director for Communities and Families, submitted.)

6. Homelessness and Housing Support - Revenue Monitoring 2020/21 – Month Three Position

The projected month three revenue monitoring position for the Homelessness and Housing Support service was set out, based on analysis of actual expenditure and income to the end of June 2020, and expenditure and income projections for the remainder of the financial year.

The projected net residual budget pressure of £5.7m was part of an overall net residual budget pressure of £8.3m for Communities and Families. The Executive Director of Communities and Families was fully committed to making all efforts to identify management action to reduce the budget pressures, while addressing the impact of the pandemic.

Decision

1) To note an overall net residual budget pressure of £8.3m for Communities and Families at month three.

2) To note that this pressure included a net residual budget pressure of £5.7m for the Homelessness and Housing Support service.

3) To note that the net pressure of £5.7m related to the impact of the Covid-19 pandemic.

4) To note that an approved saving of £0.060m in 2020/21 had been assessed as amber, and was at risk of not being delivered until 2021/22.

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

7. Revenue Monitoring Update – 2019/2020 Provisional Out-turn and 2020/2021 Month Three Position

The provisional out-turn for the 2019/2020 financial year and the projected month three revenue monitoring position for the Housing Revenue Account (HRA) and Place Directorate General Fund (GF) services were set out. The provisional outturn was based on the unaudited accounts for 2019/2020 and the month three forecast was based on analysis of actual expenditure and income to the end of June 2020, and expenditure and income projections for the remainder of the 2020/2021 financial year.

Decision

1) To note that the HRA provisional out-turn for 2019/2020 was a balanced position after a contribution of £7.477m to capital investment.

2) To note the Place GF provisional out-turn for 2019/2020 was a £7.0m overspend (£5.3m excluding Covid-19 impact). Services within the remit of this Committee achieved balanced provisional out-turns in 2019/2020.

3) To note that the HRA projected position for the 2020/2021 financial year was a balanced position after a contribution of £14.174m towards in-year capital investment and the future strategic housing investment programme.

4) To note that the Place GF revenue budget forecast for 2020/2021 was a projected £3.020m overspend (excluding Covid-19 impact) including a forecast budget pressure of £0.250m for services within the remit of this Committee.

5) To note that the Executive Director of Place was taking measures to reduce budget pressures and progress would be reported to Committee at agreed frequencies.

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

8. The City of Edinburgh Council's Assurance Statement on Housing Services

The Scottish Housing Regulator (SHR) required all social landlords to submit an Annual Assurance Statement, by 31 October each year, providing assurance that their organisation complied with the relevant requirements of chapter 3 of the Regulatory Framework.

The Assurance Statement confirmed where the Council met the SHR required standards and outcomes and provided information on areas for improvement and any associated management actions. Following committee approval, the Assurance Statement would be published on the SHR website.

Decision

To approve the City of Edinburgh Council Assurance Statement on housing services for submission to the SHR by annual deadline of 31 October 2020.

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

This page is intentionally left blank

Minutes

Housing, Homelessness and Fair Work Committee

11.00am, Friday 18 September 2020

Present

Councillors Kate Campbell (Convener), Watt (Vice-Convener), Booth, Jim Campbell, Hutchison, Key, Lang, Miller, Mowat (substituting for Councillor McLellan), Munro and Work.

1. Rapid Rehousing Transition Plan – Second Iteration

The Scottish Government had instructed all local authorities to develop, produce and cost a 5-year Rapid Rehousing Transition Plan (RRTP) by 31 December 2018. Further to this, local authorities were asked to submit updated RRTP's, originally by 30 June 2020. Due to Covid-19, the Scottish Government accepted that plans would take longer to complete, as the effects of the pandemic impacted on the local authorities' ability to rapidly rehouse people, and so an extension was given to this deadline.

Decision

1) To agree the RRTP for submission to Scottish Government.

2) To note that annual updates on the progress of the plan would be provided.

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

This page is intentionally left blank

Work Programme

Housing, Homelessness and Fair Work Committee

5 November 2020

No.	Title / description	Purpose/Reason	Directorate and Lead Officer	Progress updates	Expected date
1	Place Directorate – Financial Monitoring	Quarterly and annual report	Executive Director of Place Lead Officer: Susan Hamilton 0131 469 3718 susan.hamilton@edinburgh.gov.uk		November 2020 January 2021
2.	Communities and Families Directorate – Financial Monitoring	Quarterly and annual report	Executive Director for Communities and Families Lead Officer: Brendan O’Hara 0131 469 3620 brendan.o’hara@edinburgh.gov.uk		November 2020 January 2021
3	Marketing Edinburgh	Annual report	Executive Director of Place Lead Officer: Paul Lawrence 0131 529 7325 paul.lawrence@edinburgh.gov.uk		November 2020

4	EDI Group	Annual Report and six-monthly update	Executive Director of Place Lead Officer: David Cooper 0131 529 6233 david.cooper@edinburgh.gov.uk		November 2020 June 2021
5	EICC	Annual report	Executive Director of Place Lead Officer: David Cooper 0131 529 6233 david.cooper@edinburgh.gov.uk		November 2020
6	Housing Revenue Account Capital Programme	Annual report	Executive Director of Place Lead Officer: Elaine Scott 0131 529 6789 elaine.scott@edinburgh.gov.uk		March 2021
7	Appointments to Working Groups	Annual report	Chief Executive Lead Officer: Jamie Macrae 0131 553 8242 jamie.macrae@edinburgh.gov.uk		November 2020
8	City of Edinburgh Council Assurance Schedule on Housing Services	Annual report	Executive Director of Place Lead Officer: Elaine Scott 0131 529 6789 elaine.scott@edinburgh.gov.uk		September 2021
9	Rapid Rehousing Transition Plan	Annual report	Executive Director for Communities and Families Lead Officer: Nicky Brown 0131 469 3620 nicky.brown@edinburgh.gov.uk		September 2021

10	Strategic Housing Investment Plan (SHIP)	Annual report	Executive Director of Place Lead Officer: Elaine Scott 0131 529 6789 elaine.scott@edinburgh.gov.uk		January 2021
11	Empty Homes Annual Update	Annual Report	Executive Director of Place Lead Officer: Elaine Scott 0131 529 6789 elaine.scott@edinburgh.gov.uk		January 2021

Housing, Homelessness and Fair Work Committee Upcoming Reports

Appendix 1

Report Title	Directorate	Lead Officer
January 2021		
Strategic Housing Investment Plan (SHIP)	Place	Elaine Scott
Edinburgh Living Update	Place	Elaine Scott
Neighbourhood Alliance	Place	Elaine Scott
Place Directorate – Financial Monitoring	Place	Susan Hamilton
Empty Homes Annual Update	Place	Elaine Scott/Andrew Mitchell
Employability Contracts	Place	Elin Williamson
Project Search Update	Place	Elin Williamson
Communities and Families Directorate – Financial Monitoring	Communities and Families	Brendan O'Hara
HARSAG (Homelessness and Rough Sleeping Action Group)	Communities and Families	Nicky Brown

Rolling Actions Log

Housing, Homelessness and Fair Work Committee

5 November 2020

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	06.06.19	[Marketing Edinburgh Update]()	1) Note that a progress update will be included in the August Business Bulletin 2) Notes that a detailed implementation plan for the future of Marketing Edinburgh being presented to the Committee on 31 October to ensure plans are firmly in place in advance of 1 April 2020.	Executive Director of Place	August 2019 October 2019	August 2019	1) **Closed** Included in the Business Bulletin on 29 August 2019 2) Update report was submitted in October 2019 and a further report in January 2020. Committee requested that this item remained open.

Agenda Item 5.2

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
2	06.06.19	Motion by the Green Group – Wellbeing Measures for Economic Success	Calls on officers to identify ways in which wellbeing measures can be incorporated into and strengthen the economic aims of this Council, and to make recommendations to the relevant executive committee(s).	Chief Executive (Strategy and Communications)	November 2020		**Recommended for Closure** Report on agenda for November meeting.
3	29.08.19	Edinburgh Living: Progress Update	Agrees to receive a report in two Committee cycles on the strategy for procuring new homes on private sector land.	Executive Director of Place	January 2021		An update is provided in the Business Bulletin and a report will be provided in January 2021. Officers are in the process of taking necessary advice on procurement route options and having discussions with the private sector.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
4	29.08.19	[Internal Audit – Homelessness Services]()	1) To agree that a briefing note would be circulated to members on the progress of management actions taken before the next committee meeting. 2) To agree that a report would come back on the wider issues related to the internal audit.	Executive Director for Communities and Families	October 2019 November 2020	October 2019	1) **Closed on 20 January 2020** Briefing note circulated on 30 October 2019. 2) **Recommended for Closure** The audit action dates were extended by 4 months due to COVID. A full report will be provided in due course which details the wider issues, complexities and progress to date against the recommendations.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
5	31.10.19	Edinburgh International Conference Centre Annual Update	1) To agree that a draft Service Level Agreement (SLA) be prepared and reported in two committee cycles. 2) To request that officers ask the Board for details of how they planned to reduce their carbon footprint. 3) To include in the SLA that audit actions be responded to within recommended timescales of the auditor.	Executive Director of Place	November 2020 November 2019 November 2019		An update report will be considered in November 2020 to allow the current EICC business development opportunities to be considered at Council before the work on the SLA is progressed further EICC have been contacted for this information. As above.

Page 24

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual comple tion date	Comments
6	20.01.20	Business Improvement Districts	To agree to a further report on the procedure for any future ballot.	Executive Director of Place	March 2021		There are no forthcoming Business Improvement District Ballots. This will be covered when the next BID ballot is proposed (expected to be West End BID in 2021).

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
7	20.01.20	Advice Services Accreditation	To agree that a briefing note would be circulated on the timeline for the Scottish Legal Aid Board audit once the timeline was available.	Executive for Communities and Families	April 2021		The Advice Shop is 20th on a waiting list for review in 2020-21. This means that we are highly unlikely to be reviewed prior to April 2021. The reason being that Scottish Legal Aid Board (SLAB) only have funding for a limited number of reviews per year and that the priority is to re-accredit agencies whose accreditation is due to or has expired.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
8	20.01.20	Housing Service Improvement Plan: Update	To agree to provide more detailed metrics in the next report in six months' time.	Executive Director of Place	November 2020	November 2020	**Recommended for Closure** This has been reported has part of the HRA Business Plan

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
9	03.09.20	No Recourse to Public Funds – Legal Position	1) To agree that officers will develop proposals for managing cases for those with NRPF and provide a report to the Housing, Homelessness and Fair Work Committee within one cycle and that this report should explore every available avenue to continue to support those with NRPF, including but not limited to the potential to work with third sector organisations to provide this support.	Executive Director for Communities and Families	November 2020		**Recommended for Closure** Report on agenda for this meeting

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			2) Asks officers to update Committee in the next business bulletin on actions taken by the Council and partners to prevent destitution by working with people with no recourse on retaining and finding employment opportunities.	Executive Director for Communities and Families	November 2020		**Recommended for Closure** Update provided in Business Bulletin

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			3) agrees that the Convener of the Housing, Homelessness and Fair Work Committee will write to the relevant Ministers within the Scottish and UK Governments to urge them to uphold fundamental human rights and ensure that councils can always legally support those who are destitute or at immediate risk of becoming destitute, irrespective of their immigration status.	Convener	October 2020		**Recommended for Closure** Convener issued letter on 7 October 2020.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual comple tion date	Comments
10	03.09.20	Homelessness Services – Update	To request a briefing note on accommodation provision for homeless people.	Executive Director for Communities and Families	November		**Recommended for Closure** Briefing note issued on 26 October 2020.

This page is intentionally left blank

Business Bulletin

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Housing, Homelessness and Fair Work Committee

Convener:	Members:	Contact:
Convener Councillor Kate Campbell  Vice Convener Councillor Mandy Watt 	• Cllr Chas Booth • Cllr Jim Campbell • Cllr David Key • Cllr Kevin Lang • Cllr John McLellan • Cllr Claire Miller • Cllr Gordon Munro • Cllr Iain Whyte • Cllr Norman Work	Jamie Macrae Committee Officer Tel: 0131 553 8242 Sarah Stirling Assistant Committee Officer Tel: 0131 529 3009

Recent News	Background
Edinburgh Living The first new Edinburgh Living homes at Craigmillar are due to be delivered in the autumn, this takes the total number of homes to 184. These homes are the first to be delivered following the lockdown period. There has been interest in the homes ahead of full marketing with over half of the homes reserved before being handed over to Edinburgh Living. Officers are working together to connect working homelessness households with mid market rent homes where this is a suitable option. Over the next six months new homes will continue to be delivered at Craigmillar and North Sighthill. During the lockdown period Edinburgh Living's management and maintenance provider, Lowther Homes, has supported tenants and continued to arrange emergency repairs. Lowther staff are continuing to provide strong tenancy engagement, a phased return to routine repairs services and have resumed lettings services for Edinburgh Living homes. In 2019 a commitment was made to investigate opportunities to engage with the private sector to deliver more homes for Edinburgh Living, over and above those currently in the pipeline. Officers are exploring an option for Edinburgh Living to lease homes on a private sector site with a view to developing a business case for consideration by Finance and Resources Committee and Council. The Edinburgh Living annual update including financial statements will be presented to the Housing, Homelessness and Fair Work Committee in January 2021.	**Contact:** Elaine.Scott@edinburgh.gov.uk 0131 529 2277
Granton Waterfront Core Path improvements As part of the wider Granton Waterfront regeneration, the Council has secured £15,000 in the latest batch of Sustrans "Places for Everyone" funding towards design	**Contact:** Kyle.drummond@edinburgh.gov.uk

Recent News	Background
work for the improvement of a Core Path running between Waterfront Avenue and West Shore Road (see Appendix 1), with the potential to secure additional funding towards the improvement works themselves. The Core Path will be improved by giving it a better quality surface, adding lighting to unlit sections and other measures intended to make it safer and more pleasant for users. Design work is underway and it is hoped that works on site could commence in early 2021.	0131 529 4849
Kickstart On 8 July 2020, Chancellor Rishi Sunak announced the £2bn Kickstart jobs scheme to help young people who had been affected by the Covid-19 pandemic. In September, details were released of how the fund will operate. Organisations can bid for a minimum of 30 places as a direct employer or can become an intermediary and work with a range of employers to bring them together in order to allocate a minimum of 30 places. The paid placements will be funded at minimum wage level – although employers are encouraged to 'top-up' to the real living wage where possible. Placements must run for a minimum of 25 hours per week for six months. They must also include ongoing employability support and employment preparation and provide a real opportunity to develop experience and skills for future careers. Referrals will come from Jobcentre and participants must be aged 16-24 and be in receipt of a qualifying benefit. Edinburgh is already well covered for intermediary provision with the Chamber of Commerce, Capital City Partnership and Enable already signed up to be intermediaries. Discussions have taken place with the providers and the Council will refer any employer enquiries on to these organisations.	**Contact:** Susanne.Donkin@edinburgh.gov.uk 0131 529 3257

Recent News	Background
Officers are currently working cross departmentally to develop a proposal to offer opportunities across various sectors within the Council. Early discussions are underway with both the Early Years team and Health and Social Care to investigate how this initiative could support the ongoing recruitment of staffing in these areas and will work with other departments across the Council where this could add value to future recruitment.	
Re-Commissioning Of Employability Services The Council currently funds third-party organisations to deliver employability and in-work support to Edinburgh citizens. Due to significant changes in the labour market and the new operational context as a result of Covid-19, three of these services are being reviewed using a co-production methodology to ensure they remain fit for purpose and value for money: • Supported Employment Service (All in Edinburgh); • Complex Needs Employability Service (Encompass); and • Edinburgh Targeted and Integrated Employability Service (Next Step). Two of these contracts – Supported Employment Service and Complex Needs Employability are due to come to an end in March 2021 and would be due for recommissioning with an expected start date of April 2021. The third contract, Edinburgh Targeted and Integrated Employability Service, was awarded as a two plus two-year contract, with the initial contract period due to end in March 2021. Officers are working closely with colleagues in Procurement and Legal to extend the current contracts for a six-month period from 1 April 2021 up until 30 September 2021. This will allow sufficient time to consult with clients and providers to review and reprocure replacement services if required.	**Contact:** Elin.Williamson@edinburgh.gov.uk 0131 469 2801

Recent News	Background
The outcome of the co-production process will be reported back to committee in the new year.	
Regeneration Capital Grant Fund Of the seven projects for which applications for support were made to the 2021/22 round of the Scottish Government's Regeneration Capital Grant Fund, two have been successful at stage one: "Granton Station" and "Nourishing Leith Hub". The deadline for stage two applications is 5 November 2020; officers and partners are working to prepare applications in the necessary timescale. A final decision on successful projects is expected in January 2021. Officers will also continue to investigate alternative funding options for the five projects that were not successful.	**Contact:** David.cooper@edinburgh.gov.uk 0131 529 6233
Progress on Mixed Use Developments Officers have continued to progress the Council's mixed-use development projects at Fountainbridge, Meadowbank and Powderhall. The Covid-19 pandemic has impacted the programme but this has been minimised as far as possible. A short update on each project is provided as follows: Fountainbridge Officers have continued to move forward with the procurement of a partner to work with in the delivery of the development strategy for fountainbridge. Engagement with the local community representatives has been maintained and they have been involved as far as possible in the process. The final stage of the selection is now underway and should be completed later this year although this will depend on the level of negotiation required. Enabling works on the site are also now back underway so that the site is ready to develop as soon as possible. Meadowbank A masterplan for the site surrounding the sports centre was submitted to Planning in February 2020. A	**Contact:** David.cooper@edinburgh.gov.uk 0131 529 6233

Recent News	Background
determination date has not been set at this time owing to Covid-19 limitations. The masterplan proposes 596 homes of which at least 35% will be affordable along with space for a GP surgery and other commercial and community units. The proposal includes an integrated transport strategy that seeks to minimise car use and promote sustainable forms of travel along with an integrated greening strategy that delivers communal and private greenspace to encourage biodiversity and maximises tree retention. The Sports Centre construction site was closed in line with Scottish Government Guidance in March this year but recommenced in June. Powderhall The Powderhall mixed use development continues to progress with the submission of the Planning Application for the refurbishment of the former stable block being made in August. Funded by the Scottish Government's Regeneration Capital Grant Fund and the Council's City Strategic Investment Fund, the Powderhall Stables project will comprehensively restore a category B-listed 1890s former stable block at 165 Broughton Road, bringing it back into use as modern work and events space. This will be the first phase of development on the site followed by the new early years building which is due to submit a planning application later this month. Progress continues in parallel to develop a masterplan and appoint a contractor/developer to deliver around 200 new mixed tenure homes on the remainder of the site. A briefing session for Committee will be provided in due course.	
Scottish Government Consultation on a Licensing Scheme and Planning Control Areas for Short Term Lets in Scotland The consultation seeks views on Scottish Government's detailed proposals for the regulation of short-term lets which will form the basis for secondary legislation to be	**Contact:** David.leslie@edinburgh.gov.uk 0131 529 3948

Recent News	Background
laid in Parliament in December 2020. The target implementation of regulations is April 2021. Comments were requested by Friday 16 October. The consultation paper is available online at https://consult.gov.scot/housing-services-policy-unit/short-term-lets-licensing-scheme/ The consultation paper addresses three key areas and seeks views on issues arising and possible ways of addressing these issues: • definition of short-term lets; • the establishment of control areas under the Planning (Scotland) Act 2019; and • the establishment of a licensing scheme under the Civic Government (Scotland) Act 1982. A response has been submitted by officers after consultation with the Short Term Lets Member – Officer Working Group. A report will be prepared for committees in the next cycle.	
Tenant Contact and Assistance The rent service for tenants has been maintained during the current Covid-19 pandemic. Since the start of lockdown over 30,000 contacts have been made with tenants to help with any changes in their household incomes and to support them to pay rent where they can to avoid getting into debt they cannot afford. Tenants have been reassured that they are not at risk of losing their home at this time, but communications continue to reinforce the importance of paying rent and the advice and assistance that is available to help. Formal debt recovery action through the courts was suspended following the implementation of lockdown measures in March. The Sheriff Court in Edinburgh recommenced in October using video conferencing. Court capacity is restricted and existing cases in court are being carefully managed in line with revised court guidelines.	**Contact:** Jennifer.Hunter@edinburgh.gov.uk 0131 529 6021

Recent News	Background
Court action remains a last resort measure for tenants who fail to engage or make reasonable payments and the serving of a notice will often trigger a response from tenants who have not responded to any prior contact. The Scottish Government brought in measure during the Covid-19 pandemic to extend the notice period given to tenants before court action can be taken to six months. During this period officer continue to work with tenants to reduce their debt, which often results in no formal action being required.	
Edinburgh Poverty Commission The final report of the Edinburgh Poverty Commission was published on 30 September 2020. The report makes a call to action for the city to aim to end poverty in Edinburgh by 2030 and sets out six action areas and one cultural change that are needed to deliver that aim. The Commission's findings include calls for action, by the Council, employers, Government and other stakeholders, to provide people in Edinburgh with access to fair work that provides enough to live on, a decent home people can afford to live in, income security that offers a real lifeline, opportunities to boost prospects, connections to a city we all belong to, and equality in health and wellbeing. On 6 October 2020 the Council's Policy and Sustainability Committee agreed to adopt the Commission's aim to end poverty in Edinburgh by 2030, and the four specific targets the Commission's final report sets out. In doing so, the Committee agreed to consider a report on Council actions needed to respond to the Commission findings. This report will be considered by Committee on 1 December 2020, with further reports to executive committees as required.	**Contact:** Chris.Adams@edinburgh.gov.uk 0131 529 6258
Edinburgh Economy Watch The latest version of Edinburgh Economy Watch was prepared in September 2020 and provides an update on indicators showing the health of the economy during the	**Contact:** Chris.Adams@edinburgh.gov.uk

Recent News	Background
impact of Covid-19. Economic output has grown over consecutive months but remains lower than pre-pandemic levels. It was estimated in Edinburgh that 90,000 residents were furloughed from work at the end of July 2020 and the city also witnessed the fastest growth in claims for out of work benefits in Scotland and also the fastest growth amongst major UK cities. There is some evidence to support that growth in out of work benefits have been higher for women and people aged under 25 years. Edinburgh historically has been a strong performer in the labour market with very low unemployment rates and higher wages compared to other cities and parts of Scotland. This means that Edinburgh was probably starting at least in employment terms from a healthy position. That said this does not underplay, as reported in Economy Watch the extra 26,000 residents claiming universal credit in August 2020 compared to last year. Businesses in Scotland were also reporting difficult times is operating with very limited cash reserves. As reported in Economy Watch 41% of businesses in the UK reported through the Business Covid-19 monitor survey are operating with limited cash reserves. This proportion has persisted over consecutive months. Job creation from new businesses entering the market seems at risk. There are early signs that business registration in Scotland is falling and the change in natural business growth is turning negative. As reported in Economy Watch the growth in Scottish businesses up to June 2020 is slowing, and 2020 has seen two quarters of negative change in Business VAT and PAYE registrations. Since the publication of Economy Watch, new unemployment data was published in mid-October showing July 2019 to June 2020 unemployed was 3.2% for Edinburgh, up from 2.6% in April 2019 to March 2020. This is the modelled based unemployment measure, Scotland's reported at rate of 3.3% for the year to June 2020 and the year to Match 2020. At the UK level more recent and frequent data on unemployment is provided. In the UK the unemployment rate increased to its highest level in over	0131 529 6258

Recent News	Background
three years. The unemployment rate grew to 4.5% in the three months to August, compared with 4.1% in the previous quarter. Most expect unemployment to rise further as a number of potential drivers are activated such as the end of the government's furlough scheme and new local and national restrictions are put in place that limit business operations and influence job certainty and prospects.	
Scottish Government's Youth Guarantee The Scottish Government confirmed in August that £60 million is to be invested in a Youth Guarantee, which aims to give all young people access to work, training or education. The funding will be allocated as follows: • £30 million through local authorities to help local partnerships to deliver employability support for young people; • £10 million to create additional opportunities in colleges; • £10 million additional funding for Developing the Young Workforce, the Scottish Government's internationally recognised Youth Employment Strategy; and • £10 million to support pathways to apprenticeships. The Scottish Government report and implementation plan for this was published in September. Early discussions both nationally and with partners locally have focussed on the following report recommendations: • Introducing an employer recruitment incentive to contribute up to 50% of wages for young people who need the most help; • calling for the public sector to create more opportunities for young people; and	**Contact:** Susanne.Donkin@edinburgh.gov.uk 0131 529 3257

Recent News	Background
• providing support to Small and Medium sized Enterprises (SMEs) to take on a young person if they are able. It is anticipated that there will be flexibility for local authorities to help address needs specific to their own area. In Edinburgh this would enable the Council to offer digital and mental health support which has been highlighted by local providers as required as well as to build more capacity into current provision where required. A final announcement of the level of funding and clarity around what it can be spent on is expected during week commencing 2 November 2020 however early indications are that the City of Edinburgh Council will receive approximately £2 million to provide employability solutions for those age 16-24 who have been impacted by the Covid-19 pandemic. For information, the original Edinburgh Guarantee initiative successfully contributed to an improvement of in school leaver destinations in Edinburgh between 2011 and 2019 of 12%.	

Appendix 1

Granton Core Path

This page is intentionally left blank

Housing, Homeless and Fair Work Committee

10.00am, Thursday, 5 November 2020

Edinburgh International Conference Centre – annual update

Executive/routine	**Executive**
Wards	**Citywide**
Council Commitments	**2, 31**

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 notes the annual performance update provided by Edinburgh International Conference Centre (EICC) as detailed in Appendix 1;

1.1.2 notes the EICC Statement of Accounts for 2018 as reported to CEC Holdings Ltd and the Auditor's Report for EICC as detailed in Appendices 2 and 3 respectively;

1.1.3 notes the update on progress with the development of a Strategic Delivery Agreement and the proposed areas identified as Key Performance Indicators (KPIs); and

1.1.4 refers this report to Governance Risk and Best Value Committee for information.

Paul Lawrence
Executive Director – Place

Contact: David Cooper, Commercial Development and Investment Manager

E-mail: david.cooper@edinburgh.gov.uk | Tel: 0131 529 6233

Report

Edinburgh International Conference Centre – annual update

2. Executive Summary

2.1 This report provides an update on the performance of the EICC in the year ending 31 December 2019 and identifies key areas of performance to be embedded as KPIs in the Strategic Delivery Agreement (SDA) that is now underdevelopment.

3. Background

3.1 On 13 December 2012 the Council approved arrangements for the governance of arms-length companies. The responsibility for overseeing the performance of EICC lies with the Housing, Homelessness and Fair Work Committee.

3.2 The principal remit of EICC, as detailed in the Shareholders' Agreement with the City of Edinburgh Council, is to:

3.2.1 procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, cultural and sporting events, award ceremonies and other such events in a global market place with international and national customers so as to maximise the economic benefit to the City of Edinburgh;

3.2.2 insure, maintain and upgrade the Centre from time to time as necessary to carry on its business; and

3.2.3 operate on a prudent commercial basis in accordance with the Business Plan.

3.3 The Centre opened on Morrison Street in 1995 as a joint undertaking between Edinburgh District Council and Lothian and Edinburgh Enterprise. It is now owned by the City of Edinburgh Council. A £30m expansion of the Centre completed in 2013, enabling it to accommodate conferences of up to 2,000 delegates.

3.4 EICC occupies the Conference Centre on a peppercorn rent. Loan stock of £61.6m is due to the Council/CEC Holdings, representing money and assets paid into the company since its inception (for example the cost of constructing and extending the

Centre) but no call is being made on this at the current time. Since 2014, EICC has been charged by the Council with being financially self-sufficient.

3.5 On 7 June 2018, the Housing and Economy Committee agreed a motion calling for a report into the future capital expenditure requirements of EICC.

3.6 On 12 March 2020, the City of Edinburgh Council was presented with a business case proposing that the Council enter into a 25-year lease on a 365-bedroom hotel at The Haymarket Edinburgh, which would in turn be sub-let to EICC to operate as a hotel and hotel school under a franchise agreement with an international hotel brand, generating sufficient income to meet all EICC capital expenditure requirements over the duration of the lease along with surpluses for redistribution to the Council in later years. The Council agreed the business case and granted delegated authority to the Chief Executive to proceed with all agreements and actions required to commence the project. Subsequently, officers began detailed negotiations with the hotel developer around the lease terms.

4. Main report

EICC performance

4.1 Appendix 1 provides a summary of EICC's activities in financial year 2019 (1 January 2019 to 31 December 2019).

4.2 The paper summarises:

4.2.1 the company's Key Performance Indicators (KPIs) set against previous years' performance;

4.2.2 the key business developments achieved in the year;

4.2.3 EICC's corporate and social responsibility, activity and its environmental focus; and

4.2.4 the challenges the EICC is facing and its focus and key objectives moving forward.

4.3 Appendix 2 sets out the financial position of the company for 2019. The performance is positive and broadly consistent with the previous year, with a slight fall in total comprehensive profits attributable to increased finance costs. The headline figure is £623,483 of profit after tax, compared to £756,135 in the prior year. This performance taken alongside the awards and accreditations that have been achieved, show the company to have had a successful year.

4.4 Appendix 3 provides the Auditor's report for the 2019 year. The report concludes that the financial statements give a true and fair view and accord with applicable law; that no material issues affecting the company's ability to continue as a going concern have been identified (albeit Covid-19 is identified as an ongoing area of material uncertainty); and that no subsequent events necessitating amendments or disclosures to be made to the financial statements had been identified.

4.5 This performance update should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arms-length companies.

4.6 It should also be noted that in accordance with Council policy on arms-length external organisations (ALEOs) that a service level agreement (SLA) needs to be agreed between the Council and the EICC. This work has been delayed due to the need to revise the document to reflect the hotel and hotel school project but a draft document (referred to as the Strategic Delivery Agreement) is scheduled to be brought to Committee on 14 January 2021.

Strategic Delivery Agreement (SDA)

4.7 In agreeing to enter into a lease to allow a hotel for the EICC to be established, the Council requested that additional governance arrangements be put in place to reflect the greater span of operations.

4.8 Heads of Terms for a Strategic Delivery Agreement are now in draft form and are being discussed between Council officers and the EICC Executive. The purpose of this document will be to sit alongside the Shareholder Agreement and to set out requirements in terms of performance, risk management and operating arrangements between the Council and EICC. This will cover the core business and the hotel and hotel school. More detail on the content of the SDA was set out in the above-mentioned report to the Council of 12 March 2020.

4.9 The areas identified for development into key performance indicators (KPIs) are as follows:

4.9.1 Turnover – This is an existing KPI and will continue to be monitored.

4.9.2 Economic Impact – As above.

4.9.3 Customer Satisfaction – As above.

4.9.4 Carbon Footprint – The EICC has already set out its commitment to carbon reduction. The intention is to report on the EICC targets and performance monitoring through a KPI.

4.9.5 Fair Work – The Council has recently agreed the Poverty Commission's call to action and adopt the recommendations set out by the Commission. The EICC already has a range of policies in place to support and develop its staff. The purpose of a KPI will be to ensure that performance is tracked and reported. Discussions with the EICC Executive will explore whether there any additional or wider benefits that can be delivered. Training will most likely be covered within the Fair Work KPI although this may also be looked at separately in relation to the EICC Hotel School so as to capture benefits being realised by that initiative.

4.9.6 Community Benefits – The EICC already report this but not as a KPI. Officers will explore whether this can be developed into a metric as well as a qualitative assessment.

4.9.7 Accreditation and Awards – As above.

4.10 Committee are asked to note these KPI headings as the key areas that officers will discuss with the EICC Executive in developing the detail of the SDA. A further report will be provided once the Strategic Delivery Agreement is fully drafted. This is programmed for January 2021 and will seek final approval of the new governance arrangements.

5. Next Steps

5.1 A draft Strategic Delivery Agreement will be provided to Committee in 14 January 2021.

5.2 The next annual update on EICC's performance will be in Quarter 3 2021.

6. Financial impact

6.1 There are no financial impacts for the Council arising from this report. The costs associated with the development of the Strategic Development Agreement are being met from existing budgets.

7. Stakeholder/Community Impact

7.1 There are no stakeholder or community impacts arising from this report.

8. Background reading/external references

8.1 "Edinburgh International Conference Centre Annual Update" – report to the Housing, Homelessness and Fair Work Committee, 31 October 2019

8.2 "Edinburgh International Conference Centre Hotel and Hotel School – Business Case" – report to the City of Edinburgh Council, 12 March 2020

9. Appendices

9.1 Appendix 1 - EICC Performance Review 2019.

9.2 Appendix 2 - EICC Statement of Accounts 2019.

9.3 Appendix 3 – EICC audit management report 2019.

Appendix 1: EICC Performance Review 2019

INTRODUCTION

The purpose of this paper is to update and inform the Board on the performance of the Edinburgh International Conference Centre during the year to 31 December 2019 and to highlight some of the successes and achievements realised by the Company in the period under review.

PERFORMANCE

The Executive had forecast an operating surplus of £721,000 for the year to 31 December 2019. This was based on, amongst other things: the level of contracted bookings that had been secured for the year: an assessment of the conference market, which had been undertaken in the latter part of 2018; and the revenue shortfall that still had to be achieved to make the sales target for 2019.

The Executive believed that achieving this target would constitute a significant challenge as the Company faced a gross profit shortfall for the year of £1.625m as at 1 January. Due to the booking lead times of the various market segments it was recognised that this shortfall would have to be secured largely from short lead corporate business.

This was the highest value of business that the sales team had been required to contract, in the year - for the year, in the Company's history. The task of achieving target was made more difficult given the: relatively low levels of short lead business achieved historically; limited amount of space available for hire; difficulties faced by clients in securing hotel accommodation; and general levels of business uncertainty.

These challenges were compounded by an uncertain economic outlook, a relatively pessimistic corporate market and significant levels of competition from other venues.

In an effort to mitigate these factors the Sales Team's approach was to develop and build on the activities that they had introduced over the previous two years. These included: increasing the number of sales visits undertaken in the year; increasing the level of engagement with booking agents; increasing the reach of the EICC's campaigns; making more flexible offerings to clients and; increasing the overall appeal of the EICC to clients.

During the year the Sales Team also continued to adopt a much more focussed approach to securing corporate business by: offering commission to booking agents; promoting Day Delegate Rate business; securing increased levels of filler business and; broadening the breadth of the Company's sales base through increasing the diversity of events held at the EICC.

The combined effect of these initiatives had a significant impact on gross revenues for the year which amounted to £12.582m. This was an increase of £757k, compared to the previous year's figure of £11.825m, equivalent to an increase of 6.40.

These gross revenues generated a gross profit of £7.721m in 2019 compared to £7.346m for the previous year, which represents an increase of 5.10%. The gross profit from operating activities amounted to £7.628m while other income and bank interest received generated a gross profit of £93k.

Operating activities for the year were made up of: room rentals amounting to £4.590m; additional event services, minus agents commission, which generated £1.454m; and £1.584m which was received in respect of catering commission.

The Company enjoyed a reasonable start to the year, given that it always faces a number of difficult trading months at the onset of its annual business operations. At the half year stage, the Conference Centre had generated gross profits of £3.473m which was £149k ahead of budget. The gross profit recorded in March, June and July was the highest level of gross profit recorded for those calendar months since the Company commenced trading.

The second half of the year saw a significant increase in business activity and operating performance generating gross profits of £4.248m. Whilst all six months performed well, in relative terms, the results for August and December generated the highest gross profit for their respective calendar month since the EICC opened in 1995.

The gross profit generated during 2019 from events was made up from the following market segments: international associations - £2.118m; national associations - £2.544m; corporates - £2.015m; exhibitions - £116k; stand-alone banqueting functions £627k; and venue 150 shows £208k.

The number of revenue generating events held during the year increased from 198 in the previous year to 209 in 2019. These events varied hugely in their size, duration, content, diversity and profitability.

However, 6 of the association events that were held in 2019 recorded a gross profit of over £170,000. Included in these numbers were 2 events which generated exceptional revenues, these were: TED Summit - £476k and; 31st FIRST annual conference - £312k. Indeed, the top 10 standard events by value generated £2.162m in cumulative gross profit during the year. This was an increase of £118k on the revenues generated by the top 10 standard events in 2018.

Day Delegate Rate business continued to grow during 2019. Of the £7.628m gross profit generated from operating activities, noted above, £5.932m was generated from standard/traditional events, whilst £1.696m was in respect of Day Delegate Rate events.

Until a few years ago these Day Delegate Rate events were regarded by the EICC as low value, unprofitable events. However, 85 events of this type were held during 2019. The top 10 Day Delegate Rate events by value generated £747k in cumulative gross profit during the year and 26 Day Delegate Rate events produced gross profits in excess of £20k per event.

Board Members should note that, following on from the success of the previous two years, an operating surplus was again recorded in 2019 for the month of August – this was only the third time that this has been achieved. The net operating profit of £61k for the month, was an increase on the figure achieved in the two previous years.

As an example of the increased volumes and diversity of business held in August the Conference Centre hosted 2 standard conferences, 3 Day Delegate Rate events and 24 Festival Fringe shows during the month.

Attendance at Fringe Festival shows has seen a steady increase over recent years. There were 75,860 attendees at festival events in 2017, this increased to 99,535 in 2018 and increased further to 102,700 in 2019. As an indicator of the growth of the EICC's festival business there were only 34,405 attendees at festival shows at the EICC in 2014.

The 24 festival shows that were held generated a cumulative gross profit of £169,113. Included within this total were 5 events showcasing Chinese music and culture which generated a combined gross profit of £52,984.

The Sales Team continued to broaden the diversification of events held at the EICC in the course of the year. During this period the Conference Centre hosted, amongst other things: celebrity dinners; a number of dance competitions; ballet performances; comedy shows; comic book and horror movie exhibitions; food and drink fairs; and university examinations.

Many of these types of events were held outwith normal event days and times and this, as well as the increase in the number of events, increased the occupancy levels of the Centre marginally to 60.41% for the year.

Events held at the EICC were attended by 89,505 delegates during the year, excluding festival performances. This equated to 287,714 delegate days which was a reduction of 12,738 delegate days compared to the previous year. This reduction was due to a change in the business mix.

These delegates generated an economic impact of £56.7m last year. Due to a change in the business mix, referred to above, this was a reduction of £1.4m on the figure generated in 2018. This reduction in economic impact for the year had been anticipated, however, and the resultant figure was £4.7m above budget for the year.

The Executive continued to place great focus on containing the levels of expenditure incurred during the year and as a result of; a stringent focus on cost controls; the achievement of a number of operating efficiencies; and deferring expenditure where appropriate, outgoings for the year were significantly below budget.

In overall terms the EICC generated an operating surplus of £1,446,046, for the year to 31 December 2019 compared to an operating surplus of £1,363,838 for the previous year. The operating surplus for 2019 represents a positive variance of £725,046 compared to the budget for the year.

It is worth noting that 2019 saw the EICC generate its highest ever levels of: gross revenues; gross profits; operating surplus and; average gross revenue per employee.

Some of the notable achievements and statistics, relating to the operation of the Conference Centre, for the year to 31 December 2019, with comparatives for the previous 4 years, are noted below. A number of these key indicators and statistics are also shown graphically in Appendix 1.

SALES

- Gross revenues for the year amounted to £12,582,918 for the year to 31 December 2019, (2018 - £11,824,652; 2017 - £11,409,704; 2016 - £10,089,647; 2015 - £9,310,360).

- Gross Profits, excluding other income and bank interest, were £7,627,865 for the year to 31 December 2019, (2018 – 7,291,315; 2017 - £7,033,668; 2016 - £6,382,623; 2015 - £5,480,216) and were made up of:-

  - Room rental revenues of £4,589,527 (2018 - £4,277,383; 2017 - £4,173,231; 2016 - £3,888,528; 2015 - £3,337,179).

  - Additional event charges amounting to £1,454,334 (2018 – £1,602,577; 2017 - £1,313,276; 2016 - £1,312,916; 2015 - £1,126,057).

  - Catering commission of £1,584,004 (2018 - £1,411,355; 2017 - £1,547,161; 2016 - £1,181,179; 2015 - £1,016,980).

- Average gross revenue generated per event in the year to 31 December 2019 was £60,205 (2018 - £59,720; 2017 - £64,099; 2016 - £58,322; 2015 - £66,981).

- Average gross profit generated per event during the year was £36,497 (2018 - £36,825; 2017 - £39,515; 2016 - £36,894; 2015 - £39,426).

- The TED Summit 2019 Conference was the largest event held during the year and generated a gross profit of £418,258, (2018 – The British Association of Dermatology Conference - £304,507; 2017 - 13th International Neuromodulation Society World Congress - £274,703; 2016 - SPIE Astronomical Telescopes & Instrumentation Conference - £260,220; 2015 - 15th IWRA World Water Congress - £240,642).

- During the year 33 events generated gross profits in excess of £70,000 per event, (2018 – 35 events; 2017 – 25 events; 2016 – 30 events; 2015 – 26 events). Of these events 23 generated gross profits in excess of £100,000 per event (2018 – 21 events; 2017 – 19 events; 2016 – 21 events; 2015 – 17 events)

- The EICC hosted 209 events in 2019, (2018 – 198; 2017 – 184 events; 2016 – 173 events; 2015 – 139 events).

- In 2019 the EICC held 14 International Association (IA) events and 3 International Corporate (IC) events, generating gross profits of £2,386,163 (2018 – 17 IA and 1 IC, profits of £2,402,310; 2017 – 17 IA and 3 IC, profits of £2,488,771; 2016 – 14 IA and 1 IC, profits of £2,428,522; 2015 – 8 IA and 0 IC, profits of £1,030,601).

- The Company achieved a business mix ratio during the year of 59% association, 28% corporate and 13% other - emanating from stand-alone catering events and festival business, (2018 – 65% association, 25% corporate and 10% other; 2017 – 63% association, 25% corporate and 12% other; 2016 – 71% association, 17% corporate and 12% other; 2015 – 58% association, 29% corporate and 13% other).

- 89,505 delegates attended events at the Conference Centre during the year, (2018 – 96,851; 2017 – 94,480 delegates; 2016 – 91,009 delegates; 2015 – 70,934 delegates).

- Business activity at the Conference Centre in the course of the year equated to 287,714 delegate days, (2018 – 300,452; 2017 – 275,517 delegate days; 2016 – 234,302 delegate days; 2015 – 208,251 delegate days).

FINANCE

- Expenditure in respect of the operational activities of the EICC amounted to £6,274,733 for the year to 31 December 2019 (2018 – expenditure of £5,982,619; 2017 – expenditure of £5,858,395; 2016 expenditure of £5,880,582; 2015 – expenditure of £5,690,705).

- The overall positive variance, in respect of the operating activities of the Conference Centre, during the year was £725,046 (2018 – positive £656,838; 2017 – positive £1,016,727; 2016 – positive £560,362; 2015 – positive £1,224,233).

- Gross revenues generated per full time equivalent team member for the year to 31 December 2019 was £267,721 (2018 - £262,770; 2017 - £259,311; 2016 - £240,230; 2015 - £221,675)

- The economic benefit to the City of Edinburgh, based on formulae calculated by DTZ Pieda, generated in the year to 31 December 2019 was £56.7m, (2018 - £58.1m; 2017 - £56.7m; 2016 - £51.6m; 2015 - £45.8m).

HUMAN RESOURCES

- The overall level of customer delight relating to events held in the Conference Centre during the year was 89%, as at 31 December 2019, (2018 – 89%; 2017 – 90%; 2016 – 89%; 2015 – 89%).

- Absenteeism levels for the year were only 2.1%, which is well below the national average, (2018 - 2.6%; 2017 – 2.9%; 2016 – 2.3%; 2015 – 1.9%).

- During the year to 31 December 2019 staff turnover was 7.41 (2018 – 12.2%; 2017 – 7.8%; 2016 – 10.2%; 2015 – 11.5%).

- The Company employed the equivalent of 47 full time personnel in respect of its conference centre operations during the year, (2018 – 45 personnel; 2017 – 44 personnel; 2016 - 42 personnel; 2015 – 42 personnel).

FUTURE BUSINESS

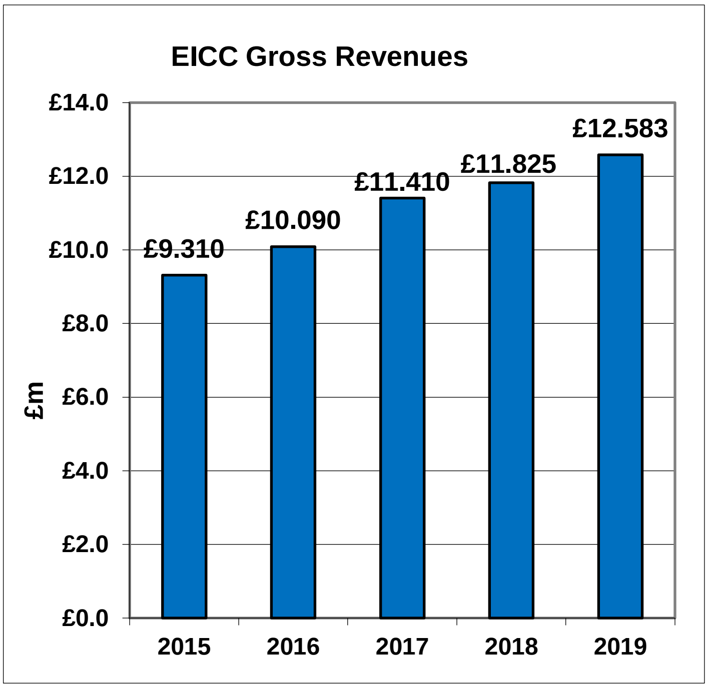
- As at 31 December 2019 the EICC had 179 confirmed future bookings, covering the period January 2020 to December 2028, (2018 – 155 confirmed bookings; 2017 – 160 confirmed bookings; 2016 – 148 confirmed bookings; 2015 – 123 confirmed bookings).

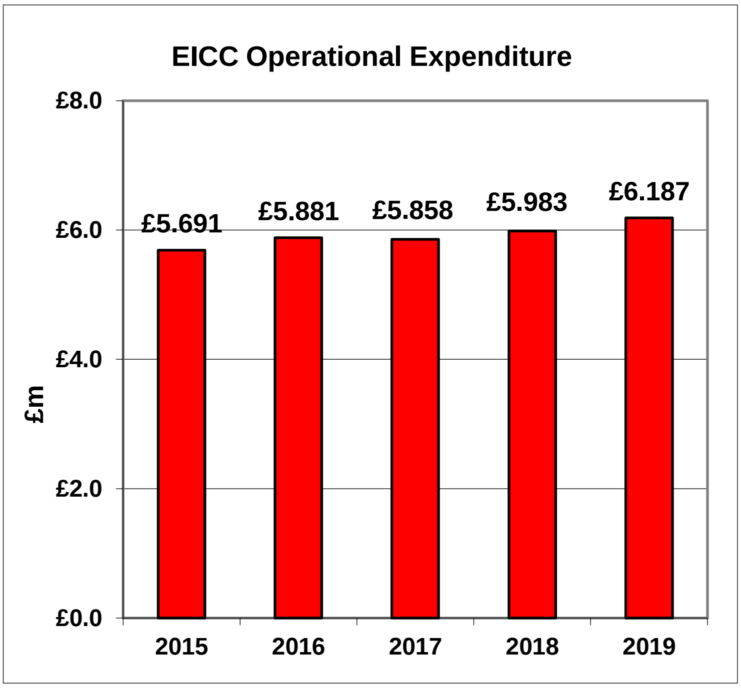
- The estimated economic benefit of all future confirmed events to be held at the EICC was £106.8m at 31 December 2019, (2018 - £103.3m; 2017 - £111.9m; 2016 - £81.1m; 2015 - £95.0m). This data is based on updated formulae provided by DTZ Pieda.

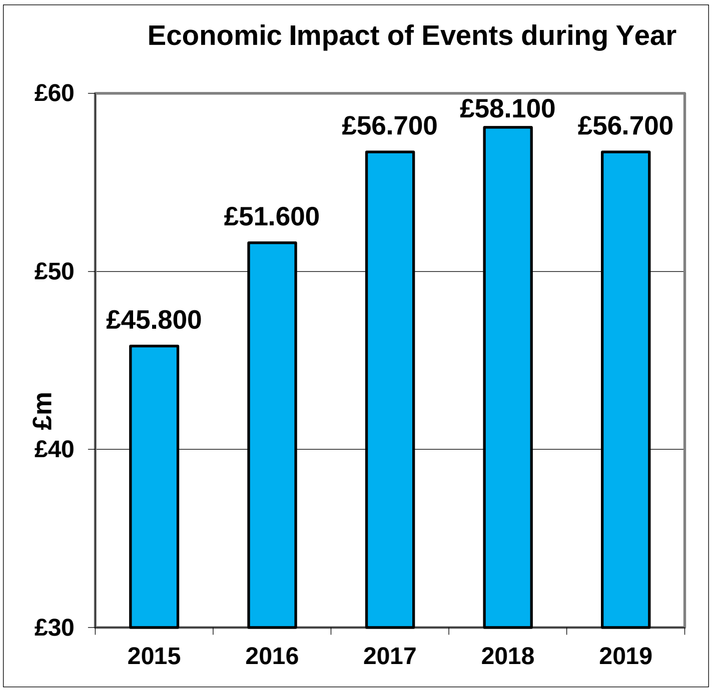
RECOMMENDATION

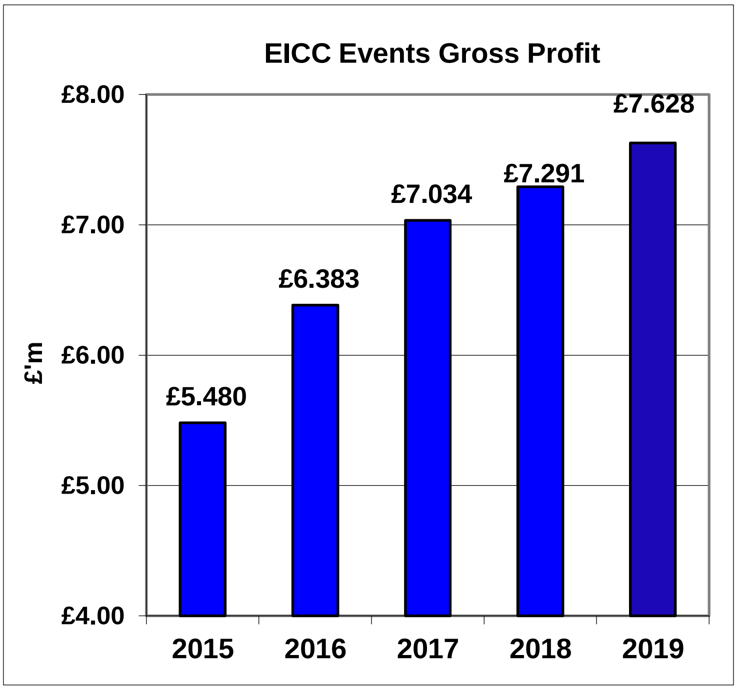
The Board is asked to note the report.

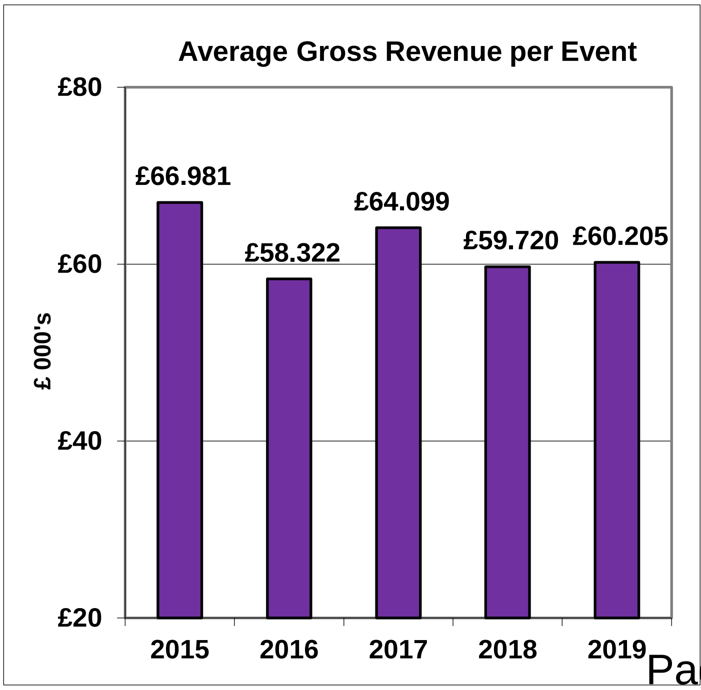
MARSHALL DALLAS
Chief Executive

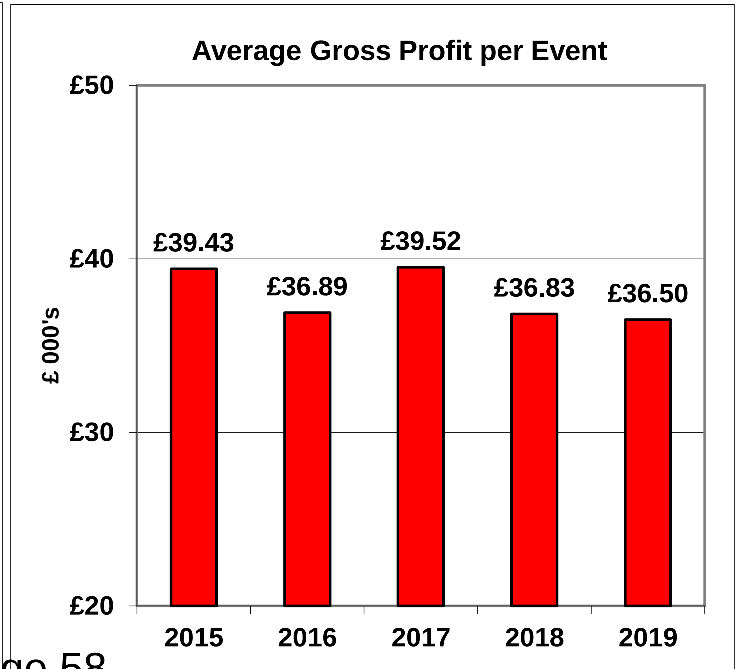

EICC Gross Revenues
£m
£14.0
£12.0
£10.0
£8.0
£6.0
£4.0
£2.0
£0.0
£9.310
£10.090
£11.410
£11.825
£12.583
2015
2016
2017
2018
2019

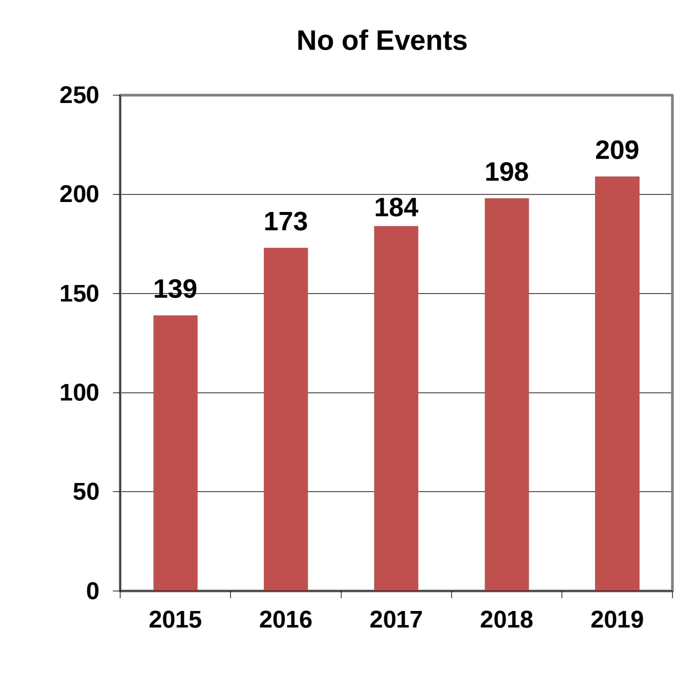

EICC Operational Expenditure
£m
£8.0
£6.0
£4.0
£2.0
£0.0
£5.691
£5.881
£5.858
£5.983
£6.187
2015
2016
2017
2018
2019

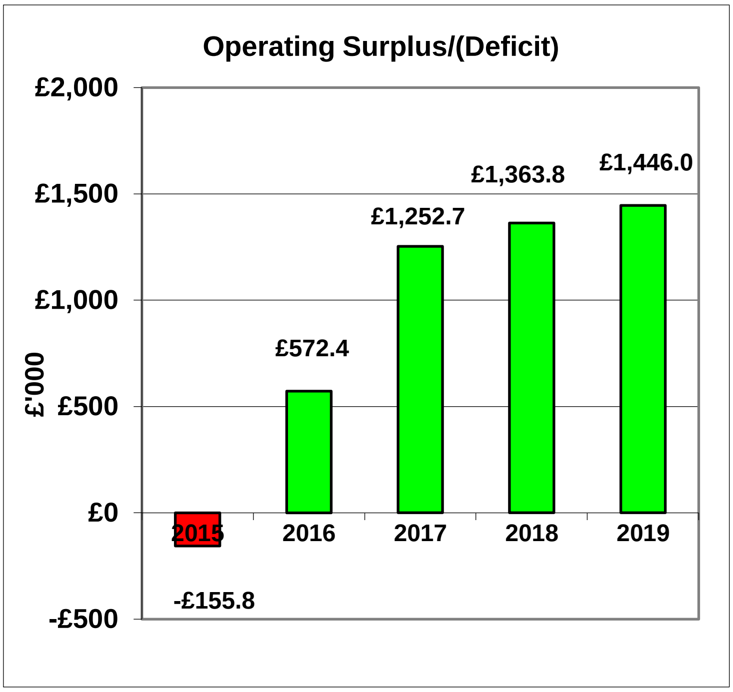

Economic Impact of Events during Year
£m
£60
£50
£40
£30
£45.800
£51.600
£56.700
£58.100
£56.700
2015
2016
2017
2018
2019

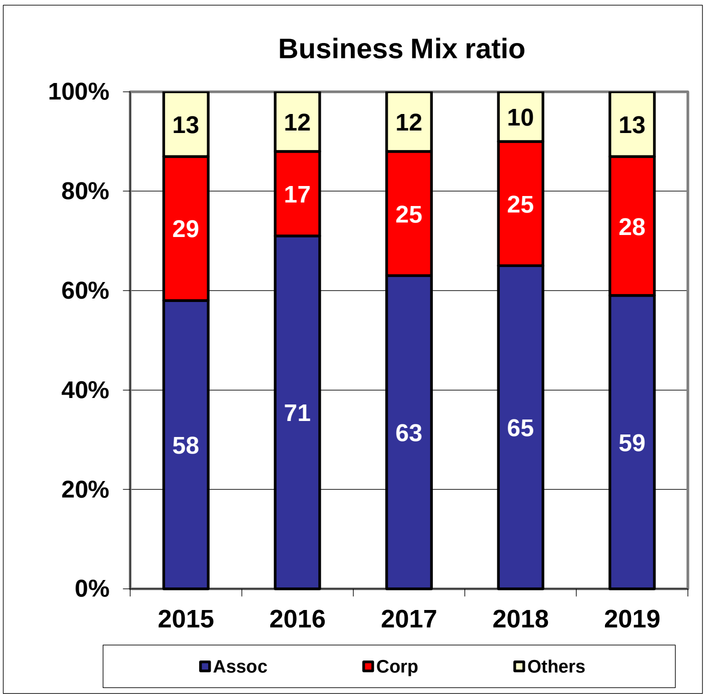

EICC Events Gross Profit
£'m
£8.00
£7.00
£6.00
£5.00
£4.00
£5.480
£6.383
£7.034
£7.291
£7.628
2015
2016
2017
2018
2019

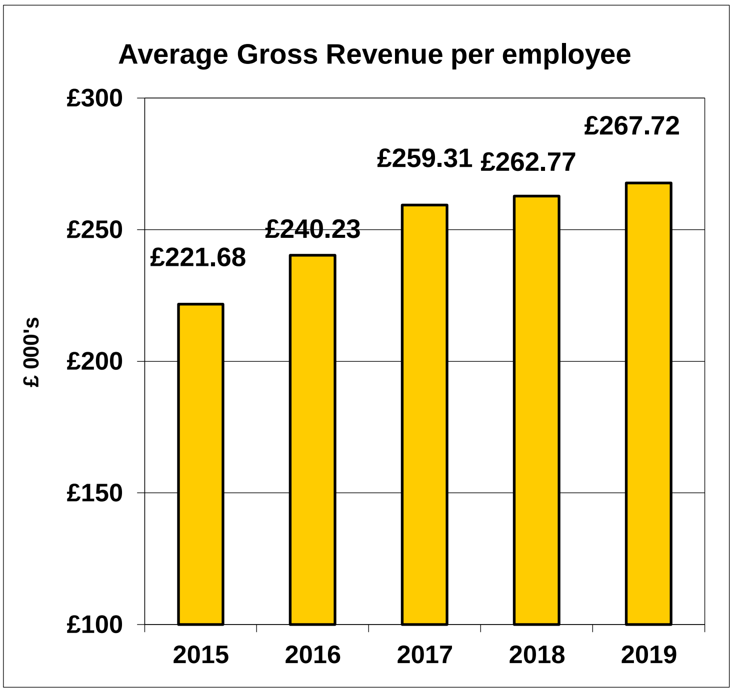

Average Gross Revenue per Event
£ 000's
£80
£60
£40
£20
£66.981
£58.322
£64.099
£59.720
£60.205
2015
2016
2017
2018
2019

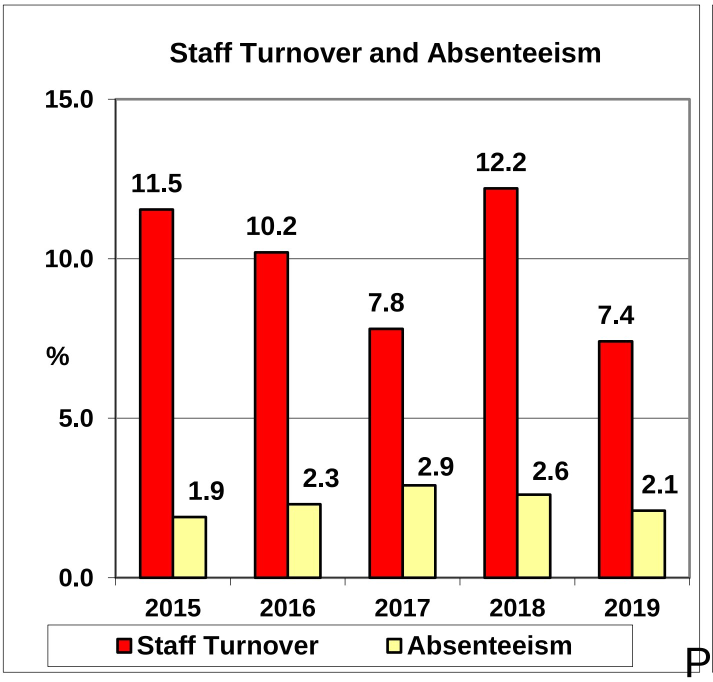

Average Gross Profit per Event
£ 000's
£50
£40
£30
£20
£39.43
£36.89
£39.52
£36.83
£36.50
2015
2016
2017
2018
2019

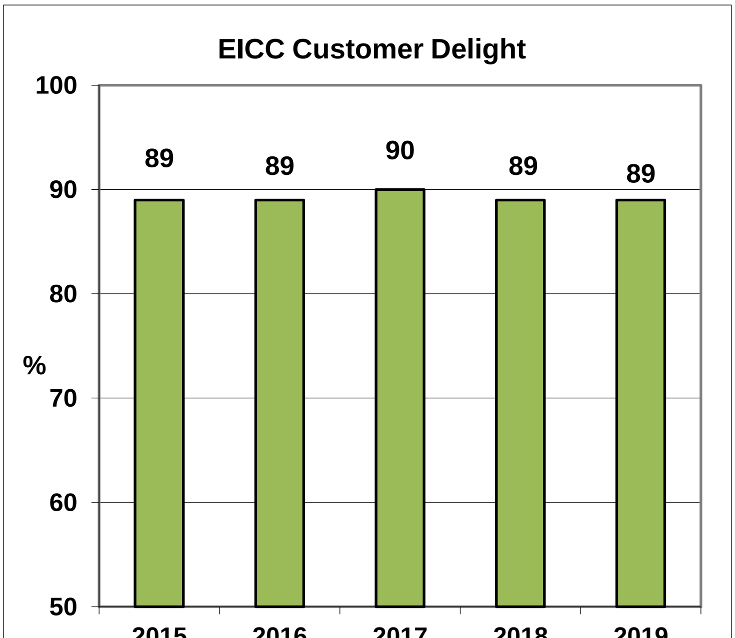

No of Events
250
200
150
100
50
0
139
173
184
198
209
2015
2016
2017
2018
2019


Operating Surplus/(Deficit)
£2,000
£1,500
£1,000
£500
£0
-£500
£'000
-£155.8
£572.4
£1,252.7
£1,363.8
£1,446.0
2015
2016
2017
2018
2019


Business Mix ratio
100%
80%
60%
40%
20%
0%
13
29
58
12
17
71
12
25
63
10
25
65
13
28
59
2015
2016
2017
2018
2019
Assoc
Corp
Others


Average Gross Revenue per employee
£300
£250
£200
£150
£100
£ 000's
£221.68
£240.23
£259.31
£262.77
£267.72
2015
2016
2017
2018
2019


Staff Turnover and Absenteeism
15.0
10.0
5.0
0.0
%
11.5
1.9
10.2
2.3
7.8
2.9
12.2
2.6
7.4
2.1
2015
2016
2017
2018
2019
Staff Turnover
Absenteeism


EICC Customer Delight
100
90
80
70
60
50
%
89
89
90
89
89
2015
2016
2017
2018
2019

EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2019

COMPANY NUMBER SC131773

GENERAL INFORMATION

Company number

SC131773

Present Company Directors

L.M. Cameron
M.C. Dallas
L.M. Florence
G.A. Gordon
J.Mc.H. McFarlane
S. Smith

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
LS1 5AB

Registered Office

Edinburgh International Conference Centre Limited
150 Morrison Street
Edinburgh
EH3 8EB

Auditor

Scott-Moncrieff Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Bank of Scotland plc
3 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

STRATEGIC REPORT

Principal activities

The principal activities that the Company undertook during the year were in respect of the operation of an international conference centre.

Results and review of the business

The results for the year are shown on the statement of profit or loss and other comprehensive income on page 10.

The profit from continuing operations before tax for the year amounted to £630,202 (2018 – £760,180). The Company has, after taxation adjustments, a total comprehensive profit for the year of £623,483 (2018 – £756,135). The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

The year to December 2019 saw the Company produce its best ever operating profits, before adjustments for depreciation and the release of capital grants, and in what was another very successful year it improved its operating and financial performance for the fifth successive year.

This was achieved against a continuing backdrop of: a depressed economic outlook; increased levels of competition within the UK and from across the world; aggressive price competition; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of the year the sales team secured the highest value of business contracted in the year - for the year, since the Company commenced its operations 25 years ago. This was as a result of a number of initiatives that had been introduced by the Company in the preceding three to four years which led to a marked increase in the number of enquiries and consequently the value of short lead bookings contracted during the period, compared to previous years.

The Company grew its turnover and gross profit, before adjusting for depreciation and the release of capital grants, through an increase in both volume and value of the Conference Centre's association, corporate, banqueting and other business. In addition to this there was year on year growth across all elements of the Company's operation, namely room rental charges, charges for additional services and catering commission. Turnover and gross profits were also significantly ahead of budget for the year.

The sales team continued to employ the initiatives that they have put in place in recent years and this enabled them to exceed the sales target for the year as well as lay down a solid platform for future years by reaching the desired revenue position, at the end of 2019, for each of the 4 succeeding years.

The cumulative effect of the sales team's activities had a significant impact on the Company's revenues for the year which amounted to £9.359m. This was an increase of £0.596m, on the previous year's figure of £8.763m, which is equivalent to an increase of 6.8%. These revenues generated a gross profit of £1.336m in 2019 compared to a gross profit of £1.360m for the previous year.

It should be noted that in 2019 the EICC recorded its highest levels of gross profit for the months of March, June, July, August and December since it commenced trading. August has historically been a very difficult month for the Conference Centre, however, a new strategy devised in 2017 has seen the Company record increased levels of operating surplus for that month for the last three years.

The Conference Centre held 209 events in 2019, which was an increase of 11 on the 198 events that were held in the previous year. These events varied enormously in their size, duration, diversity and profitability. Of the association events that were held during the year 6 recorded an event gross profit of over £170,000 each and the top 10 conference and meeting events by value generated £2.162m in cumulative event gross profit during the year.

Day Delegate Rate business continued to perform strongly during the year under review and 85 events of this type were held at the EICC during 2019. The top 10 Day Delegate Rate events by value generated £747,000 in cumulative event gross profit during the year.

The Company continued to broaden the diversification of events held at the EICC and in the course of the year, as well as holding conferences, meetings and exhibitions, the Conference Centre hosted, amongst other things: celebrity dinners; a variety of award ceremonies; dance competitions; ballet performances; comedy shows; comic book and horror movie exhibitions; theatre-circus performances; food and drink fairs; a Christmas food market; and university examinations.

Occupancy levels for the year increased to 61.02% and the Company experienced year on year growth in respect of: the number of booking enquiries received; the level of bookings contracted for future years; and the room rental charges, charges for additional services and catering commission derived from the Company's operations.

Expenditure in respect of cost of sales and administration expenses totalled £8.417m in 2019, which was an increase of £486,000 on the previous year's expenditure which had amounted to £7.931m. This represented an increase of 6.13% compared to the expenditure recorded during the previous year which was well within the budgeted expenditure levels. This was achieved as a result of the continuing stringent focus on cost controls and operating efficiencies.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation and the recognition of capital grant income. 2019 saw the Company generate its highest ever levels of revenue, gross profits, and operating profit.

During the year 89,505 delegates attended events at the Conference Centre which was a decrease of 7,346 on the previous year. The number of delegate days generated by these delegates amounted to 287,714 for the year compared with 300,452 in 2018. This reduction in delegate numbers was anticipated as it was due to a change in the mix of business compared to the previous year.

The delegates who attended events at the EICC during the year generated an economic impact of £56.7m in 2019 compared to £58.1m during the previous year. It had been anticipated that the economic impact generated for the year would be lower than that achieved in 2018 due to a change in the mix of the Company's business. The economic impact that is produced as a result of the EICC's activities helps to create and sustain employment within Edinburgh and further afield.

The Company continues to align its operations with the business excellence model, and it is accredited to a number of quality standards. These standards cover systems management, human resources and environmental practices and the EICC continues to achieve very positive results from assessments in respect of its re-accreditation to these standards.

The Company made significant progress towards its aim of operating an hotel, in close proximity to the Conference Centre, during the year. It is believed that this is essential in order to provide the necessary funding for the Conference Centre's long term capital expenditure programme.

In the course of the year the Company: undertook a number of independent consultancy studies in respect of the project; entered into discussions with a developer regarding the lease of a suitable property for the hotel; and selected an appropriate hotel franchise operation, under whose branding the hotel would be operated.

The City of Edinburgh Council, the Company's parent organisation, approved the project on 12 March 2020. Activities aimed at securing an agreement for lease with the developer and a franchise agreement with the hotel brand have been taking place since then and at this point in time these negotiations are still in progress.

Future business on the books was at its highest ever level coming into 2020, both for the current year and for each of the succeeding years until 2024. The coronavirus pandemic has however had a significant impact on event bookings for the period from mid-March until the end of August. Though, at this point in time it is difficult to ascertain how great the effect of the crisis will be on the Company from September until the end of the year.

The principal risk to the business from the pandemic is the cancellation of business, or the rescheduling of events to subsequent years, resulting in a significant loss of revenues with a corresponding reduction in operating profits for 2020. This is compounded by: the uncertainty surrounding the medium term impact of the current restrictions; when they will be eased with specific reference to the Company's operations; and what mitigating reliefs will be available and for how long.

The Company has held the view for many years that its team members are its principal asset, and this remains to be the case. It is therefore keen to protect them and retain the experience and expertise that they have with regard to the operation of the Conference Centre. Whilst a significant number of these team members are currently on furlough leave the Company will use its best efforts to retain them through the current crisis.

The sales team have negotiated the retention and rescheduling of a significant amount of client business since the crisis began and this has been aided by the client relationships that have been developed over many years and by the loyalty of many of the Company's customers. It is believed that many of these customer relationships have been strengthened further as a result of the flexible approach that the Company has adopted during the crisis.

The Company had budgeted an operating surplus of £0.9m for 2020, however, as a result of the current crisis this has been significantly downgraded and the Company is now forecasting producing an operating loss of £0.8m for the year. This will, however, be affected by: how long the crisis lasts; when the easing of restrictions will apply to the Conference Centre's business; and the social distancing measures that will need to be put in place and how these will affect the Conference Centre's operations.

Notwithstanding the above the Conference Centre has an extensive list of bookings for future years and the Company's business outlook for the medium and long term remains very positive.

This is reinforced by the fact that even in the midst of the current crisis the sales team has continued to receive a steady stream of enquiries for 2021 and subsequent years. Indeed since the current lockdown period commenced: 2 large corporate bookings have been contracted for January 2021; a large association event has been contracted for September of the same year; and a further enquiry has recently been received from a large international corporation for an event scheduled for May 2021.

Key performance indicators

The Company's performance with regard to its key financial and other performance indicators during the year was as follows:-

	2019 £'000	2018 £'000	% Change
Turnover	9,359	8,763	6.80%
Cost of sales and administration expenses	8,417	7,931	(6.13)%
Customer delight	89%	89%	0%
Economic impact	56,713	58,118	(2.42)%

Risks and uncertainties

In common with many other businesses the Company is exposed to a range of risks. The principal risks and uncertainties facing the Company are associated with market forces and the behaviour of competition as well as the risks associated with catastrophic events.

As noted above, the coronavirus pandemic will undoubtedly have a significant impact on the Company's business results for 2021. Whilst the extent of the risk posed by the crisis remains uncertain, the Directors believe that the business outlook for the medium and long term remains very positive.

The Directors recognise that the Company has lost business, and will lose business in the future, as a result of Brexit and the uncertainty surrounding its implementation. However, they believe that such losses will be compensated for by securing increased levels of business from the UK, America and the Far East.

Future developments

The Directors intend to maintain the objectives and aims of the Company, which have resulted in many notable achievements and successes to date.

Director
14 August 2020

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Limited (the Company), for the year ended 31 December 2019.

Directors

The Directors who served during the period were as follows:

L.M. Cameron	
K.R. Campbell (Chair)	resigned 14 February 2019
M.C. Dallas	
L.M. Florence	
G.A. Gordon (Chair)	appointed 27 March 2019
J.Mc.H. McFarlane	
S. Smith	

None of the Directors had any interest in the shares of the company during the period.

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to interest rate, credit and liquidity risk are described in note 22 to the financial statements.

The Company's ultimate parent entity, the City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements, as described in note 2 to the financial statements.

Directors' responsibilities for the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's, as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company auditor is unaware and each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Scott-Moncrieff Audit Services as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board

Pinsent Masons Secretarial Limited
14 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDINBURGH INTERNATIONAL CONFERENCE CENTRE LTD

Opinion

We have audited the financial statements of Edinburgh International Conference Centre Limited (the 'company') for the year ended 31 December 2019 which comprises the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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.

Material uncertainty related to going concern

We draw attention to the Directors Report and note 2 in the financial statements, which indicate that Edinburgh International Conference Centre Ltd is reliant on the continued support of the City of Edinburgh Council to continue as a going concern. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

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 the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on pages 6 and 7, the directors 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 directors 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, 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 statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nick Bennett, *Senior Statutory Auditor*
For and on behalf of
Scott-Moncrieff Audit Services, Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes		2019	2018
		£	£	£
Revenue	3		9,359,444	8,763,365
Cost of sales			(8,023,259)	(7,403,240)
Gross profit			1,336,185	1,360,125
Other income	4	-		21,819
Development expenses		(115,022)		(21,819)
Administration expenses		(393,690)		(528,096)
			(508,712)	(528,096)
Operating profit from continuing operations	6		827,473	832,029
Finance revenue	8		35,362	21,289
Finance costs	9		(232,633)	(93,138)
Profit from continuing operations before tax			630,202	760,180
Tax charge	10		(6,719)	(4,045)
Total comprehensive profit for the year			623,483	756,135

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2017	63	60,970,805	(54,230,046)	6,740,822
Total comprehensive profit for period	-	-	756,135	756,135
Increase in loan stock	-	595,438	-	595,438
At 31 December 2018	63	61,566,243	(53,473,911)	8,092,395
Total comprehensive profit for period	-	-	623,483	623,483
Increase in loan stock	-	716,826	-	716,826
At 31 December 2019	63	62,283,069	(52,850,428)	9,432,704

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes		2019	2018
		£	£	£
Non-current assets				
Property, plant and equipment	11		6,592,904	6,597,860
Right of use assets	12		1,035,583	-
			7,628,487	6,597,860
Current assets				
Trade and other receivables	13	3,500,353		3,407,272
Cash and cash equivalents	14	5,655,883		4,751,620
			9,156,236	8,158,892
Total assets			16,784,723	14,756,752
Current liabilities				
Trade and other payables	15	1,798,589		2,274,364
Financial liabilities	16	93,508		-
Capital grants	17	216,024		281,811
Deferred revenue	17	2,193,232		1,943,969
			4,301,353	4,500,144
Non-current liabilities				
Financial liabilities	16	1,350,124		217,380
Capital grants	17	1,304,852		1,520,876
Deferred revenue	17	395,690		425,957
			3,050,666	2,164,213
Capital & reserves				
Issued share capital	18	63		63
Other reserves	19	62,283,069		61,566,243
Accumulated losses		(52,850,428)		(53,473,911)
			9,432,704	8,092,395
Total equity & liabilities			16,784,723	14,756,752

The financial statements were authorised for issue by the Board of Directors on 14 August 2020 and were signed on its behalf, on that date, by:

Councillor George Gordon
Director:

Councillor Stephanie Smith
Director:

CASHFLOW STATEMENT
For the year ended 31 December 2019

		2019	2018
	£	£	£
Operating activities			
Profit before tax	630,202		760,180
Finance revenue	(35,362)		(21,289)
Finance costs	232,633		93,138
Operating profit for the year	827,473		832,029
Net finance revenues	35,362		21,289
Depreciation on property, plant and equipment	716,454		817,425
Depreciation on right-of-use assets	125,236		-
Capital grants released	(281,811)		(459,807)
(Increase) in trade and other receivables	(93,081)		(977,025)
(Decrease)/increase in trade and other payables	(475,775)		493,229
Increase in deferred income	218,996		47,703
Cash generated from operations	1,072,854		774,843
Tax on continuing operations	(6,719)		(4,045)
Cash flow from operating activities		1,066,135	770,798
Investing activities			
Proceeds from sale of property, plant and equipment	-		-
Payments to acquire property, plant and equipment	(711,498)		(595,438)
Cash flow from investing activities		(711,498)	(595,438)
Financing activities			
Receipt of loan stock	716,826		595,438
Repayment of lease liability	(167,200)		-
Cash flow from financing activities		549,626	595,438
Net increase in cash and cash equivalents		904,263	770,798
Cash and cash equivalents at 1 January 2019		4,751,620	3,980,822
Cash and cash equivalents at 31 December 2019		5,655,883	4,751,620

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of Edinburgh International Conference Centre Limited for the year ended 31 December 2019 were approved by the Board of Directors on 28 July 2020 and signed on its behalf by the Directors noted on the Statement of Financial Position. Edinburgh International Conference Centre Limited is a company incorporated and domiciled in Scotland. The principal activities of the Company are described in Note 3 and information regarding its ultimate parent company is presented in Note 21.

2. Accounting policies

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

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2019 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply, in preparing the financial statements for the year ended 31 December 2019. The Company has used the "cost of sales" method of presenting income and expenditure and the Company's financial statements are presented in Sterling.

New accounting standards adopted during the year

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019 and have been adopted by the company:

- Leases (IFRS 16)
- Income taxes: treatment of tax consequences of dividends and other distributions (Amendments to IAS 12)
- Uncertainty over income tax treatments (IFRIC 23)

The introduction of IFRS 16 has not had any significant impact on the operating profits generated by the Company during the year. Its principal effect has, however, been to introduce approximately £1m of right-of-use assets onto the Statement of Financial Position. These assets have been offset by a corresponding increase in financial liabilities.

The above amendments are not considered to have materially impacted the financial statements of the company.

New standards and interpretations issued not applied

The International Accounting Standards Board and IFRIC have issued the following standards and interpretations, which may have an impact on the company, with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

International Accounting Standards and Interpretations		*Effective for annual periods beginning on or after*
IFRS 3 *	Definition of a business	1 January 2020
Amendments to IAS 1/IAS 8 *	Definition of material	1 January 2020
IFRS 17 *	Insurance contracts	1 January 2021

* not yet adopted for use in the European Union

The directors have reviewed the requirements of the new standards and interpretations listed above and are satisfied that they are not expected to have a material impact on the company's financial statements in the period of initial application.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the Company's ultimate parent undertaking, The City of Edinburgh Council. It should be noted that COVID 19 has had a significant negative affect on the Company's operations during 2020, and the impact of this is outlined in Note 23. Notwithstanding this, however, having taken into account the Company's cash balances at the year end it is the directors' opinion that the financial statements should be prepared on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period and the amounts reported for revenues and expenses during the year. Uncertainty about these assumptions and estimates could, however, result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The areas impacted by such judgements and estimation uncertainties, within these accounts, relate primarily to the depreciation policy used, assumptions used in undertaking impairment reviews and the basis of determining whether or not to capitalise equipment purchases in respect of fixed assets and the recoverability of items contained within trade and other receivables.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows: Infrastructural works - 20 years; Leasehold Land and Buildings - 10 to 50 years; Office Equipment and Furniture - 3 to 10 years.

Management use judgement in arriving at the Company's depreciation policy by taking account of the residual value of the assets concerned and their useful economic life. The Company expects that items of property, plant and equipment will be used for their entire life and as a result it is expected that these items will have no residual value. An assets useful economic life is based on past experience and general expectations.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

The capitalisation of infrastructural works and assets under construction is based on management's judgement of when a projects future economic benefit can be determined. Initial project development costs in respect of feasibility studies, design team fees and pre construction activities are expensed via the statement of comprehensive income. However, once a project's feasibility has been determined and a future benefit is expected to arise from it the costs of that project are capitalised.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Capital grants

Grants in respect of capital expenditure are credited to deferred income and are released to income in equal amounts over the expected useful lives of the relevant assets by equal annual instalments.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position.

The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 when the option to enter into a new lease was exercised. From this date the assets have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing. The leaseholders hold no rights to impose restrictions on or reclaim the title of the Conference Centre.

Leased assets

For all contracts in existence on 1 January 2019 and any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'.

Where it is determined that: the contract contains an identified asset; the Company has the right to obtain substantially all of the economic benefits from the use of that asset throughout the period of use; and it has the right to direct the use of that asset throughout the period of use, the contract will be deemed to include a right-of-use-asset.

At lease commencement date, a right-of-use asset and a lease liability are recognised on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred and an estimate of any costs required to dismantle and remove the asset at the end of the lease.

The right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

Within the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in financial liabilities.

In adopting IFRS 16 the Company has used the modified retrospective approach of initially applying the standard as an adjustment to opening equity at the date of initial application. In keeping with this approach comparative figures have not been restated.

Trade and other receivables

Trade receivables which generally have 30 day terms are recognised and carried at their original invoiced value, less an allowance for impairment of doubtful debt. An allowance for doubtful debt is estimated by management, taking into account future cashflows, based on past experience and an assessment of the current economic climate in which the company operates.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

Trade and other payables

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

Loans

Loans are initially recognised at fair value and then held at amortised cost using the effective interest rate method of calculation. The effective interest rate charge for the year is included in finance costs in the statement of comprehensive income.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws enacted or substantially enacted at the reporting date.

The Company does not recognise amounts which may be recoverable under group relief until the tax computations for the companies in the tax group have been agreed.

Revenue recognition

EICC contracts with a range of customers to provide meeting and conference facilities for the events that they wish to hold. Under the terms of these contracts the Company usually receives a number of stage payments from clients prior to and post their event taking place. The Company however does not finish performing its obligations until the end point of the contract and that is when revenue is recognised.

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding VAT.

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

3. Revenue

Revenue recognised in the statement of comprehensive income is analysed as follows:

	2019 £	2018 £
Revenue recognised from contracts with customers	9,300,766	8,720,830
Rendering of other services	58,678	42,535
	9,359,444	8,763,365

4. Other Income

Other income recognised in the statement of comprehensive income is analysed as follows:

	2019 £	2018 £
Reimbursement of development expenditure	-	21,819

5. Segment information

For management purposes the Company operates as a single business unit.

All revenues are derived from external customers who are based in the United Kingdom. No single customer accounted for 10 per cent or more of the Company's revenues.

6. Operating profit

This is stated after charging/(crediting):

	2019 £	2018 £
Depreciation of fixed assets	841,690	817,425
Auditor's remuneration - audit services	10,800	10,250
Auditor's remuneration – taxation services	1,680	1,600
Other income	-	(21,819)
Capital grants released	(281,811)	(459,807)

7. Staff costs and directors' emoluments

(a) Staff costs

	2019 £	2018 £
Salaries	2,403,368	2,289,985
Social security costs	210,753	196,590
Pension costs	133,630	124,759
	2,747,751	2,611,334

The monthly average number of staff employed during the year was:

	2019	2018
Sales and Marketing	15	11
Operations	43	41
Administration	7	7

(b) Directors' emoluments

	2019 £	2018 £
Directors' remuneration	313,907	296,855
Directors' pension	20,788	28,402
	334,695	325,257

7. Staff costs and directors' emoluments (cont.)

The remuneration of the highest paid director included:

	2019	2018
	£	£
Directors' remuneration	184,644	171,980
Directors' pension	8,415	16,461
	193,059	188,441

8. Finance revenue

	2019	2018
	£	£
Interest receivable on bank deposits	35,362	21,289

9. Finance costs

	2019	2018
	£	£
Effective interest on loan stock	(162,984)	(93,138)
Effective interest on right-of-use-assets	(69,649)	-
	(232,633)	(93,138)

10. Tax charge

	2019	2018
	£	£
UK Corporation Tax	6,719	4,045

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 19.00% (2018: 19.25%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2019	2018
	£	£
Profit from continuing operations before tax	630,202	760,180
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.25%)	119,738	144,434
Expenses not deductible for tax purposes	6,153	6,432
Fixed asset differences	60,686	87,417
Adjust deferred tax to average rate	(17,635)	(24,656)
Deferred tax not recognised	(162,223)	(209,582)
Tax charge for the period	6,719	4,045

As at 31 December 2019 there was an unrecognised deferred tax asset amounting to £(1,399,094) (2018: £1,561,373) of which £290,780 (2018: £331,984) was in respect of accelerated capital allowances and other timing differences and £1,108,314 (2018: £1,229,389) was in respect of trading losses. The directors have elected not to recognise a deferred tax asset due to uncertainty surrounding future profitability from which any reversal of timing differences could be deducted.

No other factors that may affect future tax charges have been identified.

11. Property, plant and equipment

	Infrastructure Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
Cost or valuation				
At 1 January 2019	6,669,993	35,264,791	6,141,833	48,076,617
Additions	-	337,943	373,555	711,498
Disposals	-	-	-	-
At 31 December 2019	6,669,993	35,602,734	6,515,388	48,788,115
Depreciation				
At 1 January 2019	6,482,867	30,194,285	4,801,605	41,478,757
Charge for the period	112,338	185,931	418,185	716,454
Released on disposal	-	-	-	-
At 31 December 2019	6,595,205	30,380,216	5,219,790	42,195,211
Net book value				
At 31 December 2018	187,126	5,070,506	1,340,228	6,597,860
At 31 December 2019	74,788	5,222,518	1,295,598	6,592,904
Cost or valuation				
At 1 January 2018	6,669,993	35,264,791	5,546,395	47,481,179
Additions	-	-	595,438	595,438
Disposals	-	-	-	-
At 31 December 2018	6,669,993	35,264,791	6,141,833	48,076,617
Depreciation				
At 1 January 2018	6,202,838	29,999,292	4,459,202	40,661,332
Charge for the period	280,029	194,993	342,403	817,425
Released on disposal	-	-	-	-
At 31 December 2018	6,482,867	30,194,285	4,801,605	41,478,757
Net book value				
At 31 December 2017	467,155	5,265,499	1,087,193	6,819,847
At 31 December 2018	187,126	5,070,506	1,340,228	6,597,860

Long leasehold buildings consist of freehold buildings constructed on land that is leased to the company until 2117.

12. Right-of-use-assets

	Long Leasehold Buildings £	Office Equipment & Furniture £	Motor Vehicles £	Total £
Cost or valuation				
At 1 January 2019	-	-	-	-
Recognition of right-of-use assets on initial application of IFRS 16	1,143,059	9,336	8,424	1,160,819
Disposals	-	-	-	-
At 31 December 2019	1,143,059	9,336	8,424	1,160,819
Depreciation				
At 1 January 2019	-	-	-	-
Charge for the period	112,639	9,336	3,261	125,236
Released on disposal	-	-	-	-
At 31 December 2019	112,639	9,336	3,261	125,236
Net book value				
At 31 December 2018	-	-	-	-
At 31 December 2019	1,030,420	-	5,163	1,035,583

The right-of-use assets are included under the same fixed asset categories as they would be if they were owned.

13. Trade and other receivables

	2019 £	2018 £
Trade receivables	1,459,520	1,815,500
Amount owed by CEC Holdings Limited and the City of Edinburgh Council	1,794,704	1,421,149
Other receivables	1	1
Prepayments	246,128	170,622
	3,500,353	3,407,272

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2019 no trade receivables were determined to be impaired (31 December 2018: nil).

13. Trade and other receivables (cont.)

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			< 30 days	30-60 days	> 90 days
	£	£	£	£	£
At 31 December 2018	1,815,500	1,533,716	183,110	45,571	53,103
At 31 December 2019	1,459,520	1,329,016	108,389	22,272	(157)

The credit rating of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings, where available, historical information in respect of repeat business and payment history with regard to current business.

14. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	5,655,883	4,751,620

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £5,655,883 (31 December 2018: £4,751,620).

15. Trade and other payables

	2019	2018
	£	£
Trade payables	813,111	1,152,125
Value Added Tax	59,751	142,304
Other taxes and social security costs	55,985	56,139
Other payables	455,478	428,780
Accruals	414,264	495,016
	1,798,589	2,274,364

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms. Other payables are non-interest bearing.

16. Financial liabilities

Loans and borrowings

	2019	2018
	£	£
Fair value - Right-of-use-assets	1,063,268	-
Fair value - Loan stock	380,364	217,380

	1,443,632	217,380

16. Financial liabilities (cont.)

	2019 £	2018 £
This is made up as:		
Current obligations	93,508	-
Non-current obligations	1,350,124	217,380
	1,443,632	217,380

Non-current obligations are made up as:

	2019 £	2018 £
Due within one year	97,608	-
Due within two to five years	823,369	214,700
Due after five years	429,147	2,680
	1,350,124	217,380

Financial liabilities are made up of:

Right-of use-assets

	2019 £	2018 £
Current obligations	93,508	-
Non-current obligations	969,760	-
	1,063,268	-

Non-current obligations are made up as:

	2019 £	2018 £
Due within one year	97,608	-
Due within two to five years	443,362	-
Due after five years	428,790	-
	969,760	-

The Company has entered into a number of leases in relation to office accommodation, office equipment and motor vehicles. These leases have a duration of between 2 and 14 years. The leases are in respect of identified assets and under the terms of the agreements the Company has the right to obtain substantially all of the economic benefits from the use of the assets throughout the period of their use. It also has the right to direct the use of the assets throughout their period of use.

The lease liability, in respect of these assets, is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

16. Financial liabilities (cont.)

Loan stock

	2019 £	2018 £
Current obligations	-	-
Non-current obligations	380,364	217,380
	380,364	217,380

Non-current obligations are made up as:

	2019 £	2018 £
Due within one year	-	-
Due within two to five years	380,007	214,700
Due after five years	357	2,680
	380,364	217,380

The company has issued convertible and non-convertible loan stock to the City of Edinburgh Council and CEC Holdings Limited, as shown below. These loan stocks, which amount to a face value of £62,283,069 (31 December 2018: £61,566,243) either bear no interest or the interest on them has been waived by the stockholder.

The loans have been recognised at fair value by discounting the future cash flows using market interest rates. Loan stocks are then held at amortised cost by applying an effective interest rate, to increase the loan stock to its face value over the term of the loan stock's issue. These loans have been received from the parent company and the Company relies on these loans as an ongoing source of funding.

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2019 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	51	50
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	45	44
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	249,911	249,913
Non-Convertible Unsecured Loan Stock 2023	75	868,000	92,548	92,548
Non-Convertible Unsecured Loan Stock 2024	70	546,000	33,266	33,266
Non-Convertible Unsecured Loan Stock 2025	75	123,000	4,282	4,282
Non-Convertible Unsecured Loan Stock 2034	75	154,299	36	36
Non-Convertible Unsecured Loan Stock 2035	75	799,000	103	103
Non-Convertible Unsecured Loan Stock 2036	75	709,141	52	50

Non-Convertible Unsecured Loan Stock 2037	75	461,069	19	20
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	31	29
Non-Convertible Unsecured Loan Stock 2039	75	841,099	12	12

16. Financial liabilities (cont.)

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2019 £	Aggregate Interest £
Non-Convertible Unsecured Loan Stock 2040	75	718,922	6	4
Non-Convertible Unsecured Loan Stock 2041	75	123,525	1	0
Non-Convertible Unsecured Loan Stock 2042	75	482,438	1	1
Non-Convertible Unsecured Loan Stock 2043	75	595,438	0	0
Non-Convertible Unsecured Loan Stock 2044	75	716,826	0	0
		62,283,069	380,364	380,358

The face value of loan stock issued by the company is as follows:

	2019 £	2018 £
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	16,985,460	16,268,634
	62,283,069	61,566,243
Non-convertible unsecured loan stock		
Issued to The City of Edinburgh Council and CEC Holding Ltd	4,675,316	4,675,316
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	12,310,144	11,593,318
	16,985,460	16,268,634

The convertible unsecured loan stock, which is all held by CEC Holdings Ltd, bears no interest and is repayable on 31 March 2117 at par. CEC Holdings Ltd have the right to convert loan stock into fully paid preferred ordinary shares at the rate of one preferred ordinary share per £1 nominal of loan stock.

A further £8,598,961 of non-convertible unsecured loan stock 2117 (31 December 2018: £7,882,135) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £8,386,499 (31 December 2018: £8,386,499) of the remaining issued or due to be issued non-convertible unsecured loan stock. This non-convertible unsecured loan stock bears no interest and is repayable within 25 years of issue.

17. Deferred revenue and capital grants

	2019 £	2018 £

Deferred revenue	2,588,922	2,369,926
Capital grants	1,520,876	1,802,687
	4,109,798	4,172,613

17. Deferred revenue and capital grants (cont.)

Deferred revenue relates to the advance deposits received in respect of events which are due to take place after the year end.

	2019 £	2018 £
At 1 January	2,369,926	2,322,223
Deferred during the year	2,162,965	1,959,215
Released to the income statement	(1,943,969)	(1,911,512)
At 31 December	2,588,922	2,369,926

Deferred revenue is analysed as follows:

	2019 £	2018 £
Current obligations	2,193,232	1,943,969
Non-current obligations	395,690	425,957
	2,588,922	2,369,926

Capital grants have been received in respect of building construction and roadworks as follows:

	2019 £	2018 £
At 1 January	1,802,687	2,262,494
Receivable during the year	-	-
Released to the income statement	(281,811)	(459,807)
At 31 December	1,520,876	1,802,687

Capital grants are analysed as follows:

	2019 £	2018 £
Current obligations	216,024	281,811
Non-current obligations	1,304,852	1,520,876
	1,520,876	1,802,687

18. Share capital

	2019 No.	2018 No.	2019 £	2018 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
Special share	1	1	1	1
			63	63

The 10 preference shares, 2 ordinary shares and 40 preferred ordinary shares were all issued to The City of Edinburgh Council and subsequently gifted to CEC Holdings Ltd (wholly owned subsidiary of the Council) in 1996. The special share was issued to Scottish Enterprise Edinburgh and Lothian Ltd on 18 December 1996. The City of Edinburgh Council is the ultimate holding organisation of the Company.

The special share has a nominal value of £1. The share can only be transferred to a body nominated by Scottish Enterprise Edinburgh and Lothian Ltd and approved by the City of Edinburgh Council. The special shareholder is entitled to receive notice of general meetings, and to attend and speak at such meetings but has no other rights. Specifically, the special shareholder has no right to vote at such a meeting. The special shareholder is however entitled to receive a copy of each resolution passed at a general meeting, to receive any resolution proposed as a written resolution and each circular sent by the Company to holders of any class of shares in the Company.

The special shareholder ranks after all other members of the Company in respect of distribution of capital on the winding up of the Company. The special share confers no right to participate in the profits of the Company.

The Articles of Association entitle the holder of the special share to appoint one person as a Director of the Company. This right is effected by a notice in writing either being lodged at the Company's registered office or delivered to a meeting of the directors.

The preference shares carry no voting rights, but have the right to a fixed cumulative preferential dividend at the rate of 6% (net of associated tax credit) per annum, on the amount paid up, to be paid annually on 31 December each year.

The RBL ordinary shares, which were issued on 29 November 1995, carry no voting rights and are entitled to a dividend of £0.01 for every full amount of £100 worth of assets paid. This is payable after payment of the fixed dividend to holders of the preference shares.

The ordinary and preferred ordinary shares carry one vote per share and participate in profits available for dividend pro rata.

In the event of a capital distribution the shares rank in the following order: £1 for each Preference Share; £1 for each Preferred Ordinary Share; £1 for each Ordinary Share; £1 for each RBL Ordinary Share; £1 for each Special Share. Thereafter pro rata.

19. Other reserves

Other reserves arise from the fair valuing of loan stock where the difference between the fair value and face value of the loan has been recognised as a capital contribution where the loan has been issued at below market rate from a parent company.

	£
At 1 January 2019	61,566,243
Net movement on recognition of loans	716,826
At 31 December 2019	62,283,069

20. Pension commitments

The Company operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Company in an independently administered fund.

The total amount paid to the scheme during the year totals £133,630 (31 December 2018: £124,759).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £26,828 (31 December 2018: £3,238).

21. Related party transactions

The transactions that have been entered into with related parties, which have a significant influence over the Company, for the financial year, are as follows:

	Net funding received £
The City of Edinburgh Council	
2019	-
2018	-
CEC Holdings Limited	
2019	-
2018	-

Loans received from or made to related parties, which have a significant influence over the Company, are as follows:

	Owed by related parties £	Owed to related parties £
The City of Edinburgh Council		
2019	1,794,704	8,598,961
2018	1,421,149	7,882,135
CEC Holdings Limited		
2019	-	53,684,108
2018	-	53,684,108

The Company's immediate parent undertaking is CEC Holdings Limited. It has included the Company in its group financial statements. The ultimate parent undertaking is The City of Edinburgh Council. Copies of the accounts of both companies are available from the Head of Finance, The City of Edinburgh Council, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

22. Financial instruments and risk management

The company has the following categories of financial instruments at the balance sheet date:

	2019 £	2018 £
Financial assets		
Loans and receivables:		
Trade and other receivables	3,500,353	3,407,272
Cash and cash equivalents	5,655,883	4,751,620
	9,156,236	8,158,892

	2019 £	2018 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	1,798,589	2,274,364
Loan stock	1,443,632	217,380
	3,242,221	2,491,744

Capital management and risk management objectives

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

The Board is charged with the overall responsibility of establishing and monitoring the company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

The main risks that the company is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity. The company's debt is primarily non-interest bearing.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. It arises from exposure to customers and amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

22. Financial instruments and risk management (cont.)

- Only banks and institutions with an acceptable credit rating are utilised;
- All customers are rated for credit worthiness, where practical, taking into account their size, market position and financial standing;

Over 85% of the company's gross profits are derived from room hire fees which are paid in advance and from catering commission which is paid by the catering concessionaire.

Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Managing cash generated by its operations and retaining surplus cash in readily accessible bank deposit accounts.

Fair values

The directors consider that the carrying values of all the company's financial assets and liabilities approximate to their fair values at the balance sheet date.

23. Post Balance Sheet Event

A new transmittable disease, coronavirus, which was first recognised in China at the end of 2019, began affecting countries in Europe and the rest of the world in the early part of 2020. As a result of this and due to increasing concerns about the impact of the virus on people's health and wellbeing many businesses began to alter their modus operandi during February and March of this year.

The UK Government introduced a raft of lockdown restrictions on 23 March which meant that all non-essential business operations had to close. A number of events that had been scheduled to be held at EICC prior to this date had previously been cancelled and the government restrictions resulted in a huge number of clients contacting the Company to advise that they wished to cancel or postpone their forthcoming events.

As a result of this no events have been held at the ECC since the middle of March. Many of the clients with events that had been due to take place between then and the end of August have subsequently either cancelled their event and agreed a cancellation charge or have rescheduled their event to later in the year or into subsequent years.

This has had a significant impact on the Company's revenues which are currently approximately £8.6m down on budget for the year with cost of sales showing a reduction of nearly £4.0m against budget. These figures have been offset by a reduction in operating expenses of approximately £2.9m resulting in an estimated overall reduction in operating profit for 2020 of £1.7m.

The Company is now forecasting an operating loss of £0.8m for the year to 31 December 2020 but it has sufficient cash reserves to be able to cover this projected loss.

At this point in time the Scottish Government has not given any indication of when conference and exhibition venues will be able to reopen. However, the Company has a full order book from early September to the end of the year and given the current progress with regard to the easing of lockdown restrictions it remains confident that it will be able to service these events.

It should also be noted that the Company already had a very healthy events diary for 2021 and that this has been significantly enhanced with the business that has been rescheduled from 2020. It is therefore anticipated, at this point in time, that the Company will return to its pre 2020 levels of operating profit next year.

The figures, shown in the accounts, for the year to 31 December 2019 have not had to be adjusted in any way as the impact of the coronavirus pandemic had no impact on the Company's business for the year under review.

Edinburgh International Conference Centre Limited

Audit management report for the year ended 31 December 2019

Scott-Moncrieff
business advisers and accountants

Edinburgh International Conference Centre Limited

Audit management report for the year ended 31 December 2019

1 Purpose of this report

International Standards on Auditing (UK) 260, "Communication with those charged with governance" and 265 "Communicating deficiencies in internal control to those charged with governance and management" require Scott-Moncrieff to report the significant findings from our audit to you.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the Board of Edinburgh International Conference Centre Limited;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

The report has been discussed and agreed with the Les Florence and Raymond Blaikie.

We would like to thank the Les Florence and Raymond Blaikie and their colleagues for their kind co-operation and assistance during our audit.

2 Audit Conclusion

In our opinion the financial statements give a true and fair view and have been prepared in accordance with applicable law including the International Financial Reporting Standards as adopted by the European Union (IFRSs).

Other than as described in our audit report, we confirm that our audit testing did not identify any material issues affecting the company's ability to continue as a going concern. The letter of comfort received from City of Edinburgh Council (the Council) confirms that the Council will continue to provide financial support to EICC Limited, directly or via CEC Holdings, until at least December 2021. We are therefore satisfied with the disclosure in the financial statements.

We did not identify any subsequent events which require amendments or disclosures to be made to the financial statements.

Auditor Independence

International Standard on Auditing (UK) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence. In addition to the audit of the financial statements, Baldwins Holdings Limited, a company in the same group as Scott-Moncrieff Audit Services, provides corporation tax services to the company. All tax services are provided by an independent tax partner and staff who have no involvement in the audit of the financial statements.

We can confirm that we have complied with the Financial Reporting Council's Ethical Standard for Auditors. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

3 Audit risk areas identified at the planning stage

Identified audit risk areas

As noted in our audit planning letter submitted to the board of directors we identified the audit risk areas, noted in the table below, as significant matters. We considered these matters in detail during our audit fieldwork.

Audit risk areas	Audit findings
Risk 1 – Management override of controls	
In any organisation, there is a risk that management and directors have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK) 240: "The auditor's responsibilities relating to fraud in an audit of financial statements." Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.	We have not identified any indications of management override in the year. We have reviewed EICC Limited's accounting records and obtained evidence that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years. **Conclusion:** We have gained satisfactory assurance in respect of the mitigation of this risk.
Risk 2 – Revenue recognition	
Under International Standard on Auditing (UK) 240, "The auditor's responsibilities relating to fraud in an audit of financial statements" there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position. Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.	We evaluated each material revenue stream, considered the company's revenue recognition policy and carried out testing to ensure this is appropriate and has been applied. **Conclusion:** We have gained satisfactory assurance in respect of the completeness and occurrence of revenue transactions in the year.

Risk 3 – Going Concern	
We will consider the company's ability to continue to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are expected to be approved. In doing so we will consider whether the company can continue to rely on the Council's support. Given that COVID-19 has had a significant impact on the business we will also consider the going concern impacts this has had on the business.	We have obtained evidence which provides adequate assurance regarding the Council's intention to continue to support the company its ability to do so. We have also reviewed the going concern disclosures within financial statements to ensure these are adequate. **Conclusion:** We have gained satisfactory assurance in respect of the mitigation of this risk, however we have deemed it appropriate to highlight the ongoing material uncertainty related to going concern in our audit report.
Risk 4 – Debtors recoverability	
Due to the impact of COViD-19 outbreak many companies will struggle to continue to trade. This creates additional risk regarding the recoverability of debtor balances at the year end.	We reviewed the recoverability of debtors through post year end cash testing. **Conclusion:** We have gained satisfactory assurance in respect of the mitigation of this risk.

4 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

We did not identify any further significant issues during the course of our audit work.

Audit adjustments

We did not identify any audit adjustments during our audit other than the incorporation of the year end corporation tax charge and amendments to the disclosure notes.

Unadjusted items

We did not identify any unadjusted items.

Qualitative aspects of accounting practices and financial reporting

During the course of an audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our observations are as follows:-

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the company.
The timing of the transactions and the year in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the year in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.
The potential effect on the financial statements of any uncertainties including significant risks and disclosures such as pending litigation that is required to be disclosed in the financial statements.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the year and the extent that these transactions are separately disclosed in the financial statements.	We did not identify any unusual transactions in the year from our testing.
Apparent misstatements in the Strategic Report, the Directors' Report or material inconsistencies with the financial statements.	There has been no misstatement or material inconsistency with the financial statements included in the Strategic Report or the Directors' Report.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit with regards to any accounting treatment or disclosure.

Qualitative aspect considered	Audit conclusion
Difficulties encountered in the audit.	Our audit field work commenced in June 2020. The biggest challenge of the audit was the impact of Covid 19 and not being on-site for the duration of the audit. However, this was overcome by the finance team providing all documentation in an efficient manner.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the directors of the company. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

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

5 Accounting systems and controls

During the course of our audit of the financial statements, we examined the principal internal controls which the directors have established to enable them to ensure, as far as possible, the accuracy and reliability of the company's accounting records and to safeguard the company's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

The significant weaknesses noted from our work are detailed in the action plan below.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

		No of audit observations	
Grade	**Definition**	**Current year**	**Prior year**
5	Very high risk exposure - Major concerns requiring immediate attention	-	-
4	High risk exposure - Absence / failure of significant key controls	-	-
3	Moderate risk exposure - Not all key control procedures are working effectively	1	4
2	Limited risk exposure - Minor control procedures are not in place / not working effectively	-	1
1	Efficiency / housekeeping point	-	-

Follow up on prior year Action plan

1	Related parties - EICC Registers of Interest
Observation	Conflicts of interests are typically disclosed by Board members at Board meetings, with a standing agenda item dedicated to "Declaration of Interests". However our review identified that there are no formal registers of interests held for the EICC's executive directors or key management. Whilst Registers of interests of Councillors who are members of the EICC board are recorded directly by the City of Edinburgh Council (CEC) and disclosed on the Council's website, it is the responsibility of the Council to ensure that these Registers of Interests (ROI) are kept accurate and up to date. An independent ROI relevant to EICC for Councillors is not maintained.

Risk and recommendation	There is a risk that, as related parties are not formally documented for key members of the Board or management at EICC, transactions with those related parties are not identified. This may result in inaccurate disclosure of both related parties and related party transactions within the financial statements. Formal Registers of Interests should be prepared for all key members of the EICC management team, ensuring that conflicts of interests are fully identified and disclosed at the year end. **Grade 3**
Audit observation	We noted that EICC have compiled a formal register that is to be updated twice yearly in January and July. Point cleared.

2	Related parties - identifying related party transactions
Observation	Our review identified that reliance is placed on board members disclosing material transactions with related parties at the beginning of board meetings, prior to the company entering into the transaction or arrangement. However, there is no further review of transactions with related parties identified in their declarations at the year end.
Risk and recommendation	There is a risk that related party transactions which have not been disclosed by members at board meetings are not identified by the EICC, potentially resulting in inaccurate disclosure of related party transactions within the annual accounts. A formal review of transactions should be performed by the Finance team at the year end to identify any related party transactions which have not been disclosed by members. **Grade 3**
Audit observation	We noted that a review process is now in place. Point cleared.

3	Governance arrangements
Observation	EICC is governed by a Board of Directors and the Board is responsible for the overall strategic direction and fulfilment of the legislative duties of the organisation. We have noted that the scale of operations of EICC has been expanding in recent years but the governance structure has remained the same with the Board supported by the senior leadership team.
Risk and recommendation	There is a risk that the Board is not adequately supported by appropriate governance structure and there is insufficient capacity within the current governance structure for appropriate scrutiny and challenge. We recommend EICC reviews the current governance structure and considers whether supporting committees (e.g. audit committee) would offer benefits to the Board. **Grade 3**

Audit observation	We noted that EICC will look to make potential changes once the Company's corporate structure has been revised. This point is still applicable in the current year.
Management response	The Company is currently involved with a major development project regarding the operation of a hotel and hotel school. A business case for the project was approved by the Council in March 2020 and it is anticipated that the advancement of the project will lead to significant changes in the Company's corporate and governance structure. Whilst the EICC Board has considered these matters it does not believe that it is appropriate to look at them on a piecemeal basis as the project progresses and they will therefore be examined further and the necessary changes made in due course when the project is completed, or when the Board believes that the time is right to do so.

4	Authorisation of Journals
Observation	Manual journals are prepared by the Finance Manager and reviewed and authorised by the Finance Director. However our review identified that this authorisation is informal and is not formally documented. As such, we have been unable to evidence that journals have been appropriately reviewed and authorised prior to posting.
Risk and recommendation	There is a risk that inaccurate and/or fraudulent journals are posted to the ledger as secondary review and authorisation of manual journals cannot be evidenced and may not be performed. EICC should ensure that authorisation of manual journals is formally documented to provide a clear audit trail of staff members preparing and authorising journals. **Grade 3**
Audit observation	We noted that EICC have built on the journal review process. Point cleared.

5	Control Account Reconciliations
Observation	Reconciliations for the control accounts are performed monthly by the Finance Team. However our review identified that this is an informal check and as such, not formally recorded.
Risk and recommendation	There is a risk that control account reconciliations are not performed and/or reviewed in a timely manner, resulting in failure to identify potential errors and resultant misstatement of the financial statements. EICC should ensure that control accounts reconciliations are reviewed by a secondary member of staff and that both the preparation and review of reconciliations are formally documented, providing a clear audit trail. **Grade 2**
Audit observation	We noted that during the course of the audit the control accounts were reconciled. Point cleared.

6 Future developments

As part of our service to you and to help you keep up to date with the latest accounting, audit and tax developments relative to your organisation, we publish regular e-bulletins. We would encourage you to sign up to receive information on topics and events which are of interest to you via our website: http://www.scott-moncrieff.com/news/e-bulletin-signup.

Appendix 1 – Your audit team

Nick Bennet
Engagement Partner
nick.bennett@scott-moncrieff.com

Andrew James
Audit Manager
andrew.james@scott-moncrieff.com

Calum Forrester
Audit Senior
calum.forrester@campbelldallas.com

This page is intentionally left blank

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Housing Sustainability Update

Executive/routine	**Executive**
Wards	**All**
Council Commitments	1

1. Recommendations

1.1 It is recommended that Housing, Homelessness and Fair Work Committee notes:

1.1.1 the work underway to develop an advanced whole house retrofit approach (based on the EnerPHit retrofit standard) across existing Council homes to support the delivery of the Council's net zero carbon commitment;

1.1.2 the new build housing design guide will seek a holistic approach to achieving a net zero carbon outcome for all developments going forward; and

1.1.3 the range of innovative energy programmes and projects underway such as the Decarbonisation Fund and Scottish Government Home Energy Efficiency Programme Scotland: Area Based Scheme (HEEPS:ABS) to reduce emissions, tenants' energy bills and tackle fuel poverty.

Paul Lawrence

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277

Report

Housing Sustainability Update

2. Executive Summary

2.1 The Council's commitment to achieving net zero carbon by 2030 has placed sustainability and climate change at the centre of strategic and policy discussions. It has also raised the profile of Edinburgh as one of the most ambitious cities seeking to tackle climate change to deliver a more sustainable and inclusive city.

2.2 In line with this new focus on sustainability a report on the Council's Housing Sustainability approach was brought to Housing, Homelessness and Fair Work Committee on 20 January 2020. It was agreed that an update report would be brought back to Committee in two cycles.

2.3 This report outlines the specific approaches to sustainability and net zero carbon that will be embedded across the Council's existing housing stock and new build housing, in line with the Council's 2030 net zero carbon commitment and the objectives of the Housing Revenue Account (HRA) Budget Strategy.

2.4 For the new build programme, the Council will be testing a new design brief to ensure all new homes meet net zero carbon. An advanced whole house retrofit (WHR) approach is being developed to bring existing homes up to the ambitious EnerPHit standard where practical. This will see existing homes brought up to a new build standard in terms of energy performance.

3. Background

3.1 On the 14 May 2019, the Corporate Policy and Strategy Committee approved the Council's Sustainability Approach, which included Edinburgh working towards a net zero carbon target by 2030, with a hard target of 2037. In response to this the Housing Service has commissioned two separate pieces of consultancy work on options to achieving net zero carbon across the Council's new build housing programme and the Council's existing stock.

3.2 On 20 January 2020, the Housing, Homelessness and Fair Work Committee approved the Housing Sustainability approach, which outlined the future approach to reducing emissions across existing homes and the new build housing programme.

3.3 On 20 February 2020, the Council approved the five-year HRA Budget Strategy 2020/21 to 2024/25. In addition to this, Council approved a draft 2020/21 capital budget, five-year capital investment programme and 30-year Business Plan.

3.4 On 27 August 2020, Finance and Resources Committee approved a revised 2020/21 HRA capital budget in light of the impacts of Covid-19. The HRA presented a 41% expected reduction in expenditure and committed to exploring opportunities to reallocate capital slippage to strategic land acquisition to support the new build programme.

3.5 On 25 October 2019, Policy and Sustainability Committee approved a Short Window Improvement Plan which set out immediate actions the Council could take to reduce its carbon footprint. This included actions to improve the energy efficiency of existing and new build Council housing.

3.6 On 23 July 2020, Policy and Sustainability Committee received an update on the Council's overall sustainability programme which included summary information in relation to the sustainable housing strategy described in more detail in this report. The sustainability programme update noted that a range of council plans, strategies and projects are being taken forward at service level and subject to scrutiny through relevant council committees, including the Housing Sustainability approach.

4. Main report

Carbon context - National and Edinburgh

4.1 The Scottish Government has produced an ambitious Energy Strategy, including a net zero carbon target by 2045. One of the cornerstones of this strategy is the Energy Efficient Scotland Programme (EES). EES sets long term domestic standards for the social rented, private rented and owner occupier sectors and proposes that all residential properties in Scotland will be required to achieve an Energy Performance Certificate (EPC) rating of at least EPC C by 2040 and for the social rented sector to achieve an EPC B by 2032. The Council by comparison has committed to achieving net zero carbon by 2030.

4.2 There are approximately 232,000 domestic properties in Edinburgh. Of these, 142,000 (61%) are owner occupied, 56,000 (24%) are private rented, 20,000 (9%) are Council homes and 15,000 (6%) are housing association homes. Domestic sector emissions account for 35% of Edinburgh's overall emissions. Council housing represents 8.6% of homes but only 5.3% of domestic sector emissions or 1.9% of Edinburgh's overall emissions. Higher standards as applied to social housing need to be applied across the wider domestic sector, with the right incentives in place, if carbon emissions are to fall as sharply as is required by 2030. This report focuses on the approach to delivering net zero carbon in Council homes and estates.

Council housing energy context

4.3 The Council is the largest housing landlord in the city with a tenant base that is generally more socio-economically deprived across a number of factors. As such, many Council tenants have more challenging needs which can be severely impacted by high energy costs and poor thermal comfort. There are also a number of building related complexities that have an impact on the Council's ability to improve the energy performance of its homes. These range from complex building archetypes and the age of properties to significant mixed tenure barriers.

4.4 Approximately 7,000 existing homes were constructed pre 1949 and are categorised as hard to treat, meaning they require significant fabric upgrades and investment to help reduce energy demand. 13% of Council homes can be categorised as low-rise non-traditional construction types and also present significant technical challenges when attempting energy retrofit works.

4.5 The mixed ownership patterns found across the Council's housing estate also present significant complexities in terms of gaining agreements from all homeowners in mixed tenure blocks to carry out upgrades. Approximately 50% of Council homes sit within a mixed tenure block and approximately 4,400 Council homes sit within either 50/50 or minority Council ownership blocks.

4.6 In terms of new build homes, the Council is committed to delivering 10,000 new affordable homes by 2027/28. New build housing presents an opportunity to get energy performance right first time. The additional CO2 emissions from all 10,000 new homes would only see an increase of +9% by 2030 of overall housing emissions, despite 50% more homes planned for construction with twice the floor area of the average existing home.

Current approach to energy efficiency

4.7 The Council's current approach to energy efficiency is guided by meeting the Energy Efficiency Standard for Social Housing (EESSH). This is being achieved through the installation of individual measures.

4.8 All Council homes will be required to meet EESSH2 by 2032. EESSH2 sets an aspirational target for homes to meet a minimum SAP score of 81 (Band B). This is a much more demanding target compared to EESSH, which requires a SAP score of 69 (Band C), which is already proving challenging. Meeting EESSH2 across all 20,000 homes will require a much greater level of investment (between £8k - £25k per home) and will be much more technically challenging, given that some of the easier individual insulation measures have already been installed in order to meet EESSH.

4.9 Around 85% of Council homes are currently on the gas grid. Electric heating is currently four times as costly as gas. However, electric heating technology is increasing in capacity whilst reducing in price and from an environmental perspective, gas heating is not sustainable. This is recognised in the fact that all new homes after 2024 will no longer be able to connect to the gas grid and will require the use of renewable or low carbon heating systems. All new Council homes in design development will not have gas boilers. A switch to electric for existing homes needs to be carefully managed through a fabric first approach that significantly reduces overall energy demand and through targeted energy efficiency advice to help mitigate fuel poverty.

4.10 There are a number of limitations that need to be addressed with the current approach to energy retrofit across existing homes in order to align with the Council's wider commitment to achieve net zero carbon by 2030.

4.11 EESSH and EESSH2 standards are based on the EPC. The methodology for producing an EPC is limited. The calculation is based on standard assumptions and does not take into account how the building is operated in practice, resulting in a 'Performance Gap'. As a result, anticipated energy performance may not be realised, and the savings tenants might expect because of energy efficiency measures may not be achieved. In some cases, energy consumption can be as much as double what was expected.

4.12 The approach of incrementally layering individual measures without consideration of wider building and asset management considerations can result in either compromised future performance or a requirement for premature replacement. Greater alignment of energy efficiency with asset management is required to achieve a consistent approach for the improvement of homes.

4.13 All Council new build homes are currently built to a minimum 'Silver Standard Active' level and have a minimum energy efficiency rating of EPC B. Anderson Bell Christie were commissioned in 2019 to review the design brief for the Council's new build housing and to develop a blueprint for delivering energy efficient, affordable homes that require little energy for space heating or cooling and that also provide a way of achieving net zero carbon.

New Strategic Approach

4.14 Meeting the energy and low carbon standards demanded over the next decade will be challenging and expensive and will require a new approach. As such a new strategic approach is proposed which will champion advanced WHR to EnerPHit standard where practical across existing homes and net zero carbon across new build. It will be governed by three key drivers:

4.14.1 **Fabric First –** Focusing on reducing demand through improved building fabric measures. For existing homes in particular fabric first will be achieved by developing a holistic advanced WHR approach that will aim to deliver EnerPHit (Passivhaus retrofit standard). All new build homes will be designed from the core principle of maximising thermal efficiency and therefore minimising heat demand. This key strategic driver will ensure that all homes will deliver health, comfort and affordability to tenants.

4.14.2 **Energy supply –** For new build homes the focus will be on achieving net zero carbon and as such there will be an extensive roll out of low and zero carbon technologies (LZCT) across new build homes and in particular low carbon heating solutions. For existing homes, a risk-based approach to LZCT will be prioritised. The WHR approach will ensure that LZCT are given the best chance to work in the long term.

4.14.3 **Asset management –** long term maintenance issues will be future proofed by ensuring that asset management considerations and energy efficiency measures are strategically aligned at the design stage to achieve a consistent approach for the improvement of homes and to embed future maintenance savings. This will enable a proactive maintenance, repairs and adaptation service.

4.15 This new strategic approach will provide a holistic long-term solution centred on low carbon sustainable homes, the quality of life of tenants and the regeneration of our neighbourhoods and communities. This will align energy efficiency with asset management ensuring that energy efficiency and building improvement go hand in hand to design out future maintenance issues. This will ensure that the benefits of WHR and zero carbon new build homes are realised in terms of health, comfort and affordability to our tenants and through long-term maintenance savings to the Council. The phasing of the programme is equally important to ensure measures are not installed prematurely which could push tenants inadvertently into fuel poverty.

4.16 The above strategic approach also lends itself to a series of wider city-based outcomes beyond the direct benefits to tenants and the Council. The wider WHR programme has the potential to transform neighbourhoods through area-based regeneration and provide a range of environmental, social and economic opportunities due to the scale of investment that will be required to deliver this programme and the carbon reduction potential this could achieve. This investment (both Council homes and private owners in mixed tenure blocks) will support 15,600 person-years of employment across the 10-year period, which is equivalent to 1,560 permanent jobs. These wider outcomes support the objectives of the HRA Budget Strategy 2021/22 to deliver a holistic area-based approach that creates places where people want to live that keeps them safe, secure, healthy and connected.

Work already underway

4.17 Making homes easier and cheaper to heat has been the cornerstone of the HRA Budget Strategy and annual Capital Investment Programmes. Over half of Council homes have benefited from energy efficiency measures over the last five years (including 7,100 new heating systems; 2,900 homes insulated; and 1,600 homes fitted with new windows and front doors). Work continues towards meeting EESSH; currently 71% of homes have been brought up to standard and 86% were expected to be compliant by the end of 2020 (pre-Covid).

4.18 Over the last five years Edinburgh has benefited from £19.2m in funding through the HEEPS:ABS programme. This has delivered energy efficiency measures to c.6,760 homes (both Council and Private owners).

4.19 The HEEPS:ABS 2019/20 has now recommenced following a temporary pause as a result of Covid-19. The 2019/20 programme is set to deliver a total grant spend of £3m with an additional £1.4m leveraged in by the Council to support a range of energy efficiency improvements to 707 homes. The Council is now in receipt of this year's HEEPS:ABS 2020/21 grant offer which totals £4.06m, with an additional

£1.5m leveraged in by the Council. This programme will target 747 homes with a range of energy efficiency improvements.

4.20 The Decarbonisation Fund combined solar PV and battery storage pilot is currently being delivered in the Kirkliston area of the city and is on track to meet its target of 112 Council homes. The pilot will be extended to a further 65 private homes in the Kirkliston area as part of the HEEPS:ABS 2020/21 programme.

4.21 An in-depth study was progressed by Edinburgh Napier University to inform the Council's understanding of what retrofit standards could be applied across existing homes to best align with the Council's wider ambitions around net zero carbon. The EnerPHit standard was highlighted as the most appropriate retrofit standard to pursue due to the significant carbon savings that could be realised (87% reduction across existing Council homes). Importantly EnerPHit will enable the Council to meet and exceed EESSH2.

4.22 A collaborative partnership with Renfrewshire Council to procure a design team to produce bespoke design solutions is currently underway. This project seeks to pool resources and expertise to determine the most effective design principals to deliver WHR to meet both EESSH2 and other more ambitious standards such as EnerPHit. These design solutions will cover all of the Council's existing property types and building archetypes.

4.23 As part of its European-funded Healthy Clean Cities sustainability programme, the Council has been working with Edinburgh Centre for Carbon Innovation and the University of Edinburgh to develop a 'Carbon Scenario Tool' to support the city's 2030 net zero target.

4.24 Following the work undertaken by Anderson Bell Christie a design brief has been produced that will ensure all new build homes are designed to achieve net zero carbon. This will follow a fabric first approach, allowing the design and construction to be tailored to meet the requirements of the site and to select the most appropriate low carbon heating solution. Proof of concept for this new net zero carbon design brief will be tested at Western Villages.

4.25 The new build programme also aims to lead by example in terms of construction innovation including the use of modern methods of construction. The Council is working alongside a number of partner organisations (Scottish Government, Scottish Futures Trust, Construction Scotland Innovation Centre, Edinburgh Napier University, and Offsite Solutions Scotland) on a proposal which will develop net zero carbon housing through greater use of offsite construction. This Edinburgh Homes Demonstrator (EHD) project will test a new housing delivery model, specifically a method of design, construction and delivery that is based on off-site construction and disrupts the traditional linear delivery model of housing design and construction.

4.26 The Council will effectively be the client for the pilot construction project and will test the new business and procurement model. The EHD pilot will be based in Edinburgh but with an ambition to expand this across the City Region partners and their housing pipeline.

4.27 Sustainability and low carbon design will also be embedded across all developments to complement the fabric first design guide for homes. This will include (as a default) low/minimum parking, active travel prioritisation, biodiversity enhancements and climate adaptation via advanced sustainable urban drainage (SUD)'s schemes. The sustainability commitments sit within the context of the HRA Budget Strategy 2021/22 which is focused on delivering a holistic area-based approach that creates places where people want to live that keeps them safe, secure, healthy and connected. This is detailed in a separate report to this Committee.

4.28 This new design guide ensures that new build housing is aligned with future statutory regulations. This includes pre-empting the 2024 deadline which will stop new build housing from connecting to the gas grid. The new build design guidance allows for flexibility in the net zero carbon approach which currently allows for some offset, this will be reviewed as future and more stringent changes to the Building Regulations come into force to ensure continued alignment.

Roadmap to Net Zero Carbon by 2030

4.29 Over the next two years the following workstreams will be taken forward to inform the development of a net zero carbon strategy for Council homes: including:

4.29.1 **Structural integrity, condition and architectural layout surveys** across existing home archetypes to be commissioned by Spring 2021 to identify which blocks are investment ready. Blocks where there is already 100% Council ownership will be prioritised providing the structural and conditions surveys are favourable. This Council's acquisitions and disposals strategy is enabling the Council to consolidate ownership in blocks. This work will continue in 2020/21 alongside engagement with owners to deliver repairs and improvements in mixed tenure blocks.

4.29.2 **Design principles established for all building archetypes** by Summer 2021 – revealing what level of WHR can be reasonably achieved and the true costs of these WHR interventions in existing homes.

4.29.3 **EnerPHit pilot projects -** four pilot areas to be identified in Spring 2021 to understand the practicality of EnerPHit/advance WHR in terms of delivery and benefits to tenants. The pilots will be key demonstrator projects with before and after social and technical monitoring put in place for the duration of the pilots. Learnings from these trials will be extremely important in feeding into the wider WHR approach.

4.29.4 **Resident communications and engagement plan –** Council officers are currently working with Climate KIC on a Community Retrofit test of change proposal. Over the Summer of 2021 this initiative will look to develop a mixed tenure model of community retrofit in combination with the Council's own housing programme. One of the key elements of this initiative will be to explore ways to incentivise property owners to increase investment in their property or find alternative sources of finance to fund works.

4.29.5 **Implementing a New Build Design Brief –** A holistic approach will be adopted for all new build housing and regeneration projects. This will take into account the technical performance of the buildings as well as low carbon impact that can be achieved through approaches such as green infrastructure, active travel routes, sustainable drainage and tree planting. This whole development approach is being developed and will be tested at Western Villages which will also set out a monitoring framework for the buildings and post occupancy evaluation which can then be implemented across the programme. Other large mixed-use projects such as Meadowbank, Fountainbridge and Powderhall also provide an opportunity to develop strategies for achieving net zero carbon, tailored to the site and building design and helping to inform the monitoring framework.

Risks to delivering net zero carbon in Council homes and estates

Risk	Mitigation
WHR costs for private owners: Over half of Council Homes sit within a mixed tenure setting and the Council does not have majority ownership in over 4,000 blocks. A significant proportion of WHR measures will require agreement from owners. The costs of advanced WHR measures can range from £25k to £35k per home. This scale of financial investment will be out of reach for most private owners who reside in mixed tenure blocks. As such this could significantly jeopardise the roll out of the WHR programme given that over half of Council homes sit in a mixed tenure block.	The Climate KIC test of change proposal will be developed to explore ways to incentivise property owners to increase investment in their property or find alternative sources of finance to fund WHR works. The acquisitions and disposals strategy will be used to consolidate ownership and dispose of properties where appropriate. Additional funding opportunities will be explored to support private owners to invest in their homes. HEEPS:ABS funding could assist private owners to undertake WHR works. The new Scottish National Investment Bank (SNIB) is expected to play a key role in supporting investment in green infrastructure. The Council is represented on the Scottish Parliamentary Working Group on Tenement Maintenance and following the recommendations in the final report, the Scottish Government responded with their intended actions and proposed timetable. The actions include a commitment to engage the Scottish Law Commission to carry out a law reform project. Shorter-term actions include consideration of compulsory factoring, develop tenement owners association toolkits, research Building Reserve Fund contributions and the inclusion of Tenement Condition Reports within Home Reports. A Tenement App for use by Edinburgh residents living in shared blocks is in development. The App will take owners through the process of engagement, discussion, getting contractor quotations, voting and paying for Common repairs. The App is due to be released in November 2020.

Supply chain limitations: a significant number of skilled contractors (accredited to deliver EnerPHit) and specific building materials and supplies will be required at scale, which will target up to 20,000 existing Council homes and a significant number of private homes. There is the potential risk that the market is not mature enough to deliver this programme at the scale required.	Early engagement with the market will be carried out when planning the EnerPHit pilots which will provide an early opportunity to test the market. The market is expected to react to increased demand, with staff and material shortages only experienced in the early years of the programme.
2030 target misalignment with Scottish Government funding: It is anticipated that the Scottish Government will make significant funding available to support the delivery of the EES programme with funding released incrementally over the next 25 years; aligned to the Government's commitment to achieve net zero carbon by 2045. Due to the Council's earlier net zero carbon target (2030) significant amounts of funding could be missed due to the misalignment in net zero carbon targets.	It will be important to work with the Scottish Government to maximise early opportunities to secure enabling funding given the scale and ambition of the Housing sustainability approach. Other sources of funding will need to be explored such as from the UK Government and agencies such as Innovate UK and Scottish Enterprise, SNIB.

5. Next Steps

5.1 Existing work that is underway to deliver EESSH commitment and HEEPS:ABS programmes will continue.

5.2 The Council's new build programme will progress delivery following a fabric first approach as set out in the new design guide principles, complemented by sustainability and low carbon design.

5.3 The roadmap to Net Zero Carbon by 2030 will be implemented, as detailed at 4.29.

5.4 Key elements of the Housing Sustainability approach have been processed through the Carbon Scenario Tool and will be reflected in the Council's sustainability short window improvement plan (SWIP) progress report going to Policy and Sustainability Committee on 10 November 2020. The Housing Service will continue to work collaboratively with colleagues in Strategy and Insight over the coming months to refine both the data which is inputted and the outputs of the Carbon Scenario Tool to inform the roadmap to 2030.

6. Financial impact

6.1 The Draft HRA Business Plan 2021/22, presented to this committee, has costed for the additional capital investment required to ensure all new homes are built to net zero carbon and all existing homes, where possible, undergo advance WHR. A carbon offsetting fund from year 10 has also being included, once all fabric upgrades and LZCT options have been exhausted.

6.2 In terms of the WHR approach the average cost per home to meet EnerPHit standard is between £25 - £35k.

7. Stakeholder/Community Impact

7.1 The Council's ongoing and planned housing sustainability initiatives will have a positive community impact helping to alleviate fuel poverty, reduce carbon emissions, lower fuel bills and address the challenges of mixed tenure ownership in the city.

7.2 The Council will continue to work with partners such as Home Energy Scotland to engage private owners and landlords, promoting advice and information services and to encourage landlords to undertake energy efficiency measures.

7.3 There is an extensive programme of consultation and engagement with tenants, including surveys, focus groups, tenant panels, tenant led service inspections and resident and community meetings. There is also a dedicated annual budget consultation exercise, as detailed in the HRA Budget Strategy Report to this committee. Making homes easier and cheaper to heat remains a key priority for tenants.

7.4 The Council is represented on the Scottish Parliamentary Working Group on Tenement Maintenance and following the recommendations in the final report, the Scottish Government responded with their intended actions and proposed timetable. Shorter-term actions include consideration of compulsory factoring, develop tenement owners association toolkits, research Building Reserve Fund contributions and the inclusion of Tenement Condition Reports within Home Reports. Longer term, Scottish Government plan to engage the Scottish Law Commission to carry out a law reform project.

7.5 On 29 September 2020, a workshop was held with members of the Housing Homelessness and Fair Work Committee covering the current and planned work of the Housing Service in the context of the wider net zero carbon commitment. The Housing Service will continue to engage with elected members as work on the Housing sustainability approach is progressed.

8. Background reading/external references

8.1 UK local authority & regional carbon dioxide emissions statistics: 2005 to 2018

8.2 Home Energy Efficiency Programmes for Scotland: delivery report 2017-2018

8.3 Energy Efficient Scotland: route map

8.4 Council Response to Edinburgh Climate Commission and Sustainability Programme Update, Policy and Sustainability Committee on 23 July 2020

8.5 Housing Sustainability, Housing, Homelessness & Fair Work, 20 January 2020

8.6 Mixed Tenure Improvement Service Pilot, Finance and Resources, 23 January 2020

8.7 2020/21 HRA Budget Strategy 2020-2030, Finance & Resources, 14 February 2020

9. Appendices

9.1 None.

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Housing Revenue Account (HRA) Budget Strategy 2021/22

Executive/routine	**Executive**
Wards	**All**
Council Commitments	1, 2, 6, 10, 39 and 40

1. Recommendations

1.1 It is recommended that Housing, Homelessness and Fair Work Committee notes:

1.1.1 the initial findings of consultation with tenants;

1.1.2 a planned increase of almost £390 million capital investment over the next ten years to support the delivery of new affordable homes, achieve zero carbon emissions in Council owned homes and improve the neighbourhoods where Council tenants live; and

1.1.3 the progress in the delivery of service improvements and efficiencies outlined in this report.

Paul Lawrence

Executive Director of Place

Contact: Elaine Scott, Housing Services Manager

E-mail: elaine.scott@edinburgh.gov.uk | Tel: 0131 529 2277

Report

Housing Revenue Account (HRA) Budget Strategy 2021/22

2. Executive Summary

2.1 The 30-year HRA Business Plan 2021/22-2050/51 is the financial framework that underpins the Housing Service. The Plan is reviewed annually in consultation with tenants and a five-year Capital Programme and one-year Capital Investment Budget is approved by Council.

2.2 Assumptions in the Business Plan are reviewed annually to inform rent levels, planned investment and capital programmes. Extensive consultation with tenants takes place to inform priorities for investment and improvements for service delivery. This takes the form of an annual survey and focus groups and consultation with tenants' groups and Edinburgh Tenants Federation (ETF).

2.3 The report sets out a planned increase in investment over the next ten years from £2,460m to £2,850m. An increase of around £390m on the previous year's plan. This investment supports the delivery of new homes, the modernisation of existing homes including the commitment to deliver zero carbon emissions by 2030.

2.4 The Housing Service Improvement Plan (HSIP) is driving improvements across a number of workstreams, centred around digital improvements, enhancements to customer communication, service resilience and efficiencies. Service improvements and efficiencies have been accelerated, particularly in the repairs and maintenance service. These include the creation of locally based repairs and maintenance teams, new appointment processes and improvements to communication with tenants.

2.5 The Business Plan assumes holding rent increases at 2% and financial efficiencies of 12% to be delivered by 2026. The Business Plan projects that the HRA remains in balance or a small surplus to 2028/29. Thereafter a small annual deficit is projected with a return to surplus in year 24 (2044/45). There are sufficient reserves to offset the in-year deficits accrued.

3. Background

3.1 On 14 May 2019, Corporate Policy and Strategy Committee approved the Council's Sustainability Approach, which included Edinburgh working towards a net zero carbon target by 2030, with a hard target of 2037. The Council's approach to achieving zero carbon in Council housing was approved at Housing, Homelessness and Fair Work committee on 20 January 2020.

3.2 On 6 June 2019, Housing and Economy Committee received an update on the HSIP. The report set out the approach to redesigning the Housing Service with a specific focus on developing more effective and responsive services for customers. A further update was provided to Committee on 20 January 2020.

3.3 On 31 October 2019, Housing Homelessness and Fair Work Committee approved the Strategic Housing Investment Plan (SHIP) 2020/25. It identified a pipeline of 6,766 affordable homes over the next five years that could be approved for site start and 9,474 projected completions. It also set out the key risks and challenges to delivery, including securing sites for development. The Council continues to drive forward its strategy for Delivering Land for Affordable Housing as approved at Housing and Economy Committee on 22 March 2018.

3.4 On 23 January 2020, the Finance and Resources Committee approved a business case to establish a Mixed Tenure Improvement Service (MTIS) Pilot and to introduce a revised Scheme of Assistance to help owners invest in their homes.

3.5 On 20 February 2020, the Council approved the five-year HRA Budget Strategy 2020/21 to 2024/25. In addition to this, Council approved a draft 2020/21 capital budget, five-year capital investment programme and 30-year Business Plan.

3.6 On 11 June 2020, Policy and Sustainability Committee received a report from the Edinburgh Poverty Commission on Poverty and Coronavirus in Edinburgh. The report provided initial findings on the impact of the outbreak on poverty in Edinburgh and reflections on responses needed to mitigate that impact.

3.7 On 27 August 2020, Finance and Resources Committee approved a revised 2020/21 HRA capital budget in light of the impacts of Covid-19. The HRA presented a 41% expected reduction in expenditure and committed to exploring opportunities to reallocate capital slippage to strategic land acquisition to support the new build programme.

4. Main report

4.1 The HRA manages the income and expenditure for the Housing Service. The Housing Service provides affordable homes and other services to nearly 20,000 tenants and 500 home owners in the city. The Housing Service is entirely self-financing and receives no funding from the General Fund (GF).

4.2 The HRA budget is approved by Council following consultation with tenants. The budget is prepared annually following the review of the 30-year HRA Business Plan and the Capital Investment Programme. Appendix 1 sets out the HRA Business Plan and budget setting process.

Tenant Priorities

4.3 Over the last five years £310m has been invested in new and existing homes and neighbourhoods; delivering more than 28,000 individual improvements, 600 new homes and services aimed at reducing tenants cost of living. However, the strategy needs to go further and respond in a meaningful and sustainable way to deliver lasting change and create a transition towards a city that is effective in ending poverty.

4.4 The 2021/22 HRA Budget strategy proposes a holistic area-based approach to create places where people want to live that keep them safe, secure, healthy and connected, by delivering:

4.4.1 energy efficient, low carbon homes that minimise carbon emissions and reduce energy demand in secure, modern, well-maintained stairwells;

4.4.2 new and existing homes blended together to create a local identity and a sense of pride in communities;

4.4.3 well-designed, green, open spaces that encourage residents to be active and socialise, with strong connectivity to the wider community through sustainable, affordable travel; and

4.4.4 accessible, responsive services building on existing links with partner organisations and community initiatives to drive forward a whole system approach that supports individual and community resilience and wellbeing.

Progress on delivering New Homes

4.5 Work is well underway to accelerate the delivery of affordable housing in the city and achieve this Council's commitment to build at least 20,000 social and affordable homes by 2028.

4.6 The first three years of the commitment saw a record number of homes approved by the Council and housing associations (5,015 homes) for social rent, mid-market rent and low-cost home ownership. A further 2,000 homes could be approved this financial year (2020/21), however adjustments to the programme in light of Covid-19 may see this number temporarily reduce. The Strategic Housing Investment Plan (SHIP) 2020/25 identified a pipeline of 6,766 affordable homes over the next five years that could be approved for site start and 9,474 projected completions, with opportunities to accelerate and bring additional approvals through a 'Build to Rent' pipeline.

4.7 Almost half of new homes will be delivered by the Council's housebuilding programme 800 new homes are on site and currently under construction and a further 3,500 are in design and development. This does not include homes being delivered for low cost home ownership or private sale through Council led development.

4.8 The Business Plan also assumes that house building will continue beyond the ten-year commitment, with an additional c.2,000 homes delivered over the Business Plan period. Covid-19 has had a short-term impact on the progress and cost of homes under construction, but this is not expected to have a long term sustained impact on the overall programme.

4.9 Securing control of sites for development remains one of the biggest challenges to the programme's delivery. The Business Plan includes over £125 million for land acquisitions, which could deliver over 5,000 affordable homes. As set out in the Delivering Land for Affordable Housing report, the Council's housebuilding programme continues to prioritise the retention of surplus public sector land, to work with house builders and partners to find the best ways of unlocking land for development and where appropriate, acquire sites through statutory intervention.

Progress on improving existing homes and neighbourhoods

4.10 Over the last five years £165m has been invested, delivering more than 28,000 individual improvements, with an emphasis on making homes easier and more affordable to heat. This includes:

4.10.1 7,100 homes with new kitchens and bathrooms;

4.10.2 7,100 homes with new modern heating systems;

4.10.3 1,600 homes with new doors and window upgrades;

4.10.4 5,200 homes with electrical upgrades;

4.10.5 4,000 homes with health and safety improvements; and

4.10.6 280 neighbourhood improvement projects.

4.11 Over 2,900 Council homes have benefited from external fabric upgrades as part of a larger regeneration programmes over the last five years. Regeneration of our exiting homes continues across the city, a more detailed breakdown of these projects by locality is set out below:

4.11.1 **South East:** Over the past 10 years, seven blocks (283 residents) at Dumbiedykes have benefited from full external fabric upgrades (roof replacement and external wall insulation). This project has been supported by funding from the Scottish Government through the Home Energy Efficiency Programme Scotland, Area Based Scheme (HEEPS:ABS). Dumbiedykes phase 6 (80 homes) will be tendered over the coming months. A HEEPS:ABS project at West Mains will provide external wall insulation for 141 homes. Householder sign up is currently underway.

4.11.2 **North West:** Significant investment will be delivered across the six multi-storey blocks in the Muirhouse area, including a full external fabric and windows upgrade programme in May and Gunnet Court (due to commence in 2021/22), a waste management upgrade pilot at Birnies, a full roof replacement at Fidra Court and an outline design for the full fabric upgrade of Inchmickery and Oxcars Courts (November 2020). At Drylaw, a HEEPS:ABS external wall insulation project is underway, including 18 Council homes which are part of the EESSH programme. A Solar PV and Battery pilot in Kirkliston (112 CEC homes) is also due for completion by December 2020, with funding coming from the Scottish Government's Decarbonisation Fund.

4.11.1 **North East:** A full fabric upgrade and potential block redesign is planned for two deck-access blocks in Magdalene Drive. A consultation plan is currently in development with the local community group, with works expected to start in 2021/22. Peffermill and Craigmillar multi storey blocks will also be undergoing extensive fabric upgrades (including roof, external walls, entrances and lobbies), with works due to start in 2021/22. The final design for the regeneration of the North Cairntow gypsy traveller site has been agreed with the community, with work starting before the end of 2020/21.

4.11.2 **South West:** To date, 10 blocks at Westburn (80 homes) have benefited from full fabric upgrades (roof replacements, external wall insulation and door entry systems). Phase 3 will see a further nine blocks (72 homes) benefit from the upgrades in 2020/21. HEEPS:ABS work at Sighthill is due to complete by December 2020, providing external wall insulation for 50 homes which are of Swedish Timber construction, including six Council homes. The design work for projects at Sighthill Crescent and Murrayburn are progressing as part of a wider programme of regeneration of the Wester Hailes area. A full building condition survey has also been commissioned for Westfield Court, where the Council is a minority owner and funding has been set aside for repairs to the communal heating system.

4.12 Making homes easier and cheaper to heat remains a key priority for tenants. The Council's current approach to energy efficiency retrofit has promoted the installation of individual measures. While this made sense in order to meet Scottish Government's Energy Efficiency Standards for Social Housing (EESSH), meeting EESSH2 will not be possible through this method alone. A new evidence-led holistic approach will be required, focusing on whole house deep retrofit which balances energy efficiency with building improvement and tenant comfort, health and affordability. An update on housing sustainability and delivering net zero carbon by 2030 is set out in a separate report to this Committee. The cost of achieving net zero carbon has been factored into the 2021/22 Business Plan.

4.13 The total proposed investment per home has nearly doubled from c.£24,000 to c.£43,000 over the first ten years of the business plan period; this includes known costs for whole house retrofit to meet sustainability objectives, mixed tenure investment in buildings and common areas. This year's strategy also proposes the inclusion of an additional budget equating to £5,000 per home to invest in well-designed open spaces, working alongside planning and transport colleagues to promote active travel and access to local amenities.

4.14 Consultation with tenants shows a strong desire for investment in the neighbourhood improvement. The business plan assumes significant additional investment over the next 20 years in improvements to local neighbourhood infrastructure and estates.

4.15 There is potential for the funding that is currently allocated through the NEPs budget to be better aligned to wider neighbourhood regeneration investment to have a greater impact on the quality of our neighbourhoods. Over the next six months, a review and discussion with key stakeholders will be taken forward to develop an approach that still enables community influence in directing how this funding is prioritised and also supports the ambition to improve our estates.

4.16 Over half of the 20,000 Council's homes are in mixed tenure blocks where the Council shares responsibility for the repair and maintenance of common areas with home-owners and private landlords. As part of the wider mixed tenure investment strategy a MTIS pilot was approved by Finance and Resources Committee on January 2020. This included enhanced Scheme of Assistance measures for extended payment terms under the corporate debt policy to support and encourage owners carry out essential repairs to their block. Key postholders have been appointed, including the Mixed Tenure Service Manager, and it is anticipated that the service will be fully operational by 2021.

Service resilience and improvement

4.17 The Housing Service has undergone an unprecedented level of change over the last six months in response to Covid-19. This has accelerated modernisation and efficiencies in service provision through digital and remote working. However, it has also highlighted the invaluable role of coordinated, localised service delivery, as highlighted by the Edinburgh Poverty Commission. Ensuring that the frontline housing service is visible, responsive and effective has never been more critical.

4.18 The service has demonstrated resilience, with new working practices and processes developed in a short space of time, focused on keeping staff and tenants safe. The service is continuing to adapt to the challenges and opportunities of the new operating environment and wider core services are now resuming in a controlled manner. Following a four-month period where lettings were suspended in line with government regulations, safe working practices have been put in place enabling this service to resume. The repairs service has evolved from critical to emergency service provision, with a further expansion of service during Autumn 2020.

4.19 The wellbeing of tenants and officers is central to service planning and delivery. Officers have adapted well to new ways of working, from home working, providing essential services in the Council Resilience Centres to remote working for Operatives carrying out critical repairs in tenants' homes. Contact with tenants have been sustained throughout, with Housing Officers mobilising quickly to carry out regular wellbeing check-ins with their tenants over the phone. This has ensured that tenants have been able to access support and advice with tenancy and rent issues, and officers have also been able to help identify wider support needs during lockdown, including foodbank referrals and support for tenants who were shielding.

4.20 The HSIP was introduced last year with the aim of significantly increasing customer satisfaction, improving operating performance and reducing costs, with a specific focus on developing more effective and responsive services for customers. The

Covid-19 operating environment has reinforced the objectives of the HSIP and has highlighted some emerging priorities which will shape the way the programme is taken forward. The HSIP is driving improvements across a number of workstreams, centred around digital improvements, enhancements to customer communication, service resilience and efficiencies.

4.21 In 2019/20, the HSIP prioritised improvement projects within the repairs service, to address legacy systems issues and inefficient processes which have a detrimental impact on performance, customer satisfaction, and cost. In response to the pandemic, progress has been accelerated and the rollout of the Total Mobile system has been a vital enabler for safe remote working for operatives. Key improvements include:

4.21.1 Accelerated rollout of Total Mobile for gas and empty homes, amended to allow for shielding and no forced entry;

4.21.2 All Operatives now equipped with mobile devices, granting them full and equal access to emails, training materials and corporate updates. Further enhancements currently in development will enable Operatives to view job history and book follow-on appointments on their devices;

4.21.3 Improvements to tenant contact channels, with the introduction of text message alerts and reminders, and the piloting of Remote Assist, which offers tenants the opportunity to receive basic guidance and job diagnosis via a video call; and

4.21.4 Integrated working with the local housing teams, ensuring the turnaround of empty homes is being progressed efficiently to support households in temporary accommodation and urgent housing need to move into settled accommodation.

4.22 The response to the pandemic has resulted in delay to some areas of planned HSIP activity in 2020/21 as resources were temporarily reassigned to vital service resilience work. As programme resources stabilise, there is increased capacity to focus on wider aspects of service improvement. Work in progress prioritises the tenant experience of finding and moving into a home, as well as improvements to rents processes and systems. Informed by the Covid-19 operating environment, policies and procedures are being refreshed and training and wellbeing plans are being developed in consultation with officers. Over the next six to twelve months, estates management and continued digital improvements will be key areas of focus. Further detail on HSIP progress, priorities and performance is set out in Appendix 2 and 3.

4.23 In response to the recent period of disruption and the financial pressures the HRA faces to meet its ambitious commitments, the HSIP now seeks to deliver greater savings over an extended period. In addition to the ambitious savings target of £11m to be achieved by 2023/24, a further £3m is now factored in by 2025/26. Including the savings already achieved last year through Treasury Management efficiencies, the HSIP now seeks to deliver £14.3m (c.12%) in savings by 2025/26.

4.24 Detailed forecasting is currently taking place to map out when savings will be achieved. The key areas of focus over the next six months are set out below:

4.24.1 **Overheads and third-party expenditure**: A review of legacy re-charge arrangements for General Fund service areas to ensure the HRA is achieving value for money is underway.

4.24.2 **Estates Management:** Project lead now in place. Savings will be achieved through robust contract management of the new aligned single supplier framework agreement. A review of current expenditure arrangements is underway and will inform a revised approach for the delivery of core estates management services.

4.24.3 **Repairs:** The roll out of total mobile has improved the overall tenant experience and increased operative productivity. HRA repairs expenditure is projected to be considerably below budget for 2020/21. Whilst this is largely due to a reduction in job numbers during lockdown, it is anticipated that service improvements leading to increased productivity and changing tenants' behaviours have also been a factor. There will be a focus on savings realisation and ensuring improvements are embedded into business as usual as service delivery expands.

4.24.4 **Housing management:** Significant ICT enhancements are underway in relation to letting homes, income collection and arrears management which will promote tenancy sustainment, maximise income and reduce costs. The timing and scale of savings are currently being modelled.

Responding to tenant priorities

4.25 Each year tenants' views are sought on the HRA budget strategy, investment plan, service improvements and associated rent levels. Over the last five years tenants have consistently supported building new affordable homes and investing in existing homes to make them easier and cheaper to heat. In addition to these core priorities tenants have also supported new initiates which sought to improve their quality of life and reduce their overall cost of living (e.g. energy advice service, tenant discount scheme, etc). In the last few years tenants also highlighted the need for getting the basics right (housing management and repairs) and as a result the HSIP was put in place. In addition to this, tenants have also highlighted the quality of their stairwells, outside of building, lighting and open spaces as areas for improvement.

4.26 The 2021/22 budget consultation is seeking tenants' views on the changing focus of the investment strategy from investing in the interiors of homes to buildings and neighbourhoods. It is recognised that there are many factors which contribute to resident satisfaction with their local area and overall quality of life. This includes safe and secure stairwells in modern, well-maintained, energy efficient buildings; well-designed shared courtyards and open spaces that encourage residents to be active, and socialise; and easy access to affordable shops, local services, and links to public transport. The budget strategy asked tenants what is important to them and where investment should be focused.

4.27 A range of other consultation activities are undertaken, to ensure we are regularly receiving feedback from our tenants, including an annual survey of 1,000 tenants. This year's tenant survey was conducted in July and August, adapted from a face-to-face survey to a telephone survey. The survey has generated a similar profile of responses, with strong support to continue or speed up the investment plan. While improvement inside tenants' homes and external fabric of buildings remain as priority areas for investment, over half of the surveyed tenants said more investment should be made to improve common areas. The budget consultation closes on the 31 November 2020, the outcome of which will be used to set the annual budget and five-year capital programmes, and to shape the priorities of the HSIP.

4.28 This strategy proposes a £2,850m capital investment programme to deliver holistic area-based regeneration and carbon zero commitment over the next 10 years. This investment will support 43,000 person-years of employment across the 10-year period, which is equivalent to approximately 4,300 permanent jobs.

4.29 For the last four years, rents have increased by 2% which is below average inflation of 2.3%. Private rents have increased by an average of 3.3% a year, while the average rent for local authority landlords has increased by 2.9% a year and average housing associations' rent has increased by 2.5% a year over the same period. Between 70-80% of households each year receive some help with their rents through Housing Benefit and the housing element of Universal Credit (UC). Almost all of these tenants would be entitled to an increase in their benefits to cover any increase in rent charges, subject to there being no other changes in their household circumstances that would alter their overall entitlements.

Risks to the Business Plan

4.30 The top five risks to the Business Plan are set out in the table below:

Risk	Mitigation
Reduction in rental income: Rental income collection falls below the assumed level in the Business Plan due to ongoing migration of tenants on to UC and financial hardship being experienced following Covid-19.	A total of 10,500 tenants are expected to migrate to UC by December 2023. 3,220 tenants were known to claiming UC by March 2020. The assumption on number of tenants migrating to UC in 2020/21 has been increased to take account of the impact of Covid-19 on tenants' income. Rent free fortnights have been removed from the start of 2020/21 to align charging periods more closely with monthly UC payments and salaries for tenants in employment, helping tenants to budget better and avoid getting into debt. Rent processes have been improved to monitor and track landlord payment from the DWP and early intervention continues to be sought for all tenants moving onto UC.

Increasing capital investment costs: The increase in new build construction and development costs (workforce, materials etc.) could be higher than anticipated due to the impact of Covid-19 and the need to implement safe working practices. As well as, additional cost implications associated with sustainability targets. Land costs for housing development is also increasing due to competition in the open market.	Build cost inflation assumptions are reviewed annually based on market intelligence. In year projections take account of known costs uplifts as a result of Covid-19, but these are not expected to have a sustained long-term impact. The known costs for achieving net zero carbon (including trial innovative technologies, retrofit approaches and carbon offsetting) have been factored into the Business Plan.
Mixed tenure and external improvement: Over half of Council homes are in mixed tenure blocks where the Council shares responsibility for the repair and maintenance of common areas with home-owners and private landlords. Owners may not have the funds to invest at scale in their homes, delaying or limiting investment to Council homes in these blocks. With investment increasingly focused on buildings and wider neighbourhood, more improvement work will take place outdoor and progress will become more weather dependent.	The new MTIS is now in the implementation stage. Enhanced Scheme of Assistance measures are now in place following Finance and Resources Committee approval on 23 January 2020 for extended payment terms. The delivery of strategic acquisition and disposal of homes continues to achieve block consolidation. This will be considered in the planning and programming of works with contractors.
Reduction in costs efficiencies: The financial efficiency savings assumed in the latest Business Plan do not materialise, thus deepening the deficit.	The HSIP aims to reduce operating expenditure by c.12% to mitigate the deficit and return the Business Plan to a positive balance. A detailed review of efficiency opportunities is continuing in response to the current operating environment.
Securing land for affordable Housing: One of the key risks to the delivery of 20,000 affordable is failure to secure suitable land for development. The Council and RSL delivery partners have significantly less influence over the type of housing that will be brought forward for development and development timescales on private sector sites.	On 22 March 2018, Housing and Economy Committee approved actions set out in the Delivering Land for Affordable Housing report to secure land and increase control over the pace of housing development. The Council continues to prioritise the retention of surplus public sector land, to work with house builders and partners to find the best ways of unlocking land for development and where appropriate, acquire sites through statutory intervention in. The HRA Business Plan includes £125 million for land acquisitions. The availability and control of land continues to be a key focus of the partners working together on the City Region Deal.

4.31 In addition to the mitigations set out above, the Business Plan assumes a £11.5m contingency fund will be built up by the end of this financial year, rising to £25m by 2027 to ensure the continuation of the investment programme, even with an unexpected reduction in income or increase in unplanned expenditure. This is an increase from the £15m planned contingency set out in last year's budget.

5. Next Steps

5.1 Following the tenant survey carried out between July and August 2020, further consultation with tenants is currently taking place.

5.2 Capital investment programmes will be reviewed to reflect investment priorities identified through budget consultation with tenants and members.

5.3 The five-year HRA Budget Strategy 2021/22 to 2025/26, draft 2021/22 capital budget and five-year capital investment programme will be presented to Finance and Resources budget committee meeting for approval in early 2021.

6. Financial impact

6.1 The 2020/21 Business Plan projected a £22.7m deficit between 2034/35 and 2047/48. The Business Plan is reviewed annually and is rolled forward based on the previous year's outturn and approved rent levels. Key assumptions are updated prior to consultation.

6.2 A summary of the key changes is set out below:

6.2.1 **Net Zero Carbon** – Additional capital costs to ensure all new homes are built to net zero carbon standards and all existing homes, where possible, have a full house retrofit. A carbon offsetting fund from year 10, once all fabric upgrade options have been exhausted;

6.2.2 **Construction costs** – An increase in baseline new build assumptions to reflect recent tender costs and the impact of Covid-19 in the first few years of the Business Plan;

6.2.3 **Estate Improvement** – An additional £5,000 per home has been included in the Business Plan to invest in well-designed open spaces that enhance local communities;

6.2.4 **Operating efficiencies** – The business plan assumes efficiencies in operating and financing costs of £11m by 2023/24, and a further £3m to be achieved by 2025/26;

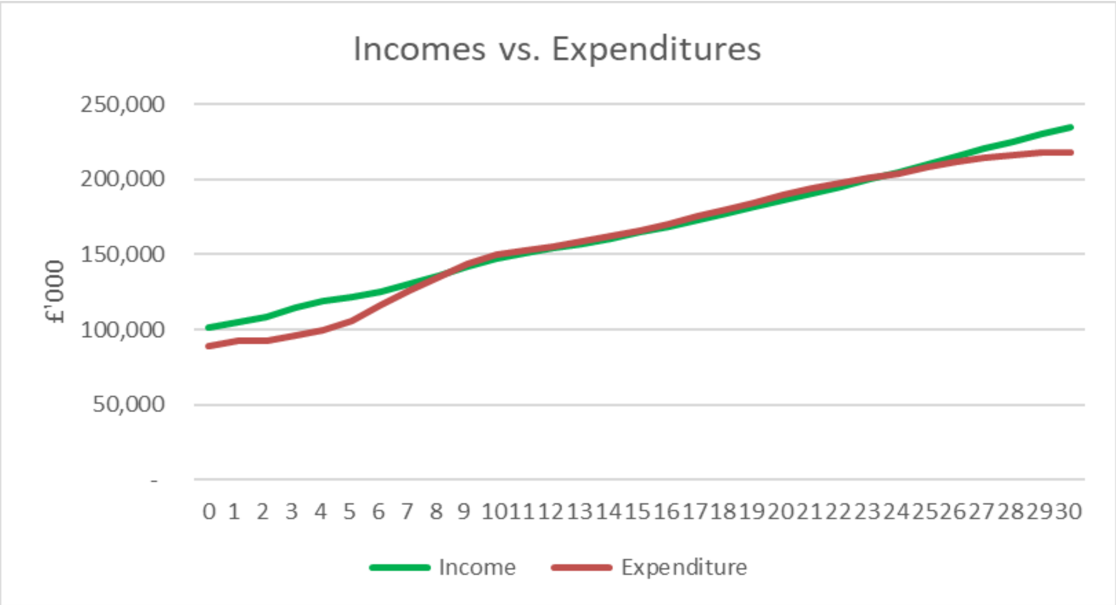
6.2.5 **Further reduction in pool rate** – The Council's pool rate was reduced from 5% to 4.5% in last year's plan. At Spring Budget 2020, the UK Government announced a new, discounted rate of Public Works Loan Board lending to support social housing. The new HRA rate is available for loans arranged on or after 12 March 2020. The Business Plan therefore includes a prudent reduction in the pool rate and work is underway to assess the long-term impact of this across the 30-year period; an

6.2.6 **Increased contingency -** This year's Business Plan also includes a £25m contingency (an additional £10m increase on last year's plan), built up over the next six years, to ensure the continuation of the investment programme. This is a separate account to manage any unexpected reduction in income or increase in unplanned expenditure.

6.3 Planned capital investment has increased in the first 10 years by nearly £390m (c.16%) compared to last year's Business Plan. The Business Plan assumes this will be funded by an annual 2% rent increase.

6.4 Following the changes set out above, the Business Plan is projecting a £32.240m deficit between years 9 and 23 (2029/30 and 2043/44); with an average annual deficit of £2.149m over these 15 years. However, it is important to note that the deficit only relates to in year expenditure exceeding income, there is enough fund in reserves to completely offset it. The HRA has a net surplus of £91.540m over 10 years and £115.845m over 30 years.

6.5 A review of treasury management is currently underway which seeks to reduce and delay the overall deficit. Alternatively, the in-year deficit could be completely mitigated by a further £2m reduction in operating expenditure over the next five years or by increasing rents by an additional 0.5% to 2.5% in year 5 (2025/26) for five years.



6.6 Further work to check and refine key assumptions will be undertaken prior to the final budget proposal being presented to Council in early 2021. Capital investment programmes will be reviewed, as well as investment priorities identified through budget consultation with tenants and members.

6.7 HRA expenditure for 2020/21 will be impacted by Covid-19, with projected underspend in both revenue and capital budgets due to work slowing or stopping for a period. This is set out in the Period 5 Monitoring Report to this committee. As a result of the altered baseline position of expenditure for this year, HSIP savings for 2020/21 and 2021/22 will be tracked as a combined target, to allow for more meaningful monitoring and to ensure savings are attributed to lasting change as opposed to short-term reductions in spend.

7. Stakeholder/Community Impact

7.1 Each year the views of tenants are sought on the HRA budget strategy, investment plan, service improvements and associated rent levels.

7.2 All tenants received a paper copy of the budget consultation as part of the Tenants' Courier newsletter during the consultation period. There was an online form and social media campaign. The consultation was promoted to tenant organisations and tenant panel members via email and text. There was also a series of online discussion forums for tenants who were able to engage digitally. Since Covid-19, Housing Officers have been engaging in regular welfare checks, these contacts were used as opportunity to encourage tenants to take part in the consultation.

7.3 In addition to the annual rent consultation and tenant survey the Housing Service is in regular contact with tenants and has a wealth of information on tenant satisfaction and priorities from a variety of sources. Focus groups are carried out to look at specific topics and various short life working tackle particular issues.

7.4 Tenant engagement is being further expanded and enhanced through the HSIP to ensure the programme is based on sound research, benchmarking and tenant feedback. In response to Covid-19, arrangements are being put in place to ensure tenant engagement can continue in a safe and accessible way. This will include setting up a new virtual tenant group to focus on service improvement. Consultation with existing tenant groups is taking place to help shape this.

8. Background reading/external references

8.1 Delivering Land for Affordable Housing, Housing and Economy Committee, 22 March 2018

8.2 Housing Sustainability, Housing, Homelessness and Fair Work Committee, 20 January 2020.

8.3 Housing Service Improvement Update, Homelessness and Fair Work Committee, 20 January 2020.

8.4 Mixed Tenure Improvement Service Pilot, Finance and Resources Committee, 23 January 2020.

8.5 Housing Revenue Account (HRA) Budget Strategy 2020/30, City of Edinburgh Council, 20 February 2020.

8.6 Edinburgh Poverty Commission – Poverty and Coronavirus in Edinburgh, Policy and Sustainability Committee, 11 June 2020.

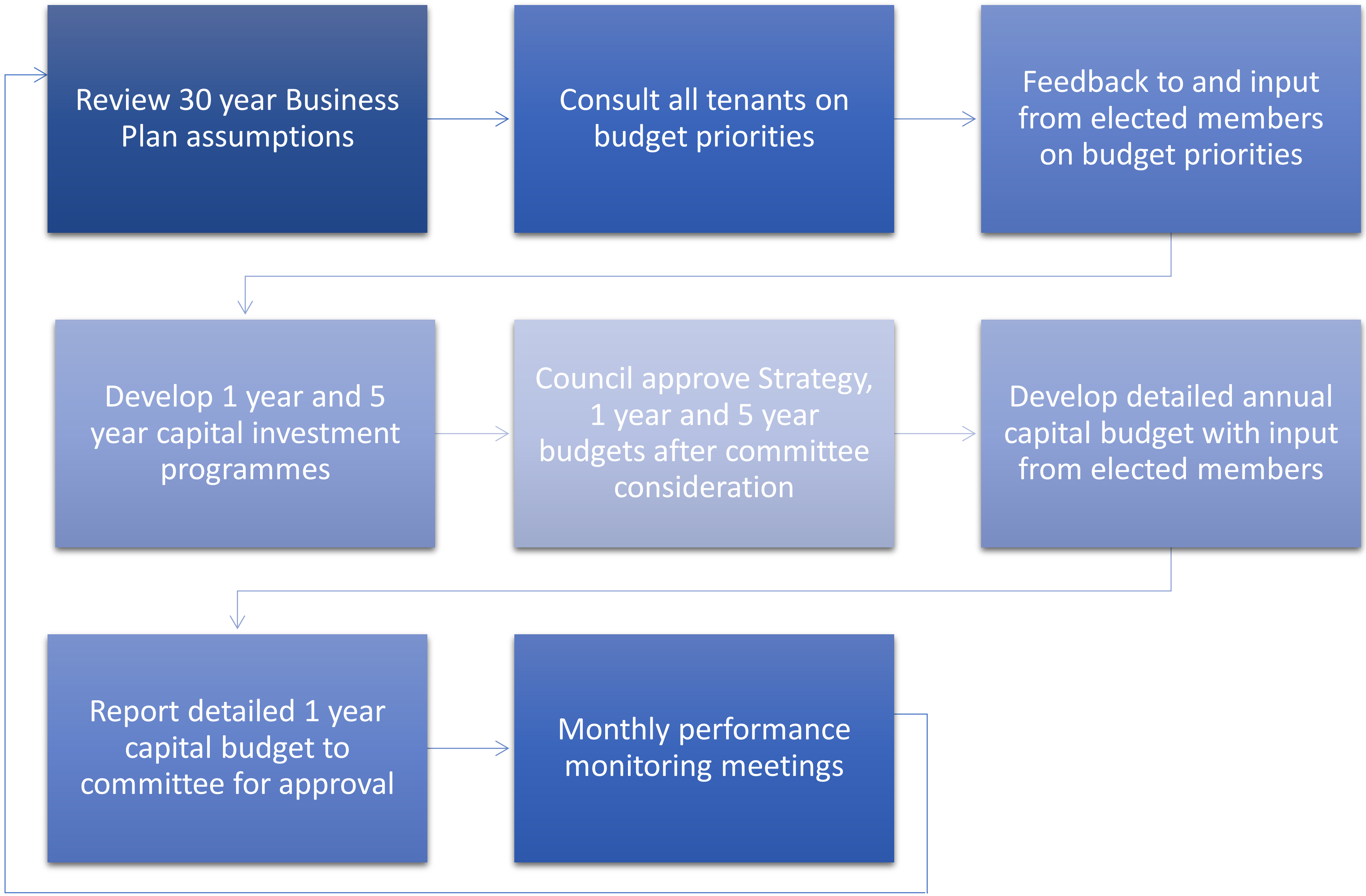
9. Appendices

9.1 Appendix 1 - Annual Business Planning Process.

9.2 Appendix 2 – Housing Service Improvement Plan Update.

9.3 Appendix 3 – Housing Service Performance.

Appendix 1 – Annual Business Planning Process



Appendix 2 – Housing Service Improvement Plan Update

1.1 The HSIP was introduced in 2019/20 with the aim of significantly improving customer satisfaction, operating performance and reducing costs, with a focus on developing more effective and responsive services for customers. The plan has six core workstreams prioritising service improvements in repairs and maintenance alongside rent collection, lettings, estate management, housing quality and housebuilding.

1.2 The HSIP has faced some delays in 2020/21 due to the disruption of the Covid-19 operating environment. Key programme resources were temporarily re-aligned to prioritise urgent resilience work and vital frontline service delivery and planned programme activities and recruitment were suspended from March until July 2020. Accelerated progress has been made in the repairs and maintenance workstream, with the rollout of the Total Mobile system playing an important role in the establishment of a critical repairs service. Work has now resumed across the other programme workstreams, informed by the context and requirements of the new working environment.

1.3 The Covid-19 operating environment has reinforced the objectives of the HSIP and has highlighted some emerging priorities which will shape the way the programme is taken forward. The recent months of lockdown have reaffirmed the importance of the local environment and access to high quality, well managed spaces. Estates Management will be a key area of focus for the programme over the next six months, complementing wider work around area-based regeneration and capital investment. The continuation of a blended working model with the majority of staff primarily working from home presents both challenges and opportunities. Work around staff training, development, wellbeing and engagement will be prioritised. Maximising digital opportunities will also be a key focus for the service and work is underway to scope a digital improvement and innovation workstream.

1.4 A progress update for the first half of 2020/21 is provided below and an update will be provided to Committee in six months.

Progress Update March – September 2020/21	
Repairs, Maintenance and Housing Quality	• In 2019/20, improvement projects were prioritised within the repairs service to address legacy systems issues and inefficient processes which have a detrimental impact on performance, customer satisfaction, and cost. Progress in this area has continued throughout 2020/21, particularly in the development and rollout of Total Mobile. • The first phase of the Total Mobile system went live in September 2019, introducing automated appointments to help with workforce planning and scheduling. Following the outbreak of Coronavirus, Housing Property moved to a Critical Repairs Service which aimed to reduce contact where possible while still maintaining essential services for tenants. The rollout of Total Mobile played a vital role in the service's ability to maintain critical service provision during this time. • Phase Two went live for empty homes in June and for gas in July 2020. The launch had to be adapted and introduced at speed to enable remote working for Operatives. The initial gas process also had to be amended to allow for shielding and no forced entry. In order to accelerate the rollout, some planned functionality had to be scaled back. Some initial teething problems were experienced with gas due to the volume of work and how the system was set up to deal with no access jobs. These have now been addressed and the additional functionality is being built in.

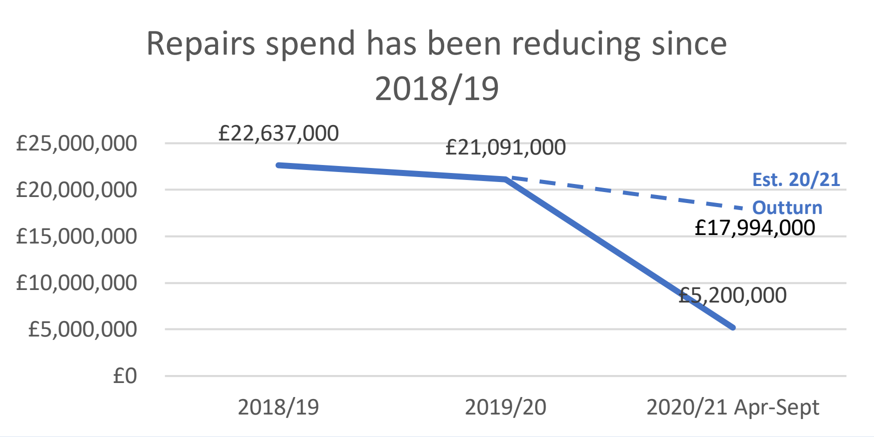
	• All Operatives are now equipped with mobile devices, granting them full and equal access to emails, training materials and corporate updates. Further enhancements are also being added, including job history and the ability for Operatives to book follow-on jobs on their devices. • Scoping is underway for Phase Three, which will be rolled out to Housing and Concierge Officers, enabling them to raise and track jobs directly. Phase Three will also pick up out of hours and other servicing work. This will progress over the Winter of 2020/21 with an expected go live date staggered throughout 2021. • Enhancements have been made to tenant contact channels, with the introduction of text message alerts and reminders, and the piloting of Remote Assist, which offers tenants the opportunity to receive basic guidance and job diagnosis via a video call. • Upcoming priorities for the next six months include the development of a new Asset Management system, which will help with the planning and coordination of maintenance and improvement work, as well as the piloting of smart technology designed to support ongoing maintenance and early detection of issues in tenants' homes, as part of the corporate 'Smart Cities' project. There will also be a continued shift towards service delivery at a local level and increased integration with the local housing teams. • Prior to lockdown, there had been a considerable reduction in sub-contractor spend and this has been built in to the repairs service model as it mobilises for expanded service delivery. Additional reporting functionality has been requested through the Total Mobile system to support this vital monitoring exercise. Demand and cost will be closely monitored as Housing Property expand service delivery from Autumn 2020.
Housing Management Workstreams *(Lettings, Rent Collection, Estates Management)*	• Two 'quick wins' projects were initiated prior to lockdown, focusing on staff engagement, wellbeing, training and development. The projects were developed and led by frontline Housing Officers, drawing on the experiences and insights of frontline service delivery. The outputs of these projects are helping to shape future training workplans. • Planned improvements are underway to the tenant experience of moving in to the home and income collection. A tenant handbook is being developed, providing vital information in an accessible format, and there will be further work to review how information is shared with tenants and linked to digital opportunities. Work is progressing to review the letting standard and tenancy support options. This aims to make the journey into a new tenancy as streamlined and stress-free as possible, in recognition that this can be a daunting experience and the range of support services can be difficult to navigate, particularly for first-time tenants. • Digital improvements to the Key to Choice website are underway, including the managed transition of applicants onto the new website. The implementation of the online EdIndex form and Online Housing Options Tracker are scheduled to follow on from this. There are also ongoing improvements to the Northgate rent modules and reinforced communications around the continued obligations to pay rent and the support that is available. • Over the summer of 2020/21, work has been progressed to scope and resource the Estates Management workstream. This is a major area of work within the HSIP which will involve joint-working with services across Place Management.

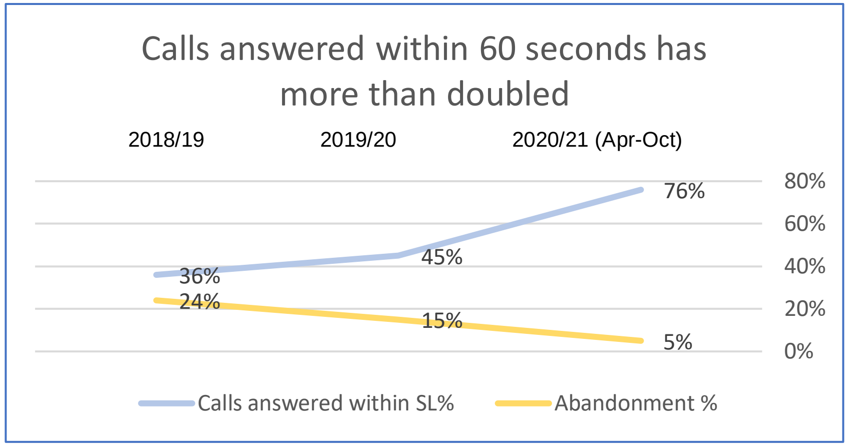
	Governance arrangements are being put in place to support this. This work presents an important opportunity to review the current model of service delivery for estates management, to improve the efficiency and promote a more integrated, resolution-focused service. • As reported to Finance and Resources Committee in March 2020, a new aligned single supplier framework agreement for estate management services began in July 2020, replacing the previous arrangement with two separate suppliers. This framework covers the clearance and minor works to garden areas, the provision of security measures, as well as responsive grounds maintenance and removal of fly tipping. This contract alignment is designed to deliver efficiencies in cost, contract management, increase productivity and response times and to maintain and improve the standard and safety of the local environment for residents.

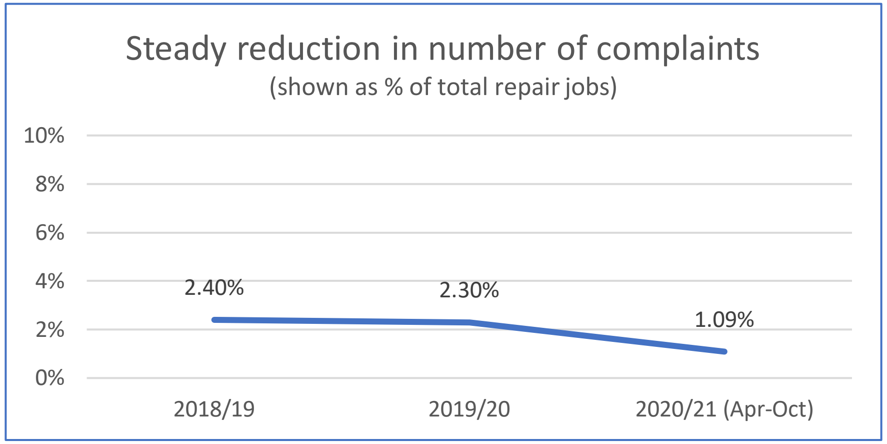
Appendix 3: Housing Service Performance

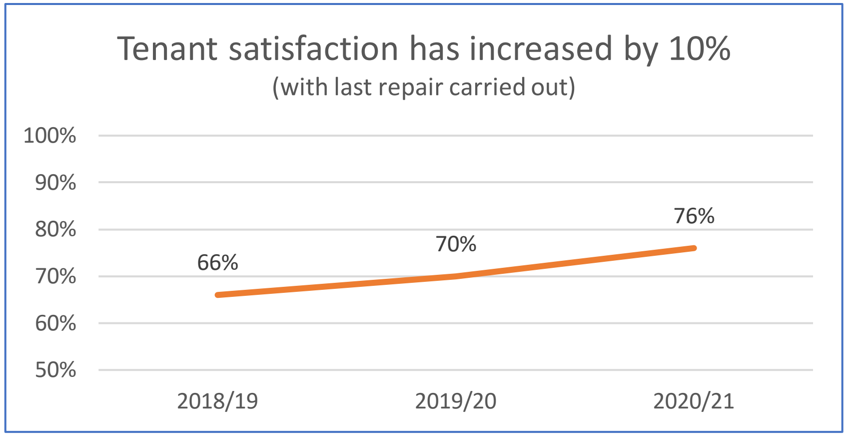
This appendix provides key performance information in relation to repairs, rent collection and tenancy sustainment. Year-to-date performance is captured, additional analysis will be undertaken at year end to further understand the impact of Covid-19.

Repairs Highlights







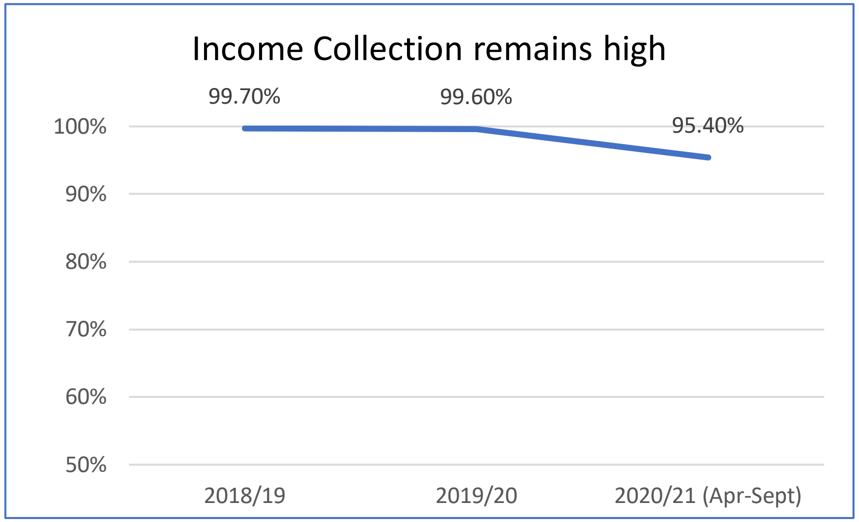


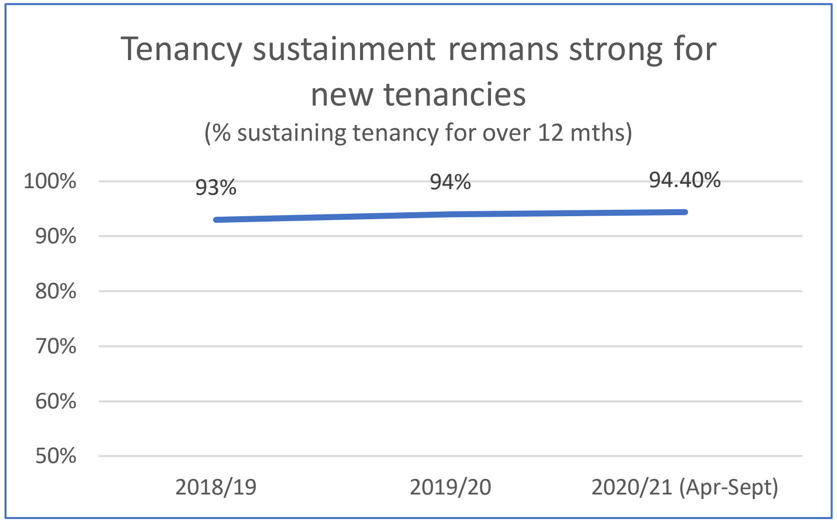
Overall spend on housing repairs has been reducing since 2018/19, whilst Covid-19 has had a more pronounced impact on spend this year, improvements focused on a 'right first-time' approach are reducing the number of repeat visits and maximising productivity, resulting in sustainable cost reductions and improved performance. Measures include Operatives now being able to view job history on their mobile devices, automated appointment scheduling through Total Mobile, increased visibility and tracking of jobs through a locality-based model for Planners, and Team Leaders. By increasing productivity, more jobs are now being completed by in-house operatives, reducing spend on external contractors for non-specialist jobs.

Repairs Direct performance is steadily improving, with the number of calls answered within 60 seconds having doubled since 2018/19. A range of improvements around tenant communications are being introduced to enhance the options for tenant contact: these include text message alerts and reminders, Remote Assist video calls, self-service portal and the development of a Resolution Team within the Contact Centre to ensure timeous resolution and regular tenant communication when issues do arise.

These combined improvements are contributing towards a steady reduction in the number of complaints and sustained increases in tenant satisfaction. The range of service improvement activities underway within the repairs service aim to drive continued improvements in operational performance, spend and improving satisfaction.

Housing Management





Rent collection activity has been sustained throughout the lockdown period and collection remains high in this extremely challenging financial climate. The rent collection position fluctuates throughout the year for a variety of reasons including the time lag for new UC applicants and benefit entitlements. By year-end the outturn is expected to be broadly in line with the position from previous years. The final position is reported annually as part of the Social Housing Charter.

Tenancy sustainment remains a strong area of performance, with almost all new tenants remaining in their tenancy 12 months on. This is set against a context of around 75% of new lets going to households who have experienced homelessness. Improvement activity around income collection and tenancy sustainment are being progressed through the 'Finding and Letting a Home' and 'Income Collection workstreams' within the HSIP, more detail of which can be found in Appendix 2. Upcoming priorities include digital improvements to support rent collection activity, ongoing promotion of the Direct Debit payment option and a review of pre-tenancy support, informed by benchmarking analysis of other social landlords, to continually improve tenancy sustainment.

This page is intentionally left blank

Homelessness, Housing and Fair Work

10:00am, Thursday, 5 November 2020

Private Sector Leasing - Update

Routine	
Wards	
Council Commitments	

1. Recommendations

1.1 Committee notes the content of this report as requested at Housing and Economy Committee on 6 June 2019.

Alistair Gaw

Executive Director for Communities & Families

Contact: Nicky Brown, Homelessness and Housing Support Senior Manager

E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 7589

Report

Private Sector Leasing - Update

2. Executive Summary

2.1 Housing and Economy committee on 6 June 2019 requested an update to progress on delivery of the Private Sector Leasing Scheme.

3. Background

3.1 The City of Edinburgh Council has a legal duty to provide temporary accommodation for households experiencing homelessness. Wherever possible this is provided within self-contained accommodation suitable to the size and make-up of the household.

3.2 On 1 April 2020 a new contract for Private Sector Leasing was implemented with Link Group following a competitive tender process.

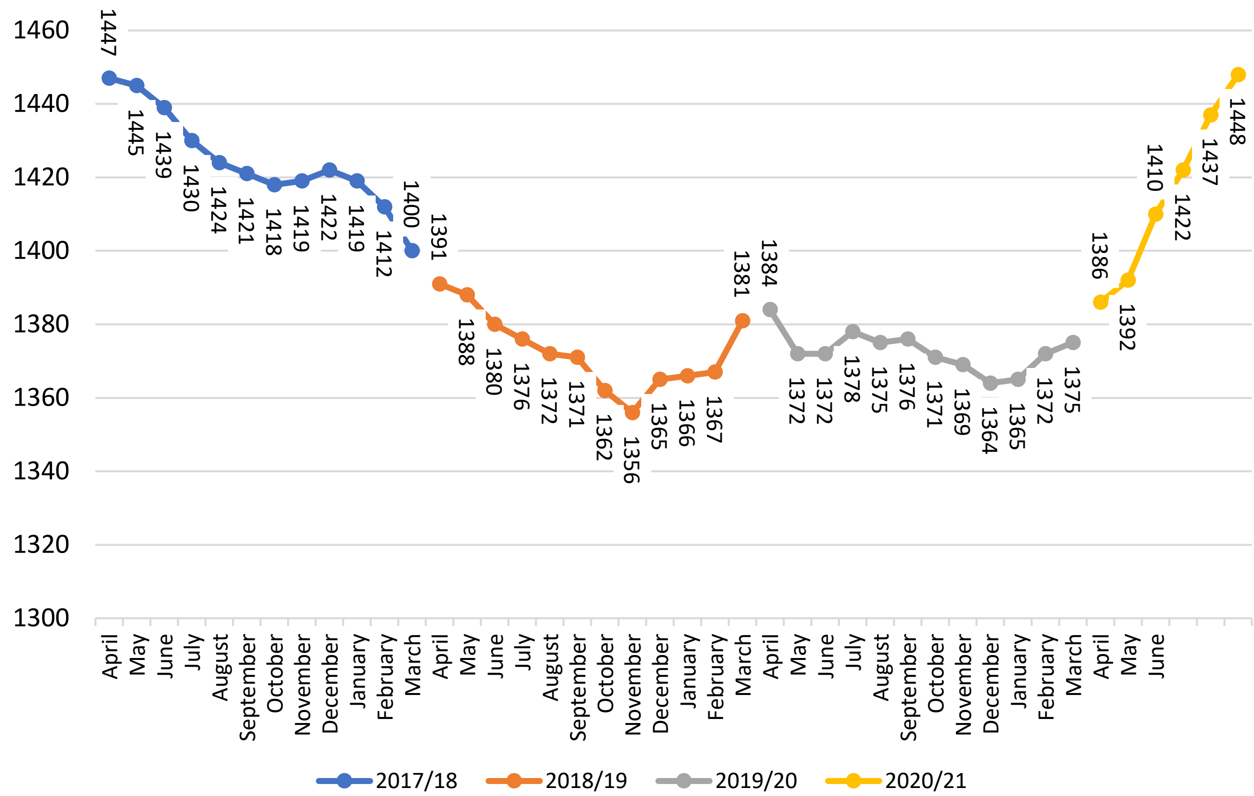
4. Main report

4.1 To meet the City of Edinburgh Council's duties to homeless households a range of temporary accommodation is required. Self-contained flats leased from private landlords provides a significant proportion of this supply.

4.2 The Private Sector Leasing (PSL) service provides procurement of properties and management of these properties. At the end of September 2020 there were 1448 properties on the PSL scheme. Figure 1 below shows a significant growth in the number of properties since the commencement of the new contract, reversing a longer period of decline.

4.3 Within the new contract the lease rates are pegged to local market rates within Edinburgh. This has allowed a more flexible offer to landlords and broadened the areas which properties can be procured in. Implementation of the new contract has taken place at an extremely challenging time due to the global covid-19 pandemic. Despite this Link Group have delivered this growth in properties.

Figure 1: Monthly PSL Properties (all sizes)



4.4 The new PSL contract provides additional service improvements including same-day access to properties instead of a waiting list, reduction in void times (average for 1 April 2020 to 31 August 2020 is 19 days, down from 32 days in the 2019/20 financial year).

5. Next Steps

5.1 Link Housing Association will continue to increase the number of properties in PSL through either purchasing or leasing additional stock.

5.2 Officers will report back at the end of the financial year.

6. Financial impact

6.1 No additional financial requirements arise from this report.

7. Stakeholder/Community Impact

7.1 PSL contributes to the Council's duty to provide temporary accommodation for homeless households in Edinburgh in line with the recommendations of Edinburgh's Rapid Re-housing Transition Plan and the Scottish Governments Action Plan to End Homelessness.

8. Background reading/external references

8.1 [PSL Contract Award Report]

9. Appendices

9.1 None.

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Housing First – Year 1

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 Committee is asked to note the update on the first year of the delivery of the Housing First service in Edinburgh.

Alistair Gaw

Executive Director for Communities and Families

Contact: Nicky Brown, Homelessness and Housing Support Senior Manager

E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 7589

Report

Housing First – Year 1

2. Executive Summary

2.1 The Council and its partners began full delivery of a Housing First service in January 2019. This report was scheduled for Committee in March 2020 to cover Year 1, but now includes figures to date.

2.2 This report provides a summary of the progress to date so far, including the number of people being supported, tenancies allocated and sustainment rates.

3. Background

3.1 Housing First has been developed as an alternative approach to mainstream housing for homeless people with multiple and complex needs.

3.2 Initially developed in the United States in the 1980's, this service model has been implemented successfully in a number of other countries, most notably in Scandinavia.

3.3 Traditional Housing First prioritises the right to a home above and before the obligation to engage with housing support services. The concept is based on the individuals primary need to obtain stable housing.

3.4 The aim of the service is to move people into permanent housing as quickly as possible with ongoing, flexible and individual support on a voluntary basis for as long as it is needed using a harm reduction approach.

3.5 Since January 2019, the Council has been working with a range of partners to deliver this service in Edinburgh.

3.6 Permanent accommodation is provided by the Council and its Registered Social Landlord (RSL) partners and the support is provided by a consortium of support providers.

3.7 The consortium of support providers is led by Cyrenians and includes Turning Point Scotland, Rock Trust, Streetwork, Bethany Christian Trust, Gowrie Care and Barony Care.

3.8 The Council and partners committed to providing 275 Housing First packages by 31 March 2021, which includes a youth project for up to 17 households, under the age of 24 and/or from a care background.

3.9 The original intention was to provide around 10 tenancies per month, to ensure that support provision and capacity is maintained and avoid the need for several potential service users to be bidding for available homes at the same time.

3.10 Whilst there is a strong commitment from partners to deliver Housing First tenancies and support, it should be noted that all tenancies are from existing social housing stock.

4. Main report

4.1 As of 17 September 2020, 64 Housing First tenancies have been created, with a further 93 service users identified and receiving support to access housing.

4.2 To date there have been no evictions from Housing First tenancies, although in two cases planned moves were arranged for service users.

4.3 From the tenancies created 56% of households were in temporary accommodation (including rapid access accommodation), 32% were rough sleeping or sofa surfing others included, for example, a tenant who received their property through gold priority and a case where a package was provided to an existing tenant whose tenancy was at risk of failure.

4.4 Since the inception of this service, three service users who were receiving Housing First support have died. One was in a property and two were receiving support to secure a property.

4.5 Due to the Covid-19 pandemic and the pause in letting, it is unlikely that the initial target of 275 tenancies, by 31 March 2021 will be met.

4.6 Housing providers are committed to providing as many tenancies as possible, but this is dependent on stock turnover and availability. Work is ongoing between housing and support providers to identify appropriate routes to maximise opportunities for the creation of Housing First tenancies.

4.7 The support provision for this service is funded through the Corra Foundation, on behalf of Social Bite and the Scottish Government. This fund covers financial years 2019-20 and 2020-21, up to 275 tenancies.

4.8 The Scottish Government have confirmed that they will meet 50% of the support costs for 2021-22 by funding the first six months, with the expectation that the Council will meet the remainder of the costs, from 1 October 2021 and then continue to fund support costs from then on.

4.9 To deliver this service from 1 October 2021 onwards, the Council is required to comply with procurement regulations. To do so the Council will work with partners over the next year to ensure a compliant solution.

5. Next Steps

5.1 The Council will continue to work with partners to monitor the performance of the service, this includes monitoring progression of the scheme to ensure the number of tenancies created reaches the original objective.

5.2 Research on the success of the pilots, nationally, is being undertaken by Heriot Watt University. A summary report will be provided for Committee when this is available.

6. Financial impact

6.1 There is no direct financial impact on the Council from this update report.

7. Stakeholder/Community Impact

7.1 There are no direct impacts from this update report.

8. Background reading/external references

8.1 Housing First Evaluation | Heriot-Watt University

8.2 University of York review of a range of Housing First research from across the UK, Europe, and America

8.3 Scottish Government Local Government and Communities Committee Report on Homelessness

8.4 Chartered Institute of Housing – Housing First in the UK and Ireland

8.5 Housing First Guide Europe

8.6 Housing First in Permanent Supportive Housing Brief - HUD Exchange

8.7 Glasgow Homelessness Network Seminar May 2017

9. Appendices

9.1 None.

Housing, Homelessness and Fair Work Committee

10am, Thursday, 5 November 2020

Homelessness Services Internal Audit – Actions Update

Executive/routine
Wards
Council Commitments

1. Recommendations

Committee is asked to:

1.1 Note the progress against recommendations within the Internal Audit of Homelessness Services Report.

1.2 Recognise the complexities and issues which have impacted progress and compliance with timescales.

1.3 Recognise the need for an extension to agreed due dates, of a limited number of audit actions, due to the current pandemic and the adaption of service delivery.

Alistair Gaw

Executive Director, Communities and Families

Contact: Nicky Brown, Homelessness and Housing Support Senior Manager

E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 759

Homelessness Housing and Fair Work

Homelessness Internal Audit update

2. Executive Summary

2.1 The report provides an update on the progress of actions identified in the Internal Audit of Homelessness Services in July 2019. The audit identified two high and one medium finding, relating to homelessness performance and quality assurance, data quality and performance reporting and provision of homelessness advice and information. For each area a number of management actions with timescales for completion, were proposed and agreed. Following the public health crisis Internal Audit extended all outstanding audit action dates by four months, several of these now require further consideration in line with adapt and recovery measures.

3. Background

3.1 Colleagues from Internal Audit presented findings and recommendations to the Governance Risk and Best Value Committee (GRBV) on 13 August 2019.

3.2 The report was referred to Homelessness, Housing and Fair Work Committee on 29 August 2019. It was agreed that a further report would be submitted to detail completion of actions and issues and complexities which may have delayed progression of any recommendations.

4. Main report

4.1 The Internal Audit Report included twenty-five actions with varying timescales for completion. Seventeen actions are now fully implemented, agreed and closed by Internal Audit. A further three are now implemented and awaiting closure, with five being progressed.

4.2 One audit action which had been implemented and closed, was subject to a validation audit in March 2020. The finding related to invoice quality assurance procedures.

4.3 The 2019 audit included two management actions, one was implemented and sustained, whilst the other was implemented but not sustained. The findings were reopened, and further work carried out to ensure measures were put in place to ensure compliance. Retrospective quality assurance is underway with an agreed implementation date of December 2020.

4.4 Each audit action presents challenges for completing within timescales, which can't always be recognised prior to the commencement of work. These challenges have been further impacted by the pandemic and demands on service delivery.

4.5 This was recognised by Internal Audit and an extension of four months given to all open audit actions across the Council.

4.6 Following the onset of the pandemic and the variation of some areas of service delivery in line with health and safety measures, several open audit actions now require further work to recognise ways to adapt how we engage with customers and how they can access our services.

4.7 By providing alternative access routes the Council will reduce some initial face to face and telephone contact by enabling those customers who can and prefer to use digital platforms the ability to do so.

4.8 This will require extensive work to update our Council webpages and develop an online self-service housing options advice tool which can be accessed via the Council website and a smart phone.

4.9 Further detail of all pending actions are included at Appendix 1, alongside proposed revised dates for completion where necessary.

5. Next Steps

5.1 Officers will continue to progress open audit actions to completion and will endeavour to conclude these within agreed timescales.

6. Financial impact

6.1 Funding options will be considered for costs associated with developing our online capabilities and introducing digital platforms. Costs incurred in development and introduction, will be offset in part through more efficient service delivery in future.

7. Stakeholder/Community Impact

7.1 N/A

8. Background reading/external references

8.1 Internal Audit Opinions Report

8.2 Homelessness Internal Audit Report

9. Appendices

9.1 Appendix 1 – Internal Audit of Homelessness Services Outstanding Actions

Recommendation and Agreed Management Action	Update – September 2020	Due Date
CW1808 Recommendation 2.2.3 - Performance Reporting – Proposals for performance reporting to Committee should consider (but not be restricted to) monitoring areas highlighted in finding 1; performance against agreed service standards (if implemented), compliance with applicable regulations, policies, and procedures; and data quality protocols. **Agreed Management Action:** *We will report performance information through a dashboard to Committee, officers are currently working with elected members to finalise the key performance indicators required.* **Evidence required for closure:** - Documentation supporting the need for the key indicators required - Copy of dashboard reporting	Due to COVID and changes to Committee schedule, we were unable to complete this action in its entirety as no dashboard reporting through Committee until BAU arrangements are reinstated.	01/09/2020
CW1808 Recommendation 2.2.2 - Performance Information – The Council should report performance information in relation to Service Standards and key homelessness outcomes regularly on the Council's website and other forums such as social media. **Agreed Management Action:** *We will report performance information in relation to Service Standards and key homelessness outcomes regularly on the Council's website and other forums such as social media* **Evidence required for closure:** - Screenshots of regular postings on the Council's website etc. regarding performance information in relation to service standards.	Following the onset of the pandemic, the web pages were updated to include information for service users on how to access services during lockdown. As part of the Adapt and Renew work, a complete redesign of the Homelessness web pages is required to allow service users to input data and access services. The Head of Service and Executive Director are aware and have approved the request to revise the date to March 2021 to enable this work to be carried out.	07/09/2020
CW1801 Recommendation 3.1.2: Updating homelessness information on website - The Council's website should be updated to include the following: Information on the range of advice and support available from the Council and what customers can expect including: emergency homelessness assistance; temporary accommodation; housing options advice – including other housing providers;	**As above.** A working group has been formed to undertake a complete redesign of the homelessness web pages, which will include links to Committee reports, policies, service standards etc. The aim is to allow customers to be able to access information on what services are provided, pre-	07/09/2020

homeless assessments; signposting to other support and advice agencies including financial/debt/legal advice; foodbanks; health services; and drug/substance addiction services; and inclusion of a frequently asked questions (FAQs) section - Legal duties of landlords and creditors such as mortgage providers in relation to issuing a Homelessness Section 11 Notice. - Webpages should be subject to regular review to ensure the information remains up to date and in line with policies and legislation **Agreed Management Action:** *Following the engagement events with key stakeholders, the Council's website will be updated to include the information set out within the recommendation, and any other information relevant to key stakeholders.* *Webpages will be subject to regular review to ensure the information remains up to date and in line with policies and legislation.* **Evidence required:** - Website updated to include information as set out in recommendation and outcome of engagement. - Agreed arrangements for regular review - for example in line with policy review schedule	populate forms, upload copies of related documents, check criteria and eligibility and arrange an appointment/call from a housing officer. The Head of Service and Executive Director are aware and have approved the request to revise the date to March 2021 to enable this work to be carried out.	
CW1801 Recommendation 3.1.3: Homelessness information leaflet - The Council should also develop a leaflet for applicants based on the information set out above. The leaflet should be made available in all Council offices, locality offices, libraries, health centres, Citizen Advice Bureaus, charities and other local support and advice agencies. **Agreed Management Action:** *Following the engagement events with key stakeholders, we will develop a leaflet for applicants based on the information set out above, and any other relevant information.* **Evidence required:** - The finalised leaflet. - A distribution protocol for ensuring the leaflets are restocked to the locations as needed	The leaflet was in development and about to be finalised for printing, however due to the pandemic this was put on hold. A redesign will need to be undertaken to update information and when appropriate, the leaflet will be printed and distributed as agreed. An extension to the due date will be required, at this time it is not known when it will be appropriate to distribute hard copies of leaflets whilst adhering to precautions in place to limit the spread of COVID.	01/09/2020

<u>Validation Review 2019/20 -</u> Where quality assurance checks for the period March to July 2019 are performed, these should be based on a representative sample of invoices processed. Where any errors are identified, the supplier should be contacted and appropriate action to taken to address the error (for example, offsetting the balance owed against future payments, or arranging payment refunds), and feedback / training provided to the team members who processed the invoices. **Agreed Management Action**: *Where retrospective quality assurance checks are performed, appropriate action will be taken to address any significant errors identified with feedback/training provided to the team members who processed the invoices.* **Evidence Required:** - Details of the number of retrospective checks completed and a summary of findings and remedial action taken to address these. Details of employee feedback/training - either on individual or group basis. - Internal Audit will review a sample of checks to ensure satisfactory evidence of the quality assurance has been undertaken, actions addressed, and employee feedback training given where relevant.	Working alongside Business Support colleagues, work is underway to complete the required actions and evidence will be submitted prior to the due date at the end of December.	31/12/2020
<u>CW1808 Recommendation 2.1.5 - HIS alignment to Council's records retention policy and schedule.</u> - Records held within HIS should be managed within the Council's Records Retention Policy and Schedule. This should a detailed plan for destruction of records over five years old. **Agreed Management Action:** Records held within HIS will be managed within the Council's Records Retention Policy and Schedule. The ongoing management and deletion of historical records will form part of the data cleansing project as HIS migrates to Northgate. **Evidence Required:**	The project is progressing towards completion, but the actual go-live date is to be agreed by the Councils PM and Board as the owner and lead for this project. Indicated this may be October 2020 but not yet confirmed. Training will be required following 'go live' date therefore extension to completion date requested (01/03/2021).	31/10/2020

- The plans on how HIS will be managed and aligned to the council's records retention policy and schedule - including arrangements for archiving and deleting records in line with schedule - The data cleansing plans for migration from HIS to Northgate.		
<u>CW1801 Recommendation 3.1.4: Developing online self-service solutions -</u> The Council should consider development of an online self-service housing options advice tool which can be accessed via the Council website and smart phone. The tool would allow applicants to enter details about their circumstances and receive advice on pre-defined outcomes. The tool would not replace the right for applicants to request information and advice in person, however, would allow applicants to receive person centred advice at a time convenient to them. **Agreed Management Action:** It is our aim to develop an online self-service housing options advice tool which can be accessed via the Council website and smart phone. **Evidence Required:** - Please provide updates regarding any status changes in producing a self-service solution. - Please provide basic evidence supporting each stage of development; o Market Research (i.e. What do customers want in a self-service tool?) o Concept Development (i.e. How can we present what customers want in a self-service tool?) o Prototype (i.e. Pulling together what the customers want and presenting it in a solution) o Design & Development (i.e. Tweaking and improving the prototype) o Deployment (i.e Making the solution publicly available)	This may be a longer-term option for the service, we are dependent on CGI/Digital Services to progress this option following a costing exercise. The current delay in implementing Northgate for the service as well as developing an online Edindex housing application form has impacted progressing this further.	01/06/2023

Housing, Homelessness and Fair Work Committee

10:00am, Thursday, 5 November 2020

Homelessness Services – Statutory Returns

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 Committee is asked to note the summary of the Council's statutory homelessness returns.

Alastair Gaw

Executive Director for Communities and Families

Contact: Nicky Brown, Homelessness & Housing Support Senior Manager

E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 7589

EDINBVRGH THE CITY OF EDINBURGH COUNCIL

Report

Homelessness Services – Statutory Returns

2. Executive Summary

2.1 All local authorities are required to submit a range of data, quarterly, to the Scottish Government as part of their statutory returns process.

2.2 The latest publication of these returns was on 27 August 2020 and covered the period 1 April 2019 – 31 March 2020.

2.3 This report will highlight key areas of performance and the link to the full publication can be found in section 8.

3. Background

3.1 The Council produces and reports several statistics related to the performance and delivery of homelessness services in the city.

3.2 These figures are collated by the Scottish Government through the returns process and are published to allow scrutiny and comparisons between local authorities.

4. Main report

4.1 In 2019-20, the number of households assessed as homeless by the Council showed an increase of 5% in comparison to the previous year. This was against a national increase of around 4% in households assessed as homeless.

4.2 Included in these returns is a further reduction in repeat homelessness. Repeat homelessness is where a household is assessed as homeless, less than a year after their previous homelessness is resolved.

4.3 Repeat homelessness was 5.8% in 2019-20. This is a reduction from 6.3% in 2018-19. This is broadly in line with the national figure for repeat homelessness at 5.7% in 2019-20.

4.4 The most common reason for homelessness nationally, and in Edinburgh, is domestic ejection (being asked to leave accommodation). The next most common cause of homelessness nationally is dispute within a household, however, in Edinburgh it is loss of private sector tenancy.

4.5 To ensure that we prevent homelessness wherever possible, the Council has employed officers to specifically work with people at risk of homelessness from the private rented sector.

4.6 This team has recently been created and indications are that the focus on this area is leading to a reduction in the number of people assessed as homeless and accessing temporary accommodation.

4.7 In 2019-20, the percentage of households sleeping rough the night before presenting as homeless was 5.2%, this was above the national average of 4.5%. However, this is a notable reduction on 2018-19, when it was 7.2%.

4.8 It is important to note, in 2018-19, the Council significantly increased the bed spaces available to accommodate people who were rough sleeping through the provision of rapid access accommodation. Almost all people accessing this accommodation will have slept rough the night before, which accounts for the rise in this figure.

4.9 There are further reductions in the number of service users that the Council has lost contact with. Figures show that the Council maintains contact from advice and assessment to conclusion of the homelessness case in 86% of cases.

4.10 The Council continued to report breaches of the unsuitable accommodation order (families or pregnant women in unsuitable accommodation). In 2019-20, the order was breached 375 times. This is a 19% reduction on 2018-19. For Quarter 1 and 2 in 2020-21, there has been a further reduction with only three breaches of the order.

4.11 A failure to accommodate occurred on 655 occasions during 2019-20. This was a significant reduction from 1075 times in 2018-19.

4.12 Officers have analysed all cases where a failure to accommodate occurred and have reported that in around 80% of these cases, the service user previously had temporary accommodation but was unable to sustain it.

4.13 The most common reasons that previous temporary accommodation placements failed were abuse or assault by service users (35%), drug taking on premises (17%) and inappropriate behaviour (12%).

4.14 Around 70% of the failures to accommodate also happened outside normal Council opening hours, where the availability of accommodation can be limited, particularly if the service user has had several placements which have ended unsuccessfully.

4.15 In order, to tackle the challenges in providing accommodation outside normal hours for vulnerable services users, the Council and its partners have developed rapid access accommodation services. This is accommodation which can be accessed 24 hours per day directly by street-based outreach workers.

4.16 There are now 74 bed spaces in rapid access accommodation across the city which has contributed to the reductions in failures to accommodate this year. A link to a recent report provided to Committee on this service can be found in section 8.

4.17 The Council's Homelessness Task Force has been reconvened with a focus on identifying further solutions for the most vulnerable service users, as when people have experienced severe trauma in their lives it can make it difficult to sustain traditional forms of temporary accommodation.

5. Next Steps

5.1 Officers will provide a further summary report for committee following the publication of the full year returns, as soon as they are available.

5.2 Officers are leading on a national review of out of hours homelessness service provision, with civil servants, to identify areas of best practice. This work was due to begin March 2020, however, has been delayed due to the public health crisis.

6. Financial impact

6.1 None.

7. Stakeholder/Community Impact

7.1 None.

8. Background reading/external references

8.1 https://www.gov.scot/publications/homelessness-scotland-2019-2020/

8.2 Rapid Access Accommodation and Link Working Report

9. Appendices

9.1 None.

Housing, Homelessness & Fair Work Committee

10.00am, Thursday, 5 November 2020

Consultation Response: Local Connection

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 Committee is asked to note that officers submitted the consultation response to Scottish Government by the deadline of 23 October 2020, following consultation with members of this Committee.

1.2 Committee should note that the proposed implementation date for changes to Local Connection Referrals, if approved, is May 2021.

1.3 Officers will provide Committee with an update on the impact of these changes six months after implementation.

Alistair Gaw

Executive Director for Communities and Families

Contact: Nicky Brown, Homelessness & Housing Support Senior Manager

E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 7589

Report

Consultation Response: Local Connection

2. Executive Summary

2.1 This report sets out the Council's response to the Scottish Government consultation on local connection and the proposed suspension of referrals between Scottish local authorities. As the consultation closed on 23 October 2020 officers consulted with Committee members on the content of the response before submitting to Scottish Government. The response to the consultation is attached as Appendix 1.

3. Background

3.1 At present local authorities have the power to refer a household they have assessed as homeless to another local authority if they determine that the household does not have a local connection to their local authority area. This is set out in Section 33 of The Housing (Scotland) Act 1987 (the Act). This does not apply where there is a risk of domestic abuse.

3.2 Having a local connection to a local authority area is set out in Section 27 of the Act, that is:

3.2.1 because he or she is or was in the past normally resident in it, and this residence was of his or her own choice; or

3.2.2 because he or she is employed in it; or

3.2.3 because of family associations; or

3.2.4 because of any special circumstances.

3.3 The Homelessness & Rough Sleeping Action Group (HARSAG) recommended that local connection referrals be suspended between local authorities in their interim report which was accepted by Scottish Government in 2018.

3.4 The Homelessness etc (Scotland) Act 2003 (Commencement no.4) Order 2019 commenced on 7 November 2019 which allows Scottish Ministers to modify the operation of Section 33 of the Act, which in turn allows local connection referrals of a homeless applicant to another local authority in certain circumstances.

3.5 The suspension of referrals between Scottish local authorities will remove the local connection part of the homeless assessment and will mean that households can choose where to make a homeless application. Households will be entitled to homeless assistance in the Scottish local authority area of their choice, regardless of whether they have a local connection to that area.

3.6 Scottish Ministers are obliged to make a statement, within 18 months of Section 8 of the 2003 Act coming into force, setting out the circumstances in which, and the general criteria by reference to which, the power to modify the local connection provisions are to be exercised. This was extended from 12 months as part of the Coronavirus (Scotland) (No2) Act, in recognition of the sectors ability to respond to the statement during the pandemic.

4. Main report

4.1 The consultation invited comments on the suspension of local connection, the content of the proposed Ministerial Statement, the proposed factors to determine whether the capacity of a local authority to meet its homeless and housing duties are adversely impacted by the removal and comments on the proposal to use existing data returns (HL1) to the Scottish Government to monitor the change. The closing date for responses was 23 October 2020.

4.2 As the closing date was before Committee, officers prepared a draft response in advance of this date and circulated to Committee Members for comment, prior to submission to Scottish Government.

4.3 The response is attached as appendix 1 of this report. Key messages highlighted in the response were as follows:

4.3.1 The suspension of local connection referrals is likely to result in an increase in the number of households who present as homeless in Edinburgh, given our status as the capital city. This is likely to increase the number of households requiring temporary accommodation, further increasing the pressure on this service. In addition, it will likely result in an increase in the number of households the Council will have a duty to provide settled housing to with households waiting longer to secure settled housing.

4.3.2 Any increase in the number of households entitled to homelessness assistance will impact on the ability to deliver the transformation of the mix of temporary accommodation and delivery of rapid rehousing as set out in our second iteration of the Rapid Rehousing Transition Plan, especially in light of the budget pressures that we face.

4.3.3 Officers welcome the Scottish Governments proposal to monitor the impact of the suspension of Local Connection on local authorities. However, it would be helpful to have further details regarding what will constitute a local authority being ‘adversely affected’ by the modification to local connection and what actions the Scottish Government will take if this is the case.

4.3.4 Officers requested that given the significant pressures with regards to housing and homelessness in Edinburgh at present it would be helpful to consider the possibility of Edinburgh having the exemption applied from commencement of the order.

5. Next Steps

5.1 Officers are proposing providing Committee with an update on the impact of any removal of local connection six months after implementation.

5.2 Officers will seek to work with civil servants on a monitoring tool that will quickly identify any increase in homeless presentations directly related to these changes and then subsequently state the additional cost to the Council.

5.3 Officers will clarify, with civil servants, the basis for these changes relating to only Scottish local authorities and seek guidance on the position for anyone presenting as homeless from another part of the United Kingdom.

6. Financial impact

6.1 There are no financial impacts as a direct result of this report on the consultation response, however, it is anticipated that the suspension of local connection referrals between Scottish local authorities will result in an adverse financial impact.

7. Stakeholder/Community Impact

7.1 N/A

8. Background reading/external references

8.1 Consultation Documents

9. Appendices

9.1 Appendix 1 – Response to consultation.

Appendix 1 - Consultation Questions and Responses

Question 1
We are proposing to suspend local connection referrals between Scottish local authorities to remove barriers people face to accessing the support they need. The analysis of the 2019 consultation demonstrated that there is support for this position, although there are concerns about the potential for increases in homelessness applications and subsequent impact on statutory services. Please give us your current views about the proposed suspension of referrals.

Answer 1
The number of homelessness applications received in Edinburgh increased by 3% in 2019/20 to 3491 and the number of households assessed as unintentionally homeless rose by 5% to 3310 in 2019/20. Whilst it is not possible to predict the exact impact of a suspension of local connection referrals between Scottish local authorities, it is our view that it is likely that this will result in a further increase in the number of homelessness applications, given Edinburgh's status as a thriving capital city. Our second iteration of our RRTP highlighted the unique challenges faced in Edinburgh in terms of settled housing and temporary accommodation. The suspension of local connection referrals is likely to increase the number of households requiring temporary accommodation, further increasing the pressure on this service. In addition, it will likely result in an increase in the number of households the Council will have a duty to provide settled housing to with households waiting longer to secure settled housing (currently a household with homeless priority can wait between 18 and 24 months to secure settled housing) due to a shortage of affordable housing in the city. The key challenges are explained in more detail below.

Increased pressure on temporary accommodation - the extension of the Unsuitable Accommodation Order (UAO) requires Edinburgh to change the mix of temporary accommodation stock as approximately 1000 bed spaces will be classed as 'unsuitable'. We are currently projecting that this change in stock mix will take at least five years to achieve. Any additional demand for temporary accommodation as a result of the suspension of referrals between Scottish local authorities will likely impact on our ability to deliver this change within five years and may result in households being placed in unsuitable temporary accommodation. It will also result in a further increase to the time a household spends in temporary accommodation due to a lack of move on options.

Shortage of affordable homes in the city – Edinburgh faces significant challenges in terms of housing:

- The latest Housing Need and Demand Assessment (HNDA2) states that there is demand for at least 38,000 to 46,000 new homes in Edinburgh over ten years, over 60% of these need to be affordable.
- Edinburgh has one of the lowest proportions of social housing in Scotland with only 14% of homes in Edinburgh being social housing compared to a Scottish average of 23%.
- There is high demand for social housing in the city with just under 24,000 applicants registered on EdIndex (the Council's common housing register) as at the end of March 2020. There was an average of 203 bids for every property advertised for rent in 2019/20.
- Edinburgh lets more social homes than any other local authority to homelessness households with over 72% of Council homes being allocated to homeless households, whilst the national average is 41%. 51% of Registered

Social Landlords (RSLs) Choice Partner homes are allocated to homeless households, higher than the national average of 40%
- Edinburgh has a buoyant Private Rented Sector with 25% of all homes in the city being in this sector. However, affordability in this sector remains a challenge.

Furthermore, recent studies carried out by the Council and independent studies have all identified significant need for more social homes in Edinburgh. There is also a shortage of grant funding. This is likely to be exacerbated by any increase in demand for social rented homes with the removal of local connection, without additional grant funding. These are summarised below:

- As part of the RRTP officers developed a series of illustrative rehousing models to demonstrate the impact of new supply of social rented, mid-market rent homes and the private rented sector and projected homeless demand scenarios on rapid rehousing. This included modelling a 5%, 10% and 15% increase in homelessness demand. This modelling concluded that any increase in homelessness demand would mean that rapid rehousing in Edinburgh will not be achieved within 20 years, even with a significant increase in grant funding. The funding gap varied from £291 million up to approximately £791 million.

- The last SHIP, submitted in November 2019, set out a programme to deliver 9,500 affordable homes over five years. A total of £298 million in grant funding would be required or approximately £60 million per annum. However, based on the current level of grant funding provided for Edinburgh, a shortfall of approximately £72 million in grant funding was identified over the five years.
- An independent research paper commissioned by Shelter Scotland estimates that almost 60% of Scotland's affordable housing need is in Edinburgh and South East Scotland.
- The Edinburgh Poverty Commission paper "A Just Capital; Actions to End Poverty in Edinburgh" called on the Scottish Government to work with city partners to ensure that 2,000 social rented homes per annum could be built in the city over the next decade.
- The research paper "Affordable Housing Need in Scotland Post-2021" was commissioned by Scottish Federation of Housing Associations, The Chartered Institute of Housing and Shelter Scotland to look at Scotland's affordable housing need over the next five years. It concludes that Scotland's affordable housing need is 10,600 new affordable homes per annum, of which 6,215 new affordable homes per year are needed within the Capital region (Edinburgh, Lothians, Fife and Scottish Borders). That equates to 59% of Scotland's affordable housing need.

The suspension of local connection referrals could also impact on the ability to deliver other support to homeless households such as visiting housing support, health and addictions services for an increased number of households. There is also a concern regarding prisoner's who are homeless on release from prison who may decide to move to a different local authority area on release – HMP Edinburgh, for example, has prisoners from all over Scotland and some from beyond. As well as increasing the level of demand for housing in Edinburgh, the impact would also be felt by partner agencies such as Police and Social Work, particularly when considering clients who are managed under MAPPA or those who are prolific offenders.

Question 2
Considering the core content proposed for the Ministerial Statement (see section 2 – paras 31 - 33), please give us any suggested amendments with regard to the:

- **i.** **circumstances for modifying local connection referrals (see para 31)**
- **ii.** **general criteria, by reference to which, the power to modify local connection is to be exercised (see para 32)**

Answer 2i
No suggested amendments.

Answer 2ii
It would be helpful to be more explicit with regards to the definition of ‘significant’ undue pressures. Given the significant pressures with regards to housing and homelessness in Edinburgh at present it would be helpful to consider the possibility of Edinburgh having the exemption applied from commencement of the order.

Question 3
Please let us know about any suggested amendments you have to the factors proposed in para 33 for assessing whether the capacity of a local authority to meet its homelessness and housing duties is being adversely affected by any modification to local connection.

Answer 3
Officers welcome the Scottish Governments proposal to monitor the impact of the modification of Local Connection. However, it would be helpful to take into consideration any impact on the average case length from assessment to accessing settled housing and also breaches of the UAO as a result of any increased demand on temporary accommodation.
It would also be helpful to clarify if the factor relating to the ability to meet support needs includes health and addictions support.

It would also be helpful to have further details regarding what will constitute a local authority being ‘adversely affected’ by the modification to local connection and what actions the Scottish Government will take if this is the case. For example, will a specific percentage rise in the number of homeless applications have to be demonstrated to determine that a local authority is being adversely affected by the modification?

Question 4

As set out in the 2019 consultation, we propose using HL1 data to monitor the impact of this change. Please let us know of any comments you have on this proposal.

Answer 4

We agree with the proposal to use HL1 data and welcome the fact that Scottish Government are proposing monitoring the impact of change. We would like to see quarterly meetings put in place with Scottish Government officials to monitor the impact. We would welcome further detail regarding how the impact on associated health, support and addiction services will be monitored and what additional finances to support delivery of these services will be provided.

Homelessness, Housing and Fair Work

10.00am, Thursday, 5 November 2020

Management of No Recourse to Public Funds Cases

Routine
Wards
Council Commitments

1. Recommendations

1.1 Committee notes the content of this report.

Alistair Gaw

Executive Director for Communities & Families

Contact: Nicky Brown, Homelessness and Housing Support Senior Manager

E-mail: nicky.brown@edinburgh.gov.uk | Tel: 0131 529 7589

Report

Management of No Recourse to Public Funds Cases

2. Executive Summary

2.1 To support public health objectives, since the beginning of lockdown restrictions in March 2020, the Council has continued to make temporary accommodation available to anyone who is homeless or at risk of homelessness. This includes people who may not or do not have recourse to public funds (NRPF). This report provides information on the provision of accommodation and support services.

3. Background

3.1 The Council has supported public health objectives by providing accommodation for people who may be NRPF, who would otherwise be ineligible to access accommodation and may sleep rough.

3.2 This began in March 2020 and as agreed by the Housing, Homelessness and Fair Work Committee of 3 September 2020, will continue until the public health crisis ends.

4. Main report

4.1 As lockdown restrictions were initiated in March 2020, it was estimated that around 35-40 people who were or believed they were NRPF were sleeping rough in Edinburgh.

4.2 It is likely that currently more people were in insecure accommodation and using services, such as the Bethany Christian Trust Care Shelter.

4.3 To ensure that the Council and its partners supported public health objectives to minimise the spread of Covid-19, joint exercises including public health officials, Police Scotland, the Council and street-based outreach services were conducted to engage with all rough sleepers, including those with NRPF, to ensure they knew accommodation was available.

4.4 Following these initial exercises, the Council quickly accommodated around 80 people thought to have NRPF.

4.5 Temporary accommodation for most people was over two sites and support services specific to their needs were put in place. Feedback from partners has confirmed that generally this is not a static group and this has continued to be the case throughout the pandemic, which can make the provision of support and information collection challenging.

4.6 Partners have introduced packages of support which includes, but is not limited to:

4.6.1 Streetwork dedicated support worker, who co-ordinate information and support provision between the Council, statutory partners and the street-based outreach teams,

4.6.2 Interpretation Services, to ensure that as much background is collected as possible to ensure support is centred on the service user's needs,

4.6.3 Employability support is being offered to all, including access to teaching English as a second language through Crisis,

4.6.4 Support to repatriate if the service user wishes to,

4.6.5 Streetwork's EU Settlement Scheme Support Worker is helping EEA nationals to apply to the scheme, to determine their rights to stay,

4.6.6 Referrals to advocacy agencies to support people with their applications around their status and rights to reside,

4.6.7 Outreach visits by Council Homelessness Officers, to ensure that advice and support was provided where people could access it,

4.6.8 Regular contact with the relevant consulates and the International Office for Migration to share information.

4.7 These supports in conjunction with the Council's assessment services have ensured that, wherever possible, positive outcomes are being achieved for NRPF service users, this includes establishment of rights to reside and benefits, employment, moves to settled accommodation and repatriation.

4.8 In addition to the supports above, where appropriate, public health and general health services have been provided to people who may have NRPF. This support with continue until the end of the public health crisis.

4.9 Current intelligence suggests that following the relaxation of lockdown restrictions more potentially NRPF people have arrived in Edinburgh, with some rough sleeping. Most of these people have arrived from rural Romania, where they describe living conditions as very poor.

4.10 Partners are working closely together to understand how many people have arrived, what support they require and to route them into appropriate services.

4.11 It is likely that whilst the Council and its partners continue to provide accommodation and support to potentially NRPF people, numbers will increase. The numbers will also fluctuate as people arrive or are repatriated depending on individual circumstances and as their status changes following the provision of support.

5. Next Steps

5.1 Officers will continue to work with partners to support this vulnerable group. This will include the provision of accommodation, support and health services with regular reviews of cases.

5.2 Officers will continue to create and adapt support and move on plans for all potentially NRPF service users, to ensure that as the public health crisis ends a clear outcome is in place for all service users.

5.3 Officers will continue to work with civil service colleagues, to understand any existing legislation and any potential legislative changes that would impact on the way cases can be lawfully managed.

5.4 Officers will continue to work with public health and civil service colleagues to ensure awareness of the stages of the public health crisis and proposed dates for this ending.

6. Financial impact

6.1 Although the numbers of people who are potentially NRPF fluctuates, it is anticipated that the provision of accommodation and support for this group could cost in the region of £1.3millon per annum.

6.2 This figure is included within the Period 5 monitoring report, produced for the Finance and Resources Committee on 27 October 2020, which notes an estimated pressure of £9.3million for the delivery of homelessness services in 2020/21.

6.3 The financial implications of supporting this client group will be considered through the 2021/22 budget process taking into account of points 5.3 and 5.4 above.

7. Stakeholder/Community Impact

7.1 N/a

8. Background reading/external references

8.1 Homelessness Services - Use of Temporary Accommodation Report

8.2 NRPF - Legal Position

9. Appendices

9.1 None.

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Edinburgh Project SEARCH – Delivery and Future Development

Executive/routine	Routine
Wards	All
Council Commitments	7,31

1. Recommendations

1.1. Housing, Homelessness and Fair Work Committee is asked to:

1.1.1. Note the temporary changes in delivery of the Edinburgh Project SEARCH programme for the academic year 2020/21 due to the Covid-19 pandemic;

1.1.2. Note the plans to create more internship opportunities and develop progression routes into employment and Modern Apprenticeships within the Council for Project SEARCH interns; and

1.1.3. Agree to receive a further report on future delivery options to ensure the continued success of the programme.

Paul Lawrence

Executive Director of Place

Contact: Elin Williamson, Business Growth and Inclusion Senior Manager

E-mail: elin.williamson@edinburgh.gov.uk | Tel: 0131 469 2801

Report

Edinburgh Project SEARCH – Delivery and Future Development

2. Executive Summary

2.1 This report explains the changes which have been made to the delivery of Edinburgh's Project SEARCH programme in 2020/21 in light of the disruption caused by the Covid-19 pandemic and sets out options for future development of the programme, including creating more internship opportunities and developing direct progression routes into council Modern Apprenticeships.

3. Background

3.1 DFN Project SEARCH is an international transition to work programmes which supports young people with learning disabilities and autism, providing key work experience before moving into mainstream employment. The City of Edinburgh Council began delivery of Edinburgh Project SEARCH under license from DFN in 2014.

3.2 Edinburgh Project SEARCH has been funded from a combination of sources since inception. From 2018 until present, is has been jointly funded by the Council and Lothians Health Foundation, with both organisations expecting to reclaim up to 40% of Job Coach staff costs from the European Social Fund (ESF).

3.3 Both the Council and NHS Lothian oversee the delivery of the programme and source placements within their organisations, with a joint steering group responsible for the management of the programme in line with the DFN Project SEARCH model.

3.4 The programme runs for a full academic year, from August to June. Normally, 26 spaces are provided, with 13 young people based as interns within the City of Edinburgh Council and NHS Lothian's Western General hospital respectively. Job Coaching support (usually two Full Time Equivalent (FTE) posts at each site) is provided by Into Work and Edinburgh College fund provide a full-time tutor at each site.

3.5 Prior to this year, the interns were based full time within the Council or NHS Lothian for three ten-week work placements. Each day started and ended (for a total of two hours per day) within a designated training area where a Project SEARCH curriculum and the SQA employability award was completed. The remainder of the day was spent within a service area, with the intern learning on the job while being supported by staff. The job coach also visited daily to provide additional support.

4. Main report

Programme delivery 2020/21

4.1 Due to the impact of the Covid-19 pandemic, and the subsequent changes in working conditions in both the Council and NHS Lothian, the joint steering group had to review the delivery model of Edinburgh's Project SEARCH for the academic year 2020/21.

4.2 It was agreed that, as the programme is extremely valuable, it should continue where possible, especially as the evidence suggests that those with a disability will be one of the main groups affected by the pandemic.

4.3 However, it was recognised that, due to buildings not being open, some placements may not be available in the short-term and that the existing model would not be sustainable while the majority of staff are working from home and therefore unable to support the interns in the same way as previous years.

4.4 In consultation with senior management in the Council, NHS Lothian and Edinburgh College, the steering group concluded that a temporary, alternative delivery model would be required. It was therefore agreed that the programme participants would complete all curriculum work during the first three months of the programme via a combination of online learning and college-based learning.

4.5 Due to the timetabling of the programme in line with the academic year, this year's programme is already underway with college learning beginning on 14 September 2020.

4.6 The steering group also agreed that a reduction in the number of interns would be appropriate. This means that 14 (seven at each site instead of normal 26) interns will be supported in this operational year, with the aim of returning to full capacity in August 2021.

Intern Placements and Job Coaching

4.7 In 2020/21, internships will not commence until January 2021 (Phase 2 of the programme) to allow the Council and NHS Lothian staff time to identify suitable supported and safe placements.

4.8 It is, however, sometimes challenging to secure appropriate work placements within Council services and it is expected that, due to the changes implemented in responses to Covid-19 this may prove even more challenging.

4.9 It is therefore intended to work closely with Senior Managers in the Council to identify services where appropriate placements can be delivered, with adequate support and supervision provided.

4.10 The reduction in the number of interns means that only two Job Coaches will be required in 2020/21. As a result of this a reduction in grant funding has been agreed with Into Work (who employ the Job Coaches).

4.11 As Housing, Homelessness and Fair Work Committee was suspended due to the Covid-19 pandemic, the award of funding for this year's delivery was approved by the Executive Director of Place in consultation with the Convener and Vice Convener, under delegated authority.

Progression after programme

4.12 In total 154, interns have been enrolled in the Project SEARCH programme since inception. 83 of these have been in placement with the Council and 71 with NHS Lothian. Of this group, 78 have secured employment, with a total of 47 being employed by either NHS Lothian or the Council.

4.13 To improve the outcomes achieved by interns placed with the Council, the Business Growth and Inclusion team will work closely with Human Resources colleagues and with NHS Lothian to identify ways in which interns can be supported and developed to secure employment within the Council at the end of the programme.

5. Next Steps

5.1 The interim delivery model will be reviewed against the previous model (based on participant experience, development and satisfaction alongside model fidelity, progression and employment outcomes) at the end of the programme.

5.2 Options for job coach provision for the next year and beyond are currently being reviewed and three options are being explored as below:

5.2.1 Incorporating the requirement for job coaching support into the new procurement specification for contracts of supported employment provision from 2021 onwards;

5.2.2 Conducting open grants procurement specifically for the purpose of Edinburgh Project SEARCH; and

5.2.3 Bringing the provision of job coaching support in house and employing the job coaching staff directly with the Council and NHS Lothian.

5.3 A report outlining the impact of each of these options with an officer recommendation on next steps will prepared for Housing, Homelessness and Fair Work Committee in January 2021.

5.4 Officers will work with Human Resources and NHS Lothian to investigate ways to improve employment outcomes within the Council.

5.5 Planning for the 2021/22 programme will begin later in 2020. It is intended that a full complement of young people with a disability will benefit from this programme in future years as this will be needed more than ever for this client group in the longer-term recovery of the city.

6. Financial impact

6.1 Due to the reduced programme capacity and number of job coaches provided, the total cost of the programme for this year is projected to be reduced from c.£146,000 to c. £92,000

6.2 Grant funding for Into Work has been reduced from £125,611 to £71,154.60. 40% of this will be reclaimable through ESF, with the Council (Place revenue budget) and NHS Lothian jointly funding the balance.

6.3 Although this equates to a total saving of c. £21,000 to the Council, it is important to highlight that this saving is for one year only and the cost of the programme is expected to return to previous levels (although this is subject to review).

7. Stakeholder/Community Impact

7.1 Places on the programme have been reduced by almost 40%. This will have an impact on the number of possible outcomes and the ongoing Scottish Government ambition of reducing the Disability Employment Gap.

7.2 Anyone who was unsuccessful in the recruitment process or who made an enquiry to the programme, has been referred to a supported employment providers and/or offered an alternative college course.

7.3 The delivery partners will adhere fully to any national, Scottish and Local Government guidance and/or regulations in relation to social distancing and the health and safety of participants.

8. Background reading/external references

8.1 Council Commitments – Delivering an Economy for All.

8.2 A Fairer Scotland for Disabled People Employment Action Plan - Progress Report.

8.3 Coronavirus and the social impacts on disabled people in Great Britain: May 2020.

8.4 Update on the Labour Market Status of Disabled People.

8.5 The effects of the coronavirus crisis on workers.

8.6 Housing and Economy Committee, Thursday, 30 August, 2018.

9. Appendices

9.1 None.

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Parental Employability Support Fund Grants

Executive/routine	Routine
Wards	All
Council Commitments	7, 31

1. Recommendations

1.1 Housing, Homelessness and Fair Work Committee is asked to note:

1.1.1 the information regarding the Parental Employability Support Funding (PESF) allocation from Scottish Government for delivery of initiatives to support parents into and to progress in employment;

1.1.2 the award of funding to the successful applicants for delivery of employability activity funded through Scottish Government's Parental Employability Support Fund - Access to Industry (two projects), Enable Scotland and The Broomhouse Centre; and

1.1.3 the further award of the remaining £21,368 of funding for a pilot project to be developed in partnership with Capital City Partnership, University of Edinburgh and The Datakirk.

Paul Lawrence

Executive Director of Place

Contact: Elin Williamson, Business Growth and Inclusion Senior Manager

E-mail: elin.williamson@edinburgh.gov.uk | Tel: 0131 469 2801

Report

Parental Employability Support Fund Grants

2. Executive Summary

2.1 Following the award of £677,000 Parental Employability Support (PES) funds from Scottish Government for delivery of employability activity to support parents into and progress in employment, it was agreed at the Adaptation and Renewal Programme Board on 1 July 2020 to progress with awarding of small grants through a process managed by Capital City Partnership (CCP).

2.2 The process is now complete, and due to the time constraints for delivery and the suspension of Housing, Homelessness and Fair Work Committee, the award of funding was approved by Executive Director of Place in consultation with the Convener and Vice Convener, under delegated authority.

3. Background

3.1 Late in 2019, Scottish Government announced the forthcoming award of funds to Local Authorities for delivery of services to support parents into and to progress in employment. This was under the Tackling Child Poverty and in line with the No One Left Behind strategies.

3.2 The client groups who are eligible and will benefit from this fund are:

3.2.1 Lone Parents who are unemployed or experiencing in work poverty;

3.2.2 Parents with a disability or families who are unemployed or experiencing in work poverty and have a disabled child;

3.2.3 Parents who are unemployed or experiencing in work poverty and have three or more children;

3.2.4 Parents from a minority ethnic background who are unemployed or experiencing in work poverty;

3.2.5 Parents who are unemployed or experiencing in work poverty and have a youngest child <1; and

3.2.6 Parents who are aged <25 who are unemployed or experiencing in work poverty.

3.3 The total award to the Council to deliver PES over the three financial years 2019 - 2022 is £677,000. The award for 2019/20 was paid out in February 2020 and it was agreed with Scottish Government that the funds could be carried over into the following financial year.

3.4 Plans for delivery of PES in the Council, which had been approved in principle by Scottish Government, were put on hold due to the Covid-19 pandemic. As information emerged about the impact of the pandemic, officers worked with partners to develop a new proposal to enable parents who had been affected by the pandemic to benefit from the evolving opportunities in digital, retail and distribution and health and social care. This was approved by Scottish Government.

3.5 On 1 July 2020, the Adaptation and Renewal Programme Board approved the proposal, which entailed that the funds be awarded through a previously recognised and approved small grants process managed by CCP.

3.6 In addition to the funding to be allocated for specific projects, the proposal also included covering the cost of a part time Business Growth and Inclusion Officer and a small pot of money for specific projects for parents currently engaging through Communities and Families and Lifelong Learning services. This can be used for projects such as an options and choices course in conjunction with 'Saheliya', a black minority ethnic women mental health organisation based in Edinburgh, and engagement with families who are registered for 'Discover'.

4. Main report

4.1 Following the approval of the Adaptation and Renewal Programme Board, the grant allocation process was managed by CCP on behalf of the Council. The specification materials and application form were published on 20 July 2020, using similar materials to those used in previous Third-Party Grants and the No-one left behind grant allocation.

4.2 Applications were encouraged for proposals of up to £125,000 for delivery of projects over 18 months, starting on 1 October 2020, to keep delivery in line with the funding end date of March 2022.

4.3 Potential applicants were given the opportunity of guidance on their applications and a Questions and Answers log was hosted on the Joined up for Jobs website.

4.4 The opportunity closed on 20 August 2020 and six applications were received.

4.5 Applications were distributed to a scoring panel, whose membership was made up of individuals from the following organisations:

4.5.1 City of Edinburgh Council, Business Growth and Inclusion;

4.5.2 City of Edinburgh Council, Lifelong Learning;

4.5.3 EVOC;

4.5.4 NHS Lothian;

4.5.5 University of Edinburgh/ESESCRD Data Driven Innovation project; and

4.5.6 Capital City Partnership.

4.6 The scoring panel met on 8 September 2020 and made the following recommendations:

Reference	Applicant	Project Description	Total Spend	Comments
PESF01	Access to Industry	**Access DDI** – work with a cohort of Edinburgh parents who have an interest in training or re-training for jobs in the data sector. Link with ESESCRD DDI gateway.	£116,730.00	recommended for funding
PESF02	Access to Industry	**Parents Participate Progress (3Ps)** – employability service for unemployed parents, one-to-one support and skills-based activity in sectors where there are potential vacancies.	£112,100.00	recommended for funding
PESF03	Enable Scotland	Project focussed on parents of disabled children who are out of work and in low income employment. One-to-one support, welfare rights and employability skills.	£124,806.00	recommended for funding
PESF04	The Action Group	**Real Jobs Lone Parent's Employability Service** - employability service for parents of a disabled child and BAME parents.		not recommended for funding
PESF05	The Broomhouse Centre (SPACE)	**Workspace - Employment and Skills** – based in SW Edinburgh. Offers employability, self-employment and home-working support for low income and unemployed parents.	£124,996.00	recommended for funding
PESF06	The Datakirk	BAMELYTICS – data literacy and analytics employability project for BME parents living in Edinburgh.		suggest a pilot project - further discussions required
		Proposed spend	**£478,632.00**	
		Total budget	£500,000.00	
		Remaining Balance	**£21,368.00**	

4.7 As the expected start date for these projects was before the next Housing, Homelessness and Fair Work Committee, these awards were approved by the Executive Director of Place in consultation with the Convener and Vice Convener.

4.8 CCP have informed the applicants of the outcome and offered detailed feedback.

5. Next Steps

5.1 Further discussion will take place between CCP, University of Edinburgh and The Datakirk around developing a pilot project to test the BAMELYTICS approach.

5.2 A steering group will be set up with members of the original scoring panel, who will meet regularly to ensure that targets are being met and detailed reporting is submitted to Scottish Government on a quarterly basis and also into the Child Poverty Action Group.

5.3 A link officer from Business Growth and Inclusion will work with the successful projects to ensure integration with other commissioned services and link in with the Early Years team to promote the projects to parents who are benefitting from the expansion of 1,140 hours funded childcare- in line with Scottish Government recommendations.

5.4 Reporting on spend and targets will be conducted via CCP's regular quarterly report to Business Growth and Inclusion and the CCP Board. CCP will also report on spend and targets via the Council's Child Poverty Group.

6. Financial impact

6.1 There is no financial impact to the Council as all delivery costs are contained within the grant award from Scottish Government.

6.2 The ongoing successful projects will be contract managed by CCP under the existing Service Level Agreement and Council officer time to support this would be supplemented through current No-One Left Behind staffing and the grant award as above.

7. Stakeholder/Community Impact

7.1 The specification was developed in partnership with those who were involved in the scoring process and was in direct response to information gathered relating to the effects of the Covid-19 pandemic on parents and families.

7.2 The impact on this client group will be positive as the projects will enable them to enhance their employability and develop new skills to help them to secure or progress in employment. There is also a link to income maximisation advice which will ensure that these families benefit in real financial terms.

7.3 Partnership working has been at the heart of the development of this proposal, both between Council departments and other partners such as University of Edinburgh and EVOC and has been designed to complement the current strategic skills pipeline as well as meet the needs of those who have been affected by the impact of Covid-19.

8. Background reading/external references

8.1 Scottish Government's Parental Employment Support Fund.

8.2 Covid Impacts Edinburgh and South East Scotland.

8.3 Scottish Government's No-one Left Behind policy.

8.4 Every Child, Every Chance tackling child poverty delivery plan.

9. Appendices

9.1 None.

This page is intentionally left blank

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Economic Wellbeing Measures

Executive/routine
Wards
Council Commitments

1. Recommendations

It is recommended that the Housing, Homelessness and Fair Work Committee

1.1 Note the work underway to review best practice in measuring economic wellbeing, and that a report on plans for renewal of the Edinburgh Economy Strategy and related monitoring framework will be considered by the Policy and Sustainability Committee in December 2020.

1.2 Note that work currently underway has included engagement with members of the Wellbeing Economy Alliance, and review of approaches underway and in place in other local authorities.

1.3 Agree that process for renewal of the strategy and monitoring framework will be carried out following further engagement with members of the Housing, Homelessness and Fair Work Committee.

Paul Lawrence

Executive Director of Place

Contact: Chris Adams, Strategy Manager

E-mail: chris.adams@edinburgh.gov.uk | Tel: 0131 529 6258

Report

Economic Wellbeing Measures

2. Executive Summary

2.1 This paper reports on actions underway to identify ways in which wellbeing measures can be incorporated into the Edinburgh Economy Strategy and strengthen the economic aims of the Council.

2.2 The report notes that a further report on current progress on Council actions to ensure sustainable economic recovery, and renewal of the Edinburgh Economy Strategy in response to the current Covid-19 outbreak and related economic recession will be considered by the Policy and Sustainability Committee in December 2020.

3. Background

3.1 In June 2018 the City of Edinburgh Council approved the Edinburgh Economy Strategy and a programme of work to enable good growth for Edinburgh's economy. The strategy set out a focus on work to promote inclusion and innovation in Edinburgh's economy, and an approach to delivery built around collaboration between anchor institutions in the city.

3.2 As a part of the strategy programme, the Council committed to publishing an annual review of progress towards delivery of the strategy, including analysis of data and trends against each of the 13 progress indicators included in the Good Growth Monitoring Framework developed as a part of the strategy. The first such annual report on progress was discussed by committee in June 2019.

3.3 Following the 2019 annual progress report committee agreed a Green Party motion called on officers to identify ways in which wellbeing measures can be incorporated into the strategy and strengthen the economic aims of this Council, and to make recommendations to the relevant executive committees.

3.4 A report on actions made in response to this motion were planned to be included in the annual review of progress towards delivery of the Council Economy Strategy for 2019/20. As a result of changes to political management arrangements made during the Covid-19 outbreak production of this report has been delayed from June 2020 to December 2020.

4. Main report

Edinburgh Economy Strategy – Good Growth Monitoring Framework

4.1 The Edinburgh Economy Strategy agreed by Council in June 2018 incorporated a Good Growth Monitoring Framework structured around 13 measures tracking progress against varying dimensions of Good Growth, including changes in:

4.1.1 Child poverty rates

4.1.2 Employment and unemployment

4.1.3 Earnings from employment, including the gender related earnings gap

4.1.4 Economic participation, including gender gaps in participation

4.1.5 The proportion of workers in high skilled jobs, and labour market skills polarisation

4.1.6 Labour productivity, as measured by GVA per capita

4.1.7 Perceptions of job and financial security of Edinburgh residents, and

4.1.8 Carbon emissions per capita.

4.2 In doing so, the framework aimed to build on available good practice at the time of publication in development of measurement frameworks to monitor good growth objectives, drawing on examples such as the Scottish Government Inclusive Growth Toolkit, the Joseph Rowntree Inclusive Growth Monitoring toolkit, and the PWC Good Growth for Cities Index.

4.3 In September 2020 the framework was itself recognised as an example of good practice in an Improvement Service elected member's briefing on Community Wealth Building and people-centred approaches to economic development.

Economic Wellbeing

4.4 Since development of the strategy and the Good Growth Monitoring Framework, the wider context within which the strategy is being implemented has evolved considerably.

4.5 In October 2019 the Finance and Resources Committee approved the adoption of policies to address poverty, sustainability, and wellbeing as the core priorities which will provide a focus for development of the Council's budget for 2020-23. More recently, the onset of the Covid-19 outbreak and resulting economic recession have resulted in widespread debate around economic policies to promote wellbeing, sustainability and resilience in individuals and communities across cities like Edinburgh.

4.6 Both these factors suggest a need to review the monitoring framework used to track the city's progress towards its economic objectives, and to renew the focus of the economy strategy in line with policy developments and changes in the wider city economic context.

4.7 To date, early analysis has been carried out by officers to establish current best practice in monitoring economic wellbeing, including analysis of the Scottish

National Performance Framework, the UN Sustainable Development Goals, and other approaches such as those proposed by the Doughnut Economics Action Lab. In doing so, early officer engagement has included discussion with Dr Katherine Trebeck, of the Wellbeing Economy Alliance, and review of approaches currently being taken by officers in other Local Authorities, including the Community Wealth Building approaches taken by colleagues in North Ayrshire.

5. Next Steps

5.1 In line with the development of the Council Adaptation and Renewal Programme, a report on progress in delivery of Council actions to ensure a sustainable economic recovery, and plans for renewal of the Council Economy Strategy in response to the Covid-19 outbreak and resulting recession will be considered by the Policy and Sustainability Committee in December 2020.

5.2 This report will incorporate actions and recommendations to review the Good Growth Monitoring Framework and, in line with the motion noted above, incorporate further measures of wellbeing to support the economic aims of the Council.

5.3 In order to ensure alignment of the renewed strategy and monitoring framework with policy objectives under the remit of the Housing, Homelessness and Fair Work Committee, it is proposed that development of the renewed framework will include engagement with elected members of this Committee.

6. Financial impact

6.1 Actions in this report can be taken forward within existing agreed budgets. Any additional impacts arising will be considered as part of future reports to Policy ad Sustainability Committee.

7. Stakeholder/Community Impact

7.1 Details of stakeholder and community engagement in delivery of a renewed economy strategy will be considered as part of future reports to Policy ad Sustainability Committee.

8. Background reading/external references

8.1 Housing and Economy Committee, June 2018

8.2 Housing and Economy Committee, June 2019

9. Appendices

None

This page is intentionally left blank

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Town Centre Fund – additional allocations

Executive/routine	Executive
Wards	All
Council Commitments	[1, 2, 10, 50]

1. Recommendations

1.1 It is recommended that Committee agrees:

1.1.1 the allocation of the additional £0.954m of the additional Town Centre Fund money,

1.1.2 the reallocation of £0.500m from the South Queensferry public realm project;

1.1.3 to select projects from the shortlist in Appendix 1 and distribute the £1.454m of funding now available amongst the selected projects; and

1.1.4 that if it becomes apparent that any projects will not be able to achieve the funding timescales set out in 3.1, funding shall be reallocated by the Executive Director of Place in consultation with the Convener and Vice Convener of Housing, Homelessness and Fair Work Committee.

Paul Lawrence

Executive Director of Place

Contact: David Cooper, Service Manager, Commercial Development & Investment

E-mail: david.cooper@edinburgh.gov.uk | Tel: 0131 529 6233

Report

Town Centre Fund – additional allocations

2. Executive Summary

2.1 This report seeks agreement from members on how an additional £0.954m of Town Centre Fund money is allocated and reallocation of £0.500m from the South Queensferry public realm project. This gives a total of £1.354m to be allocated across suitable projects as identified in this report.

3. Background

3.1 In December 2018, the Scottish Government announced the creation of a £50m Town Centre Fund. In February 2019, each local authority in Scotland was awarded a share of the Fund as capital funding; the City of Edinburgh Council was awarded £2.613m. The money must be contractually committed by 31 March 2021 and spent by 30 September 2021.

3.2 The purpose of the Fund as stated by the Scottish Government is "*to drive local economic activity and to stimulate and support place based economic improvements to town centres and to invest in inclusive growth which supports town centres to become more diverse and sustainable, creating footfall through local improvements and partnerships which encourage town centres to become more vibrant, creative, enterprising and accessible places for their communities*."

3.3 On 6 June 2019, the Housing and Economy Committee agreed the following allocations of the Council's Town Centre Fund money (which totalled £2.613m):

- Granton Station – £1.013m;
- Pennywell Culture and Learning Hub – £0.200m;
- South Queensferry public realm – £1.000m; and
- Westside Plaza phase two – £0.400m.

3.4 On 20 January 2020, the Housing, Homelessness, and Fair Committee agreed a strategic statement for investment in town centres and local centres in Edinburgh. The statement reads: "*The Council will direct investment in Edinburgh's town centres and local centres to projects that strengthen and reinforce their roles as set* *out in the Edinburgh Local Development Plan; contribute to inclusive growth; and enhance their resilience and sustainability in the face of change*."

3.5 On 20 January 2020, the Housing, Homelessness, and Fair Committee also instructed officers to prepare a schedule of key projects for each town and local centre in Edinburgh. The purpose of the schedule is to inform investment in each town and local centre by and allow decisions about the allocation of windfall funding such as the Town Centre Fund to be taken in a structured fashion.

3.6 On 11 June 2020, the Policy and Sustainability Committee agreed modifications to the Town Centre Fund allocations but not exceeding the total allocation of £2.613m. The revised allocations were as follows:

- Granton Station – £1.013m;
- Pennywell Culture and Learning Hub – £0.075m;
- South Queensferry public realm – £1.075m; and
- Westside Plaza phase two – £0.450m.

3.7 Also, on 11 June 2020, the Policy and Sustainability Committee agreed that seven projects be put forward for the Scottish Government's Regeneration Capital Grant Fund (RCGF): Corstorphine Community Centre; Granton Gasholder: Granton Station; Leith Theatre Nourishing Leith Hub; Stanley Street Studios; and Upmo Performing Arts Hub. Of the seven projects, two were successful at stage one: Granton Station and Nourishing Leith Hub. The Council should receive a final decision on whether these two projects have been successful at stage two in early 2021.

4. Main report

Current Allocations Update

4.1 A short update on the four projects allocated money in the previous funding round is provided below:

4.1.1 Granton Station – The Granton Station refurbishment is progressing well with applications for planning permission and building warrants having been made. It is hoped that main work will commence on site in Q4 2020. As set out above, an application has been made to the RCGF for support with the further works required to the building. The cost of the next phase of works is approximately £1.636m, not including potential enhanced public realm works which would cost a further £0.850m.

4.1.2 Pennywell Culture and Learning Hub – Since 11 June 2020, significant progress has been made with North Edinburgh Arts (NEA) working in partnership with the Council to deliver a community and neighbourhood hub at Pennywell, which promotes culture, learning, work, employment skills and wellbeing for the north of the city. The combined project will include a new early years centre, library, café, art space, skills and employability provision as well as new affordable homes. This will be contained across a new purpose-built hub that will join seamlessly onto the existing NEA providing an invaluable opportunity to share space, facilities and resources in a way that provides the best offering to the community. The successful application for a Community Asset Transfer to NEA and agreed approach to design and delivery of the project between the Council and NEA provides certainty over the delivery route and timeframe. An outline design for the building has been agreed with a detailed planning application due to be submitted before the end of the year. The demolition of the existing buildings will take place in spring 2021 followed by construction in the autumn. An additional £0.125m is being sought from the Town Centre Fund (i.e. raising the Town Centre Fund allocation back to the original allocation of £0.200m).

4.1.3 South Queensferry Public Realm – Tenders were sought for carrying out the construction of the agreed scheme but there was limited contractor interest and the decision was made to re-tender. In the intervening period the Covid-19 pandemic prompted the local community to review the plans and have advised that they believe the currently designed scheme would benefit from revisions. It is likely that revisiting the design will make achieving the 31 March 2021 and 30 September 2021 deadlines unlikely, but this is judged to be the right thing to do in the circumstances. Officers wrote to the Scottish Government to enquire whether the deadline could be extended given the specific circumstances however they have advised that the deadline cannot be extended and have advised on reallocation to another Council project to ensure the money is not clawed-back. As result £0.500m which is unable to be spent in the relevant timescales has been released for reallocation. The remaining £0.575m will be still be spent in the period on civil engineering improvements that are required in any case. This will also assist in the delivery of the full project once the design has been revisited.

4.1.4 Westside Plaza – Works commenced on site in August 2020 and the first two phases are scheduled to be complete in March 2021. There is an ambition to fully complete the project by including the area to the west of Murrayburn House (Phase three of the original design); this would cost an estimated additional £0.300m.

Additional Town Centre Fund money

4.2 On 10 September 2020, the Scottish Government announced that local authorities would receive additional Town Centre Fund money. The Council received £0.954m, bringing its overall allocation across the two rounds to £3.567m. The grant offer letter is provided in Appendix 2 to this report.

4.3 The grant offer letter states: "*the aim of this additional £18 million fund is to stimulate local construction activity and support employment across Scotland, and local authorities should ensure this is prioritised in investment decisions. Local authorities should also make investment decisions in the context of national and local commitments to town centres including the Town Centre First Principle and the Town Centre Action Plan; and more recently, the Place Principle.*"

4.4 The context has changed significantly since the decision on projects was taken in June 2019 due to the Covid-19 pandemic, which has pushed the economy into recession and greatly depressed visitor numbers. Given this, a key consideration is how the funds can best be used to stimulate economic resilience/recovery.

4.5 As with the original money, this money must be contractually committed by 31 March 2021 and spent by 30 September 2021. Given this timeframe, it is imperative that a decision is taken timeously on how the money is to be used. The Council is required to provide a grant return setting out how the money will be spent by 30 November 2020; money that cannot be spent will be clawed back. As set out above, there is no prospect of extending the deadlines.

4.6 Officers attended a briefing by the Scottish Government on the additional funding on 2 October 2020. The Scottish Government emphasised that the funds should be spent quickly to stimulate economic recovery.

Potential projects for funding

4.7 Officers sent an email to all Councillors on 2 September 2020 as part of an exercise to build a schedule of the highest priority projects in each of Edinburgh's town and local centres as a tool to assist with allocating funding as and when it becomes available. This is an ongoing process with further consultation required and more work needed to add detail to the schedule. While the schedule is not yet complete, it has been drawn upon to help develop a long-list of potential projects.

4.8 An assessment of longlisted projects was carried out firstly to establish whether there is a reasonable prospect of it being able to proceed within the timescales set by the Scottish Government. Projects where there was no cost estimate available were discounted, as were projects where the costs significantly exceeded the available funding and/or the programme for delivery was known to be beyond the funding deadline. This resulted in a shortlist of projects which is set out in Appendix 1.

4.9 Members are asked to agree the projects from the shortlist to be supported, with the £1.454m now available, having regard to the Strategic Statement and its stated criteria. Regard should also be had to the transformative ability of projects to ensure that new or improved facilities and services are provided. It is the view of officers that all of these projects meet the terms of criteria set although consideration of where this money is best spent is a matter of judgement for elected members.

5. Next Steps

5.1 Once the allocation of the additional £0.954m and the reallocation of the £0.500m have been agreed, officers will work with the appropriate parties to ensure the money is fully committed and spent by the respective deadlines.

6. Financial impact

6.1 The Council has been awarded £0.954m of additional capital funding from the Scottish Government, ring-fenced for investments in town centres, bringing its total allocation up to £3.567m. This money must all be committed by 31 March 2021 and spent by 30 September 2021 or it will be clawed back.

7. Stakeholder/Community Impact

7.1 Consultation on the schedule of key projects with ward councillors has been carried out. Further consultation with community councils is underway.

8. Background reading/external references

8.1 "Town Centre Fund - Allocations Report" – report to the Housing and Economy Committee, 6 June 2019

8.2 "Investment in Town Centres – Strategic Statement" – report to the Housing, Homelessness and Fair Work Committee, 20 January 2020

8.3 "Scottish Government Town Centre Fund Update and Regeneration Capital Grant Fund Applications" – report to the Policy and Sustainability Committee, 11 June 2020

9. Appendices

9.1 Appendix 1 – Summaries of shortlisted projects.

9.2 Appendix 2 – Grant offer letter.

Appendix 1 – Summaries of shortlisted projects

Bruntsfield St. Oswald's The community-led conversion of St. Oswald's Church and Hall in Bruntsfield into a space for community, art, and sports activities. The building was the subject of a community asset transfer in August 2020. **FUNDING REQUEST: £0.550m**	
Corstorphine Community Centre A rebuild and expansion of the former Corstorphine Public Hall which was largely destroyed by fire in 2013. A community-led SCIO has been established to take forward the project to provide an inclusive community focal point for Greater Corstorphine. The majority of the budget has been secured. **FUNDING REQUEST: £0.750m**	
Craigmillar town centre £0.170m would enable a gap site in the heart of the Craigmillar regeneration area to be utilised as a container-park style market place, turning a derelict site into a hub for the local community and providing spaces for new and existing businesses. **FUNDING REQUEST: £0.170m**	
Gracemount public realm £0.100m of enhancements to public realm at Gracemount local centre including replacing shrubs with trees and upgrading street furniture and bike racks. **FUNDING REQUEST: £0.100m**	
Granton Station The conversion of the B-listed former rail station into an enterprise hub. An initial phase of restoration works is underway. £0.850m would allow an enhanced public realm to be delivered outwith the building, creating a new 1,000 sqm public space for community events such as street markets and pop-up exhibitions. The historic station platforms would be turned into linear parks for community gardening, meetings, and socialising. **FUNDING REQUEST: £0.850m**	

Pennywell Hub

In conjunction with North Edinburgh Arts, delivering a new community and neighbourhood hub in Pennywell promoting culture, learning, work, employment skills and wellbeing for the north of the city. Funding would enable designs to be progressed to facilitate the delivery of the hub.

FUNDING REQUEST: UP TO £0.125m

Pentlands Community Space

A community-led project to convert a former public convenience in Juniper Green into a new community hub for uses such as provision for after school clubs, dementia groups, lonely older people, and young families, along with an affordable home. £0.150m would leave this project fully funded.

FUNDING REQUEST: £0.150m

Wayfinding phase three

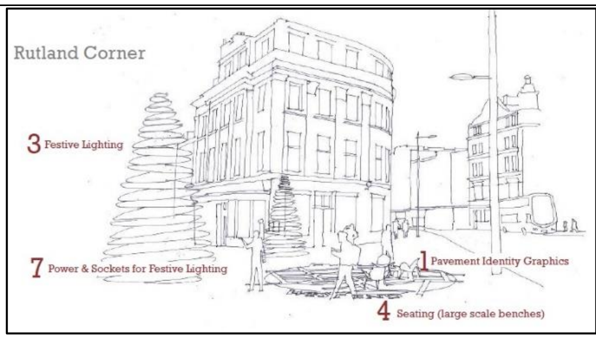
The Wayfinding project aims to install a network of totems throughout Edinburgh to assist with navigation. Each totem costs approximately £0.008m; £0.500m would enable the delivery of circa 63 totems in the city centre and other locations such as Leith, Stockbridge, Duddingston, Cramond and Morningside.

FUNDING REQUEST: UP TO £0.500m

West End Placemaking

The West End Placemaking project is a comprehensive package of improvements to the public realm of Edinburgh's West End. £0.150m would allow for works including pavement etchings, feature lighting, wayfinding totem poles, cycle stands, benches, and soft landscaping.

FUNDING REQUEST: £0.150m



Westside Plaza Phase 3

Building on the regeneration of Westside Plaza already underway, a further £0.300m would enable the land to the west of Murrayburn House to also be regenerated, creating high quality new public realm.

FUNDING REQUEST: £0.300m

Appendix 2 - Grant offer letter

Housing and Social Justice Directorate
Social Justice and Regeneration Division

Scottish Government
Riaghaltas na h-Alba
gov.scot

E: paul.tyrer@gov.scot

By e-mail
To: Local Authority Directors of Finance
c/c: Chief Executives of Scottish Local Authorities
Directors of Economic Development and Regeneration

18 September 2020

Dear Director of Finance

TOWN CENTRE FUND - CAPITAL GRANT 2020-2021

1. The Scottish Ministers, in exercise of their powers under legislation detailed in Schedule 1 of this Offer Letter, hereby offer to local authorities ("the Grantees") grant totalling £18 million STERLING (with individual allocations as per Schedule 2), payable in the financial year 2020-21, to finance capital investment, subject to the terms and conditions set out below at paragraph 2 onwards.

Definitions and Interpretation

2. In these Conditions, the words and expressions set out in Schedule 3 shall have the meanings ascribed to them in that Schedule.

3. In these Conditions, unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders.

4. The headings in these Conditions are for convenience only and shall not be read as forming part of the Conditions or taken into account in their interpretation.

5. Except as otherwise provided for in these Conditions, any reference to a clause, paragraph, sub-paragraph or schedule shall be a reference to a clause, paragraph, sub-paragraph or schedule of these Conditions.

Purpose of the Grant

6. The Scottish Government is delivering £30 million capital into regeneration in 2020-21 as part of the £230 million economic recovery stimulus package, particularly aimed at supporting construction activity across Scotland. The Scottish Government agreed with COSLA and local authority Leaders that £18 million will be provided to local authorities through the Town Centre Fund. **Funding allocations are in Schedule 2**.

Conditions of the Grant

7. **<u>All grant expenditure must be complete by 31 March 2021</u>**. Expenditure is defined as *"It is expected that work will be completed; or, at least work or contracts signed or commenced within 2020/21"*.

8. The grant is for capital expenditure which is additional to that which is already or would otherwise be allocated to the 2020-21 budget, and should not substitute for existing spend.

9. Decisions on use of funding will reside with the grantee. However, the aim of this additional £18 million fund is to stimulate local construction activity and support employment across Scotland, and local authorities should ensure this is prioritised in investment decisions. Local authorities should also make investment decisions in the context of national and local commitments to town centres including the Town Centre First Principle and the Town Centre Action Plan; and more recently, the Place Principle.

10. The Grant may also be used to fund third party capital expenditure in the current year, either directly or through the provision of grants to third parties (public sector bodies, private sector bodies or individuals) which would, if incurred by the local authority, be capital expenditure. Limitations apply and these are detailed in Schedule 1.

11. There is an assumption that the Grant will be applied to finance local authority capital programmes before the application of any other capital or revenue resources such as capital receipts or borrowing.

12. Should any grant be used to fund third party capital expenditure and that third party is another local authority or a public body the grant must be used by that third party in the financial year 2020-21. Should the grant be made to a local authority controlled company or other body that will be consolidated into the council's group accounts the grant must be used by that body in the financial year 2020-21.

13. For the avoidance of doubt no part of the grant may be transferred to the Capital Fund, nor may any part of the grant be used to meet the costs of debt redemption.

14. No part of the grant may be used to fund any 'capital' injection into a Public Private Partnership (PPP) or similar scheme without the written consent of Scottish Ministers.

15. Where the local authority provides grant to any person, whether for use by that person or by a third party, the conditions attaching to the grant award must ensure that the expenditure it funds would, if incurred by the authority, be capital expenditure. The grant conditions must also ensure that the eligible costs exclude reclaimable Value Added Tax. Where the grant is to another local authority or public body, or a body that is consolidated into a local authority group accounts, the conditions attaching to that grant award must ensure the grant is fully used in the financial year 2020/21.

16. Any grant paid to a third party subsequently repaid to the local authority, may only be used to fund further capital investment as permitted by this agreement. This condition only applies where the grant is repaid within five years of the original grant payment.

17. If the Grantee does not use the grant in the financial year 2020-21, unused grant is to be repaid to the Scottish Government unless otherwise agreed in writing by Scottish Ministers.

18. No part of the Grant shall be used to fund any activity or material which is party political in intention, use, or presentation or appears to be designed to affect support for a political party.

19. Revisions to the conditions of this offer shall be subject to the written agreement of the Scottish Ministers.

Conditions of grant – reporting of 2020-21 expenditure

20. The Grantee shall keep the Scottish Ministers informed of the use of their grant through the submission of:
    - **a grant return by Monday 30 November 2020**. If local authorities believe that they cannot spend all of their available funds this financial year, it would be helpful to have early notice of that by end of November to allow funds to be reallocated to other projects which can be delivered in that timescale.
    - **an end of year report in April 2021** which details financial expenditure; shows how this was additional to existing spend*;* profiles delivery; and, outlines anticipated impact and outcomes and how these will be measured.
    - **an evaluation in autumn 2021 capturing project completions**.

    The Scottish Government will issue templates for all of these returns. It is expected that the grantee will notify the Scottish Ministers as soon as possible if an underspend is anticipated.

21. A statement of compliance with the Conditions of Grant will be included in the Final Capital Return 2020/21 which must be certified by the grantee's Director of Finance or equivalent.

22. The Grantee shall also provide any other information that the Scottish Ministers may reasonably require to satisfy themselves that the expenditure is consistent with the Agreement. The Grantee shall provide the Scottish Ministers with prompt access to any information they reasonably require to ensure compliance with these Conditions.

23. The Grantee shall keep and maintain for a minimum period of 5 years after the expenditure occurs, adequate and proper records and books of account recording all receipts and expenditure of monies paid to it by the Scottish Ministers by way of the Grant. The Grantee shall afford the Scottish Ministers, their representatives, the Auditor General for Scotland, his/her representatives and such other persons as the Scottish Ministers may reasonably specify from time to time, such access to those records and books of account as may be required by them at any reasonable time in response to a written request for such access from the person seeking it. The Grantee shall provide such reasonable assistance and explanation as the person carrying out the inspection may from time to time require.

24. Where the grantee uses the Town Centre Fund Capital Grant to fund third party capital projects the grant should be treated, for annual accounts purposes, as service revenue income in the Comprehensive Income & Expenditure Statement (CIES). This will therefore require that General Capital Grant used to support third party capital expenditure be matched, on the same CIES service line, to the grant paid out or direct expenditure paid by the authority.

Payment of Grant

25. The Grant shall be paid by the Scottish Ministers to local authorities on the return of grant acceptance.

Confidentiality and Data Protection

26. To comply with section 31(3) of the Public Services Reform (Scotland) Act 2010, the Scottish Ministers publish an annual statement of all payments over £25,000. In addition, in line with openness and transparency, the Scottish Government publishes a monthly report of all payments over £25,000. The Grantee should note that where a payment is made in excess of £25,000 there will be disclosure (in the form of the name of the payee, the date of the payment, the subject matter and the amount of grant) in the both the monthly report and the annual Public Services Reform (Scotland) Act 2010 statement.

Default

27. The Scottish Ministers reserve the right to withhold, make deduction from or require repayment of grant monies where the conditions included in this Agreement are not met.

Variation

28. Any variation to this Agreement will only be valid when confirmed in writing by the Scottish Ministers.

Corrupt Gifts and Payments of Commission

29. The Grantee shall not offer or give or agree to give any person any gift or consideration of any kind as an inducement or reward in relation to this Grant. The Grantee shall ensure that its employees shall not breach the terms of the Prevention of Corruption Acts, 1889 to 1916 in relation to this or any other grant.

Continuation of Conditions

30. These Conditions shall continue to apply for a period of 5 years after the end of the financial year in which the final instalment of the Grant was paid.

Compliance with the Law

31. The Grantee shall ensure that in relation to expenditure funded with this Grant, they and anyone acting on their behalf shall comply with the relevant law, for the time being in force in Scotland.

Acceptance of grant

32. To accept the grant offer on the terms and conditions as set out in the letter and schedules, we require a letter from the Council signed by the Director of Finance (or equivalent). The letter must identify the grant being accepted on the terms and conditions set out in this grant offer letter. A suggested format is set out below. Please send your acceptance letter to Alex McGhie (alex.mcghie@gov.scot), electronically as an attachment to an email. This should arrive **no later than Wed 30 September**.

33. If you would like any further information, please contact Iain Murray, Regeneration Policy Officer at iain.murray@gov.scot

Paul Tyrer
Deputy Director

To be returned on Council headed paper

Date

TOWN CENTRE FUND CAPITAL GRANT 2020/21 - GRANT ACCEPTANCE

On behalf of [local authority] I accept the offer of grant from the Scottish Ministers dated 18 September 2020 on the terms and conditions as set out in the letter and annexed Schedules.

Signature:

Director of Finance (or equivalent)
[name]

SCHEDULE 1

1. The Grant may only be used to fund capital expenditure of the local authority, or any third party capital expenditure incurred, whether or not disbursed in the form of grants, by any persons (public sector bodies, private sector bodies or individuals) towards expenditure which would, if incurred by the local authority, be capital expenditure. In permitting the grant to be used to fund third party capital expenditure reliance is placed on specific legislation. As such the use of the grant to fund third party capital expenditure is limited to the subject of the specific legislation listed below. Local authorities should assure themselves that any grant payments that they may make to any person would be permitted by the legislation listed below.

2. Nothing in the legislation should be interpreted as enabling the grant to be used for any revenue expenditure other than that outlined in condition 2.3.

GRANT MAKING POWERS OF SCOTTISH MINISTERS – LEGISLATIVE DETAILS	
Condition 2.2: The Grant may be used to fund capital expenditure of the local authority	
Section 37 of the Local Government in Scotland Act 2003	Scottish Ministers may make grants to local authorities in respect of their capital expenditure. Capital expenditure is that expenditure that falls to be capitalised in accordance with proper accounting practices (section 39 of the Act)
Condition 2.3: The Grant may be used to fund third party capital expenditure, either directly or through the provision of grants to third parties (public sector bodies, private sector bodies or individuals) which would, if incurred by the local authority, be capital expenditure. Grant making powers are as detailed below:	
Section 37 of the Local Government in Scotland Act 2003	Scottish Ministers may make grants to local authorities in respect of their capital expenditure. Reliance is placed on this section to allow Councils to make grants to other Councils or other local authorities such as Regional Transport Partnerships.
Section 13 of The Flood Prevention (Scotland) Act 1961	Expenditure incurred by a local authority in carrying out flood prevention operations in accordance with a flood prevention scheme. Flood Prevention Schemes are those which have been promoted by the authority and confirmed by Scottish Ministers in accordance with legislation
Section 21 of the Coast Protection Act 1949	Scottish Ministers may make grants towards any expenditure incurred under this Act by a coast protection authority, or incurred by a local authority in carrying out of coast protection work under the enactments relating to roads.
Section 70 of the Transport (Scotland) Act 2001	Scottish Ministers may make grants to any persons for any purposes relating to transport. Reliance is placed on this section to allow unitary authorities (councils) to make grants to regional transport partnerships or bridge authorities.

Section 126 of the Housing Grants, Construction and Regeneration Act 1996	Expenditure incurred in connection with activities which contribute to the regeneration or development of an area. Extract from Act provision: Activities which contribute to the regeneration or development of an area include, in particular— (a) securing that land and buildings are brought into effective use; (b) contributing to, or encouraging, economic development; (c) creating an attractive and safe environment; (d) preventing crime or reducing the fear of crime; (e) providing or improving housing or social and recreational facilities, for the purpose of encouraging people to live or work in the area or of benefiting people who live there; (f) providing employment for local people; (g) providing or improving training, educational facilities or health services for local people; (h) assisting local people to make use of opportunities for education, training or employment; (i) benefiting local people who have special needs because of disability or because of their sex or the racial group to which they belong.
Section 90 (1) (a) of the Housing Scotland Act 2001	Grants for housing purposes (1) The Scottish Ministers may make grants to a local authority for the purposes of— (a) the authority’s functions in connection with— (i) providing, improving, adapting, repairing, maintaining and managing housing, (ii) undertaking, and assisting the undertaking of, the development, redevelopment and improvement of the physical, social, economic and recreational environment related to housing, (iii) preventing or alleviating homelessness,
Section 96 of the Housing (Scotland) Act 2006	Any power of a local authority to make grants or loans (including the powers to make payments under section 91(1) and to provide assistance under section 95(1)(b)), and any function of a local authority in relation to the making of grants or loans, under this Part is exercisable by the Scottish Ministers as it is by the local authority.
Section 153 (1) and (3) of the Environmental Protection Act 1990 as amended by SSI 83 of 2002	Scottish Ministers may give financial assistance for environmental purposes. Section 153 (1) includes: (nn) any scheme for the storage, treatment or disposal of any material or product for the purpose of preventing or reducing environmental damage.

SCHEDULE 2

DISTRIBUTION OF TOWN CENTRE FUND CAPITAL GRANT 2020/21

The Town Centre Fund Grant offer per local authority is set out below:

Local Authority	Allocation	
Aberdeen City	£	484,000
Aberdeenshire	£	1,179,000
Angus	£	387,000
Argyll and Bute	£	444,000
City of Edinburgh	£	954,000
Clackmannanshire	£	245,000
Dumfries and Galloway	£	548,000
Dundee City	£	264,000
East Ayrshire	£	611,000
East Dunbartonshire	£	339,000
East Lothian	£	462,000
East Renfrewshire	£	353,000
Falkirk	£	711,000
Fife	£	1,560,000
Glasgow City	£	1,096,000
Highland	£	1,066,000
Inverclyde	£	235,000
Midlothian	£	331,000
Moray	£	443,000
Na h-Eileanan Siar	£	80,000
North Ayrshire	£	507,000
North Lanarkshire	£	1,168,000
Orkney Islands	£	72,000
Perth and Kinross	£	714,000
Renfrewshire	£	527,000
Scottish Borders	£	511,000
Shetland Islands	£	73,000
South Ayrshire	£	382,000
South Lanarkshire	£	902,000
Stirling	£	387,000
West Dunbartonshire	£	307,000
West Lothian	£	658,000
Scotland	**£**	**18,000,000**

This follows the same TCF allocation methodology as agreed between Ministers and Council Leaders in March 2019: Based on an equal weighting of the number of towns in a local authority (determined by the NRS Settlements and Localities data, where a town is a locality with a population equal to or greater than 1,000 people) and the local authority population.

SCHEDULE 3

DEFINITIONS

“**Agreement**” means these Conditions and the Grantee’s acceptance of these Conditions;

“**Capital Expenditure**” means that expenditure on the Town Centre Fund

“**Conditions**” means these grant conditions;

“**Financial Year**” means a period from 1 April in one year until 31 March in the next;

“**Grant**” means the grant offered by the Scottish Ministers to the Grantee as specified in the Award Letter, as varied from time to time in accordance with these Conditions;

“**Grantee**” means the local authority to which the Grant will be payable as specified in Schedule 2.

“**Payment**” means each of the payments specified in Schedule 2 hereto.

“**Proper accounting practices**” is to be construed in accordance with section 12 of the Local Government in Scotland Act 2003

“**Third party in the public sector**” means another local authority or a local authority controlled company or other body that will be consolidated into the Grantee’s group accounts.

SCHEDULE 4

TOWN CENTRE CAPITAL FUND 2020-21 - GUIDANCE NOTE

Purpose

1. The purpose of this note is to provide local authorities as “grantees” guidance on the aims and allocation of the ring-fenced £18m Town Centre Fund for 2020-21, to be distributed through the local authority capital settlement.

Town Centre Fund 2020-21

2. On 16th June 2020, the Cabinet Secretary for Finance announced a £230 million Economic Recovery Stimulus Package to help invigorate Scotland’s economy. The package:
    - **bolsters the remaining pipeline of 2020-21 construction activity - to give additional support to the sector as re-start is now s underway;**
    - Accelerates digital transformation, and supports the most vulnerable groups to access digital services;
    - brings-forward an early boost to our ambition for a green economy; and
    - Supports promising, early stage growth companies through existing Tech-start and Scottish Investment Bank initiatives.

3. As part of this recovery package, the Cabinet Secretary for Communities & Local Government announced on 10 September 2020 that **£30m capital funding for regeneration** would be invested through two existing funding mechanisms, the Town Centre Fund and Regeneration Capital Grant Fund (RCGF). This aims to stimulate local construction activity across Scotland and support disadvantaged areas in the recovery.

4. Town Centre Fund and RCGF are delivered in partnership with COSLA and through local authorities as grantees. We duly engaged with COSLA and the Settlement & Distribution Group on plans for allocating funding this way, subsequently agreed by Council Leaders. The agreed approach involves £18m through Town Centre Fund in 2020-21, and £12m being invested through RCGF. **The Town Centre Fund local authority allocations are summarised in Schedule 2** and follow the same Town Centre Fund allocation methodology as agreed between Ministers and Council Leaders in 2019.

Wider expectations and support

5. The aim of this additional £18 million fund is to stimulate local construction activity and support employment across Scotland, and local authorities should ensure this is prioritised in investment decisions. **All grant expenditure must be complete by 31 March 2021**, therefore it is expected that local authorities will prioritise projects which are established and can progress in time to meet this deadline. Expenditure is defined as *“It is expected that work will be completed; or, at least work or contracts signed or commenced within 2020/21”.*

National and local commitments

6. COVID-19 has had a profound impact on the way that we work and has changed our perceptions of the communities around us. It has forced us to look local. That theme runs throughout our Programme for Government (PfG) 2020-21 with new commitments around **local supply chain development and 20 minute neighbourhoods** - where people can meet their needs within a 20 minute walk from their house – enabling people to live better, healthier lives and supporting our net zero ambitions. As part of the Work Local Challenge Programme we will work with partners on innovation and deployment of local work hubs and office space solutions to enhance workplace choices.

7. This is also the time to build on the progress we have been making **on Community Wealth Building**. This is a way of working that looks to reorganise our local economies to maximise local

opportunities and resilience – ensuring that local people and businesses have a genuine stake in producing, owning and enjoying the wealth they create.

8. We will develop a network of **Climate Action Towns** targeted at small towns with little historical involvement in climate action. This will support them to reduce what they use, recycle more, and cut their emissions and become carbon neutral, as part of our aim to ensure that Scotland's response to the global climate emergency is a truly national endeavour.

Town Centre Action Plan

9. The Town Centre Action Plan published in 2013 was the Scottish Government's response to the National Town Centre Review. It focused on national and local solutions, encouraging action across public, private and community sectors. The Scottish Government and local government subsequently agreed the **Town Centre First Principle (TCFP)** which requested that government, local authorities, the wider public sector, businesses and communities put the health of town centres at the heart of proportionate and best value decision making, The Scottish Government and COSLA agreed to adopt the **Place Principle** to help overcome organisational and sectoral boundaries, to encourage better collaboration and community involvement, and improve the impact of combined energy, resources and investment. The principle was developed by partners in the public and private sectors, the third sector and communities, to help them develop a clear vision for their place.

10. We are taking forward a **collaborative review of the progress and scope of the Town Centre Action Plan**. This will build on our UK leading town centre first approach which has shaped recent announcements by our counterparts elsewhere in the UK. The purpose of this review is to consider the impact and lessons from the TCAP, and the impact of COVID-19 on our town centres, as part of a wider package of national towns recovery and renewal work.

11. Empowered communities, localism and valuing the skills and assets of our communities have long been central to our approach to regeneration. The review provides an opportunity to amplify that by embracing the Place Principle and TCFP, promoting town centre living, building a future that takes account of our ambitions for a healthier, greener country, and with a focus on social renewal and equality through the Social Renewal Advisory Board.

Scotland's Towns Partnership

12. The Scottish Government funds Scotland's Towns Partnership to provide information, support and services which contribute to the vibrancy, vitality and viability of our town centres and neighbourhoods; and, to support the development of partnerships including Business Improvement Districts.

13. There are a range of tools and resources to support how partners can understand, audit, plan, and improve their town centres. It is expected that local authorities will use a range of tools and approaches to ensure investment decisions are based on an understanding of town centre performance and ownership; shared visions and plans with local communities, partnership and stakeholders fully engaged; and, identification of physical infrastructure changes that will contribute to maximisation of investments and achievement of those visions.

Tools and resources

- Understanding Scottish Places (USP): a unique and dynamic online tool which shows how every town in Scotland with a population of 1,000 or more is interacting with its surrounding settlements and performing against a range of indicators and inter/dependency relationships.
- USP Your Town Audit: add to USP a six-day study which provides the standard benchmark for measuring the health of a Scottish town.
- Place Standard: a framework designed to support communities, public, private and third sectors to work efficiently together to assess the quality of a place.
- Town Centre Toolkit: guidance on designing and planning town centres to be attractive,

accessible and active, focusing on urban design, quality, sustainability and use of town assets.

Support

14. Additional support is offered by Scotland’s Towns Partnership in partnership with other key organisations such as: Scottish Futures Trust; Scottish Enterprise, Highlands and Islands Enterprise, or South of Scotland Economic Partnership, and Architecture and Design Scotland to support the development of investment decisions or work with local authorities individually or across neighbouring or regional authorities, to build momentum, share learning, and to maximise funding.

15. Local authorities will have their own good practice in terms of monitoring and evaluating the benefits, impacts and outcomes of investment as part of relevant strategies and programmes; and, to ensure that they meet their duty to achieve Best Value. Additional support could also be offered to discuss how best to identify and collect data; assess impact; and, share formats that could contribute to consistent and wider learning.

This page is intentionally left blank

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

The EDI Group – update report

Executive/routine	Executive
Wards	All
Council Commitments	**1, 2, 10, 50**

1. Recommendations

1.1 It is recommended that Committee;

1.1.1 notes the report; and

1.1.2 refers the report to the Governance, Risk and Best Value Committee.

Paul Lawrence

Executive Director of Place

Contact: David Cooper, Commercial Development and Investment Senior Manager

E-mail: david.cooper@edinburgh.gov.uk | Tel: 0131 529 6233

Report

The EDI Group – update report

2. Executive Summary

2.1 This report updates members on the progress of the transition strategy for The EDI Group Limited which aims to close it and its subsidiary companies and bring their projects and assets into the Council.

3. Background

3.1 The EDI Group Limited ("EDI") is an arm's length company of the City of Edinburgh Council. On 7 February 2017 and 23 February 2017, the Economy Committee and the Finance and Resources Committee respectively agreed to close EDI and its subsidiaries and bring certain activities and assets in-house. On 2 November 2017, the Housing and Economy Committee agreed a transition strategy for the closure.

4. Main report

4.1 The transition strategy continues to be implemented. All ongoing projects are now being delivered by Council officers and most EDI assets have transferred to the Council or otherwise been disposed of.

4.2 The EDI Board, which as previously noted now comprises only elected members, continues to meet quarterly. A scheme of delegation has been agreed which enables minor and routine decisions to be taken by Council officers.

4.3 The programme in terms of projects transferring into the Council and estimated corporate closure dates is set out in Appendix 1. Appendix 2 provides updates on each project.

4.4 The audited consolidated financial statements for The EDI Group Limited for the year ended 31 December 2019 were approved by the EDI Board on 8 September 2020. The overall financial performance was a net profit of £1.96m (compared to a loss of £0.46m in 2018) and retained earnings of £2.4m (compared to £1.4m in 2017). This is in line with transition strategy assumptions. The independent auditor opined that the statements gave a true and fair view of the state of the company and were properly prepared in line with International Financial Reporting Standards and the requirements of the Companies Act 2006. The directors' report and consolidated financial statements (including the independent auditor's report) are attached as Appendix 3.

5. Next Steps

5.1 The company activities will continue through to full corporate closure and update reports will continue to be provided to the Committee.

6. Financial impact

6.1 The projected special dividend to the Council from closing EDI is currently £7.525m. This is a further reduction on the original figure of £8.5m, reflecting the loss sustained by EDI on the Market Street hotel development coupled with write-downs on property valuations associated with Covid-19.

7. Stakeholder/Community Impact

7.1 Consultation and engagement with local communities and delivery partners is ongoing as part of individual projects.

8. Background reading/external references

8.1 "The EDI Group Ltd – Transition Strategy" – report to the Housing and Economy Committee, 2 November 2017 (B agenda)

8.2 "The EDI Group – Update Report – report to the Housing and Economy Committee, 6 June 2019

9. Appendices

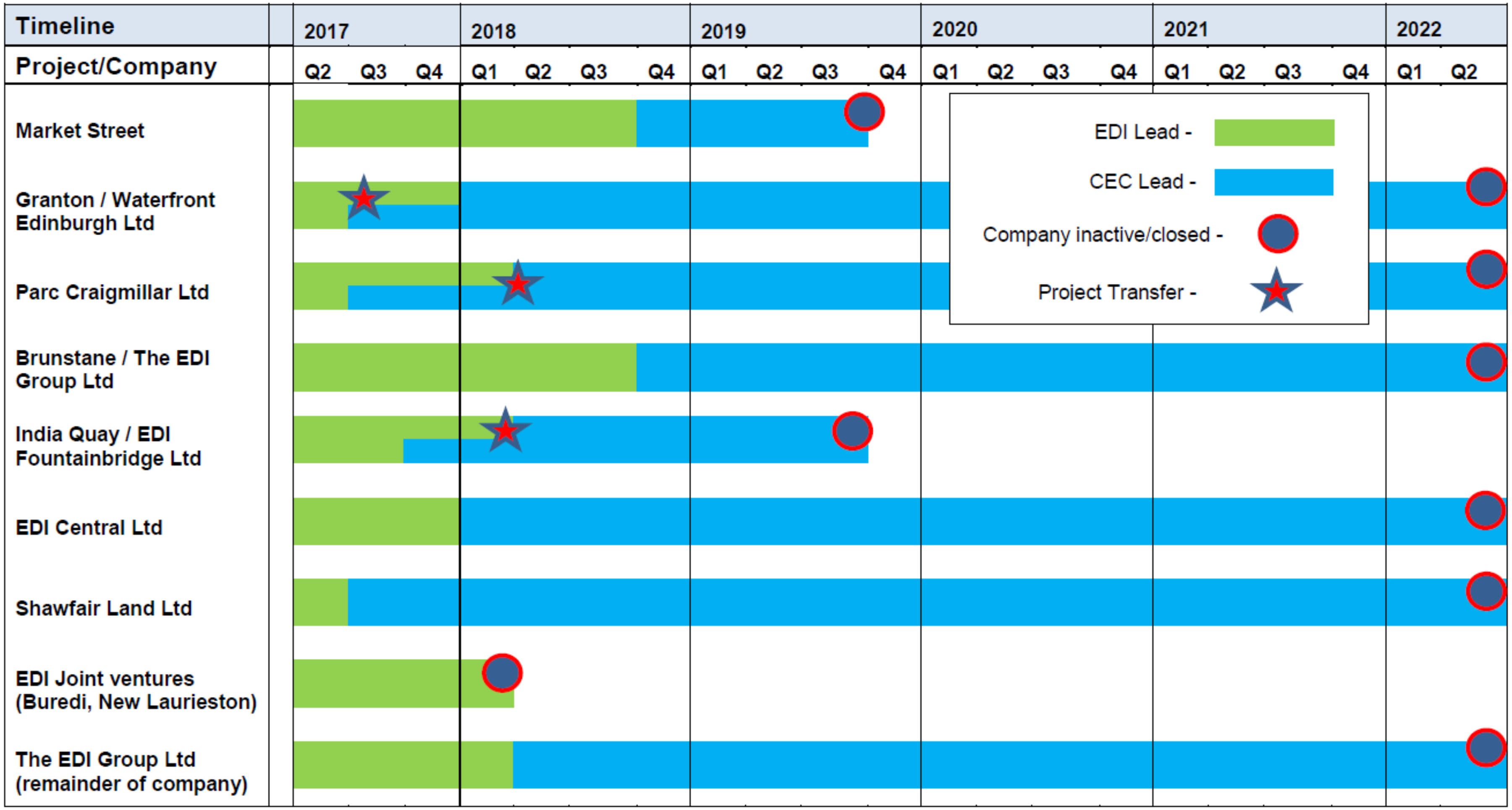
9.1 Appendix 1 – Original project timeline.

9.2 Appendix 2 – Updated project timeline.

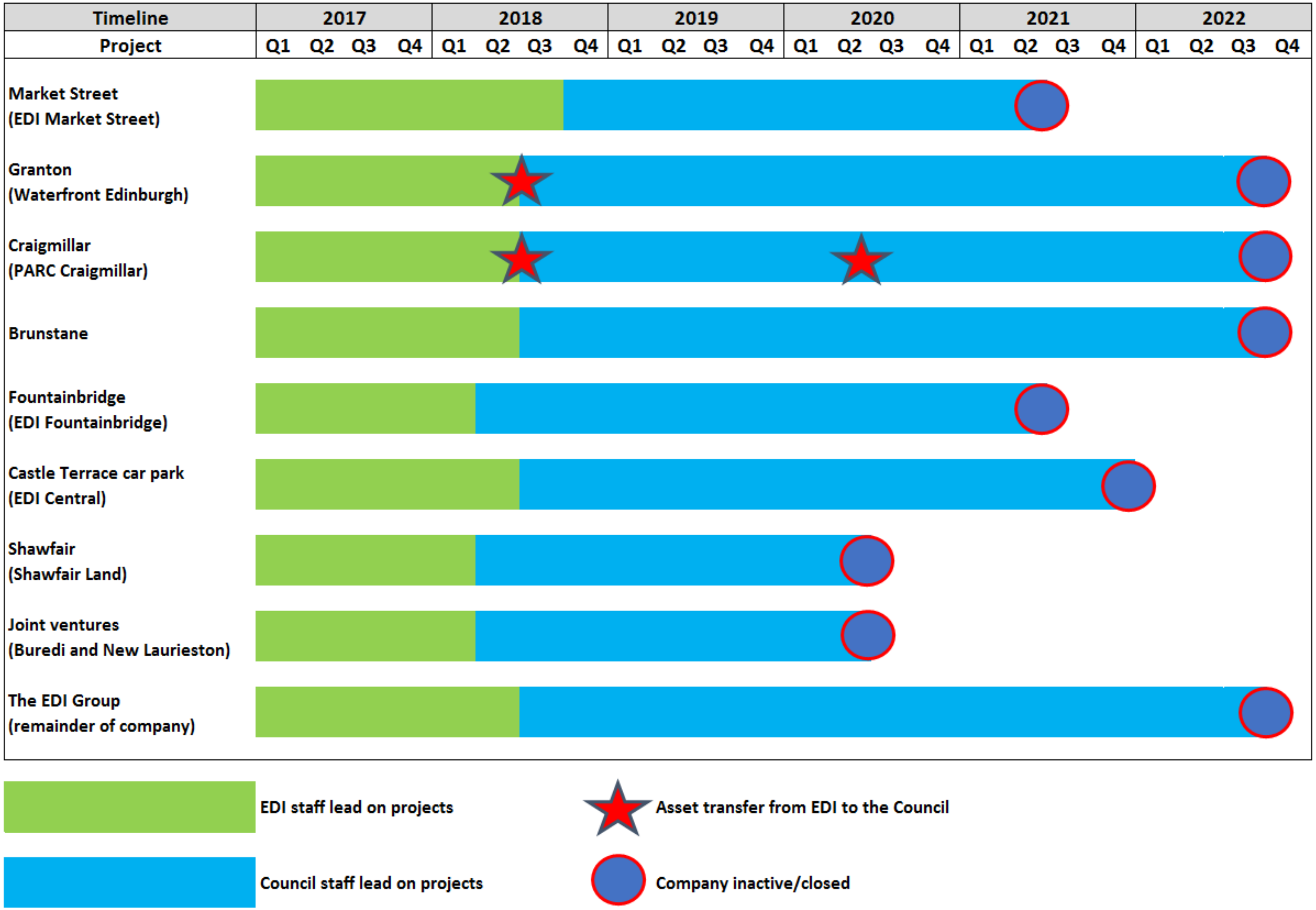
9.3 Appendix 3 – Project updates.

9.4 Appendix 4 – The EDI Group Limited: Directors' report and consolidated financial statements for the year ended 31 December 2019.

Appendix 1 – Original project timeline



Appendix 2 – Updated project timeline



Appendix 3 – Project updates

Please note RAG Status is in relation to performance against programme.

Market Street (EDI Market Street)	
Description Subsidiary company of EDI set up to take forward a hotel development on Market Street.	
Position as of November 2020 The Market Street hotel achieved practical completion in November 2018, nine months behind the originally envisaged completion date. Council officers acting on behalf of EDI have now settled financial claims with the client and the contractor. The dissolution of EDI Market Street remains scheduled for 2021.	
RAG status	Amber
Granton (Waterfront Edinburgh)	
Description Land and buildings at Granton along with shares in a joint venture with land in Granton.	
Position as of November 2020 The land and buildings wholly owned by Waterfront Edinburgh have been transferred to the Council and now form part of the wider Granton Waterfront regeneration project led by the Housing and Regeneration service. The two WEL subsidiary companies are in the process of being transferred up to The EDI Group to allow closure of WEL. The projected company closure date remains 2022.	
RAG status	Green
Craigmillar (PARC Craigmillar)	
Description Land and buildings at Craigmillar.	
Position as of November 2020 The transfer of assets from PARC Craigmillar to the Council (including the loan book for shared equity properties) has been completed other than The White House and the South Park. The transfer of these assets has been delayed and is now expected to take place in early 2021. The sale of plots K and L has also been delayed and there is a risk that the sale price will be lower than previously reported. The options agreement will be renounced once final transfers have taken place. The projected company closure date remains 2022.	
RAG status	Amber
Brunstane (The EDI Group)	
Description Housing development site with planning permission in place on land owned by EDI and option agreement in place with adjoining land owner. The Council also has an entitlement for profit share in relation to access rights.	
Position as of November 2020 The sale of the land is underway. This has been delayed due to COVID-19 but is expected to be completed in Q4 2020. At present there is no expectation that the sale price will be lower than forecast.	
RAG status	Amber
Fountainbridge (EDI Fountainbridge)	
Description Brownfield development site owned by the Council.	
Position as of November 2020 The Council is in the process of appointing a development partner to take forward the development of the site on behalf of the Council. This process has been delayed and it is now anticipated that the partner will be appointed in Q4 2020/Q1 2021. There is work	

in progress within EDI Fountainbridge from which it is anticipated value can be realised via the development partner, so the dissolution of the company has been postponed until after the partner is appointed and final accounts have been submitted.	
RAG status	Amber
Castle Terrace car park (EDI Central)	
Description EDI Central is entitled to payments from NCP as settlement following a court case regarding a lease arrangement at the Castle Terrace car park.	
Position as of November 2020 All payments due to EDI Central have been received and paid up to The EDI Group. Officers are now progressing the dissolution of the company which is projected to be completed in 2021.	
RAG status	Green
Shawfair (Shawfair Land)	
Description Shawfair Land formerly held a security over land at the South East Wedge.	
Position as of November 2020 Shawfair Land has released the security in return for a cash payment. Final accounts for the company have been audited and submitted to Companies House and officers are beginning to wind-up the company.	
RAG status	Green
Joint ventures (Buredi and New Laurieston (Glasgow))	
Description Inactive joint venture companies that previously carried out private housing developments.	
Position as of November 2020 Agreement has been reached with joint venture partners to close the two companies. The Buredi joint venture has been wound-up. The winding-up of the New Laurieston (Glasgow) joint venture, which is being taken forward by The Miller Group, is expected to be completed during 2020.	
RAG status	Green
The EDI Group (remainder of company)	
Description The parent company of all subsidiaries.	
Position as of November 2020 Other than Brunstane, no projects sit directly within the parent company. The Council will oversee the repayment of loans and capital up to 2021 as PARC Craigmillar and EDI Central receive payments and pay these up to the parent company. The projected company closure date remains 2022.	
RAG status	Green

Financial Statements

31 December 2019

EDIGROUP

Contents

THE EDI GROUP LIMITED

Company information

For the year ended 31 December 2019

Board of directors	K Campbell L Cameron I Whyte	
Company registration	*Registered office:*	Waverley Court 4 East Market Street Edinburgh EH8 8BG
	Registered number:	SC110956
Bankers	The Royal Bank of Scotland plc Bank of Scotland plc	
Auditor	Azets Audit Services Statutory Auditor Exchange Place 3 Semple Street Edinburgh EH3 8BL	

The Directors present their strategic report and audited financial statements for 2019 financial year.

Principal activities, business review and future developments

The EDI Group Limited (EDI) is a company limited by shares which is incorporated and domiciled in Scotland. It is a wholly owned subsidiary of the City of Edinburgh Council and run as an arm's length operation with the role of investing in the development of land and buildings which are surplus to the Council's operational requirements and leading on the property aspects of regeneration in specific areas of the City.

In February 2017 the Council conducted a review of its approach to the use of surplus land and its interactions with the property market. The Council concluded that the group will have no future pipeline of projects and therefore took the decision that the group and this company should begin a process of managed closure. The Council as shareholder has instructed the directors to begin this process.

The company has now ceased development activities other than the Market Street and Brunstane projects and the majority of the remaining land and buildings transferred to the Council in May 2018. There will be a reduced level of development and property related activity as the companies move towards closure. Non-property assets will be realised in accordance with their contractual terms and external liabilities and obligations will be settled in full. Financial projections for the closure process show that the group and each company will have sufficient funds to meet all external liabilities and obligations and to repay share capital in full. The intention is that each company will become dormant with a timespan covering 2 to 10 years.

Current development activity:

The Market Street hotel construction reached practical completion in November 2018 and negotiations on financial claims were finalised in spring 2020. The transfer of assets from PARC Craigmillar to the City of Edinburgh Council has been completed other than plots K and L, The Whitehouse and two park developments. The sale of land at Brunstane is expected to complete in 2020.

Our performance

The financial performance of the group in 2019 was a net profit of £1.962m compared to a loss of £0.46m in 2018. Retained earnings increased to £2.4m from £1.4m. As anticipated, while the year's results have been influenced by the implementation of the closure strategy described above, the longer-term position remains in line with transition strategy assumptions.

The group had a cash balance of £5.3m (2018: £2.3m) and the sales expected in 2020 will be profitable. A dividend of £1.047m was declared in 2019 and it is envisaged that further dividends will be paid in 2020.

Risks and environment

Although the scope of our activity has reduced significantly, the risk factors influencing the remaining assets are a combination of the general economy of Edinburgh and the national housing market, including the impact of COVID-19. The Shareholder and the directors recognise that the process of managing the completion of our current activities and transition of the remaining projects to Council control and management has brought specific financial, legal, administration and people risks, and these have been managed.

This report was approved by the board on 8 September 2020 and signed on its behalf by:

L M Cameron
Director
4 East Market Street
Edinburgh
EH8 8BG

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Principal activities and business review

Details of principal activities, market circumstances and risk and performance indicator are included in the Strategic Report. The directors recommend payment of a dividend at the year-end of £1,046,788 (2018: £nil).

Directors

The directors who held office during the year, and subsequently, were as follows:

K Campbell
L Cameron
I Whyte

Political and charitable contributions

The company made no political or charitable contributions during the year.

Going concern

As described in the Strategic Report, the group's ultimate shareholder, The City of Edinburgh Council, has concluded that the group should begin a process of closure. The company has now ceased development activities other than the Market Street and Brunstane projects.

The opinion of the directors is that the decision of the shareholder and the active implementation of the decision will lead to the company ceasing to trade in the future and it is therefore not appropriate to prepare the accounts on a going concern basis.

The closure strategy approved by both the shareholder and the directors is that all land and buildings which are not actively in development will transfer to the Council at book value and all liabilities due to the Council will be settled at book value. Much of this activity has now concluded or is in the process of concluding. Third party financial assets will be realised and third party liabilities will be settled according to their contractual terms.

In these accounts each asset and liability will be valued to reflect the closure strategy intention for that asset or liability. The details are described in the notes.

The Company, and the Group, as part of a regular evaluation of liquidity risk, has modelled the principal risks and uncertainties in its cash flow projections for the envisaged closure strategy. After discussions with the shareholder and after assessing the availability of cash balances under a range of scenarios, the Directors have formed the opinion that the Company has sufficient resources to meet all external liabilities and obligations and to repay its share capital in full.

Responsibilities of the directors

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities of the directors (continued)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

In so far as the directors are aware:

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

Auditor

On 7 September 2020, Group Audit Services Limited trading as Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

Azets Audit Services are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

This report was approved by the board on 8 September 2020 and signed on its behalf by:

L M Cameron
Director
4 East Market Street
Edinburgh
EH8 8BG

Opinion

We have audited the financial statements of The EDI Group Limited for the year ended 31 December 2019 which comprise consolidated statement of profit or loss and other comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group and company’s affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our 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.

Emphasis of matter – Basis of preparation

We draw attention to notes 2 and 2b in the financial statements, which describe the basis of preparation. The directors have prepared the financial statements using a non-going concern basis of accounting as they consider that the company is not a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

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 the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, the directors 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 directors 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, 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 statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nick Bennett*, Senior Statutory Auditor*

For and on behalf of Azets Audit Services
Chartered Accountants
Statutory Auditor

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 8 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Continuing Operations			
Revenue	3	5,020	3,350
Cost of sales		(2,627)	(2,527)
Gross profit		2,393	823
Government grant release	18	-	138
Administrative expenses		(666)	(1,280)
Work in progress written off		(733)	60
Profit/(loss) from operations	4	994	(259)
Loss on disposal		(1)	(82)
Finance income	6	44	54
Finance costs	7	(156)	(152)
Other income	5	1,499	4
Loss on settlement	21	-	(152)
Movement in fair value of investment property	11	28	-
Profit/(loss) before income tax expense		2,408	(587)
Income tax (charge)/credit	8	(446)	128
Profit/ (loss) for the year from continuing operations		1,962	(459)
Net profit/(loss) for the year		1,962	(459)
Attributable to:			
Equity holders of the parent		1,962	(459)

There are no other items of comprehensive income or expense in the current year or prior year and therefore no Statement of Comprehensive Income is shown.

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	Consolidated Group 2019 £'000	2018 £'000
Non-current assets			
Investment property	11	248	220
Investments in joint ventures and associates	12	269	269
Total non-current assets		517	489
Current assets			
Cash and cash equivalents	19	5,326	2,333
Trade and other receivables	14	5,219	5,167
Inventories	13	9,244	9,595
Total current assets		19,789	17,095
TOTAL ASSETS		20,306	17,584
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	20	8,500	8,500
Retained earnings		2,357	1,442
Capital contribution reserve		-	-
Total equity		10,857	9,942
Liabilities			
Current liabilities			
Trade and other payables	15	3,542	2,382
Current tax payable	15	-	-
Other financial liabilities	16	4,799	3,971
Provisions	17	1,108	1,289
Total current liabilities		9,449	7,642
Total liabilities		20,306	7,642
TOTAL EQUITY AND LIABILITIES		20,306	17,584

The financial statements were approved by the board of directors and authorised for issue on 8 September 2020 and are signed on its behalf by:

Lezley Marion Cameron, Director

K Campbell, Director

Company number: SC110956

The accompanying notes form part of these financial statements.

Company Statement of Financial Position

As at 31 December 2019

	Note	Parent Entity 2019 £'000	2018 £'000
Non-current assets			
Investments in subsidiaries, joint ventures and associates	12	7,416	7,592
Total non-current assets		7,416	7,592
Current assets			
Cash and cash equivalents	19	1,874	243
Trade and other receivables	14	3,391	4,557
Inventories	13	4,139	4,119
Total current assets		9,404	8,919
TOTAL ASSETS		16,820	16,511
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	20	8,500	8,500
Retained earnings		2,704	2,573
Capital contribution reserve		30	30
Total equity		11,234	11,103
Liabilities			
Current liabilities			
Trade and other payables	15	3,346	3,168
Current tax payable	15	-	-
Other financial liabilities	16	2,240	2,240
Total current liabilities		5,586	5,408
Total liabilities		5,586	5,408
TOTAL EQUITY AND LIABILITIES		16,820	16,511

The financial statements were approved by the board of directors and authorised for issue on 8 September 2020 and are signed on its behalf by:

Lezley Marion Cameron, Director

K Campbell, Director

Company number: SC110956

The accompanying notes form part of these financial statements.

Consolidated and Company Statement of Changes in Equity

As at 31 December 2019

Group

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	-	8,500	1,901	10,401
(Loss) from continuing operations	-	-	(459)	(459)
Balance at 31 December 2018	-	8,500	1,442	9,942
Balance at 1 January 2019	-	8,500	1,442	9,942
Profit from continuing operations	-	-	1,962	1,962
Dividends declared	-	-	(1,047)	(1,047)
Balance at 31 December 2019	-	8,500	2,357	10,857

Company

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	30	8,500	4,111	12,641
Profit from continuing operations	-	-	(1,538)	(1,538)
Balance at 31 December 2018	30	8,500	2,573	11,103
Balance at 1 January 2019	30	8,500	2,573	11,103
Profit from continuing operations	-	-	1,178	1,178
Dividends declared	-	-	(1,047)	(1,047)
Balance at 31 December 2019	30	8,500	2,704	11,234

The capital contribution reserve represents the excess of fair value over the amount paid for the shareholdings either gifted or sold to the group.

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Total comprehensive profit/(loss) for year		1,962	(459)
Adjustments for:			
Taxation charge/(credit)		446	(128)
Depreciation		-	27
Interest received		(44)	(54)
Interest paid		156	152
Loss on disposal of available for sale assets		1	82
Net revaluations of non-current assets		(28)	-
Release of deferred grant income		-	(138)
Decrease in inventories		351	1,108
(Increase)/Decrease in receivables		(52)	3,028
Increase/(decrease) in payables		979	(1,962)
Decrease in defined benefit obligation		-	(415)
Taxation paid		(446)	(26)
Net cash flows from operating activities		3,325	1,215
Cash flow from investing activities			
Proceeds from sale of available for sale assets		(1)	747
Interest received		44	54
Net cash flows from investing activities		43	801
Cash flow from financing activities			
Dividends paid		(1,047)	-
Increase/(decrease) in loan stock borrowings		828	(2,220)
Interest paid		(156)	(152)
Net cash flows used in financing activities		(375)	(2,372)
Net decrease in cash and cash equivalents		2,993	(356)
Cash and cash equivalents at beginning of year		2,333	2,689
Cash and cash equivalents at end of year	19	5,326	2,333

The accompanying notes form part of these financial statements

1. Presentation of financial statements

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 from presenting a Company Statement of Profit or Loss and Other Comprehensive Income.

New accounting standards adopted during the year

The following standards and interpretations are mandatory for the first time for the year ended 31 December 2019 but are either not applicable or have no material impact on the Group financial statements; IFRS 16 – Lease, IFRIC 23 – Uncertainty over income tax treatments, Amendments to IFRS 9 Financial Instruments – on prepayment features with negative compensation, Amendments to IAS 28 Investments in Associates – on long term interests in associates and joint ventures, Amendments to IAS 19 Employee Benefits – on plan amendment, curtailment or settlement, Annual improvements 2015-2017.

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2019, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
IFRS 3, Amendments to IFRS 3 – definition of a business	1 January 2020
IAS 1 and IAS 8, Amendments to IAS 1 and IAS 8 on the definition of material	1 January 2020
Conceptual Framework, Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17, Insurance Contracts	1 January 2021

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are either not applicable or not expected to have a material impact on the financial statements in the period of initial application.

2. Statement of significant accounting policies

The consolidated financial statements of The EDI Group Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

a. Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard IAS 27 “Consolidated and Separate Financial Statements”. A list of controlled entities appears in note 13 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has left the economic entity during the year its operating results have been included until the date control ceased.

b. Going concern

The opinion of the directors is that the decision of the shareholder to cease development activities and the active implementation of that decision will lead to the company ceasing to trade in the future and it is therefore not appropriate to prepare the accounts on a going concern basis.

The closure strategy approved by both the shareholder and the directors is that all land and buildings which are not actively in development will transfer to the Council at book value and all liabilities due to the Council will be settled at book value. Most of these transfers have now taken place, with the Whitehouse expected to transfer within the next 12 months. Third party financial assets will be realised and third party liabilities will be settled according to their contractual terms

In these accounts each remaining asset and liability will be valued to reflect the closure strategy intention for that asset or liability. The details are described in the notes.

The Company, and the Group, as part of a regular evaluation of liquidity risk, has modelled the principal risks and uncertainties in its cash flow projections for the envisaged closure strategy. After discussions with the shareholder and after assessing the availability of cash balances under a range of scenarios, the Directors have formed the opinion that the Company has sufficient resources to meet all external liabilities and obligations and to repay its share capital in full.

2. Statement of significant accounting policies (cont'd)

c. Investments in associates and joint ventures

The group's share of its associates' / joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate / joint venture equals or exceeds its interest in the associate / joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate / joint venture.

Unrealised gains on transactions between the group and its associates / joint ventures are eliminated to the extent of the group's interest in the associates / joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

d. Income tax

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

2. Statement of significant accounting policies (cont'd)

e. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Plant and equipment

The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

Given the closure strategy outlined in Note 2b, the useful life of all classes of fixed assets was reassessed and adjusted in the prior year. The remaining life of all asset classes was assessed as being to 30 June 2018, to coincide with the vacation of the company's offices.

All fixed assets were therefore fully depreciated in the year.

Derecognition and disposal

An item of furniture or equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the year the asset is derecognised.

f. Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

g. Inventories

Inventory is stated at the lower of cost and net realisable value. Cost relates to purchase costs and direct labour costs incurred in bringing the inventories up to a saleable state.

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

2. Statement of significant accounting policies (cont'd)

i. Impairment

The carrying value of all assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of all assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of the asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

j. Employee entitlements and benefits

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to the balance sheet date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at an amount that is considered to approximate the present value of the estimated future cash outflows to be made for those entitlements.

The group contributes to a variety of money purchase schemes for employees and to a defined benefits scheme operated on behalf of local council employees. Contributions to the schemes are charged to the profit and loss account as they arise. The assets of the scheme are held separately from those of the company in independently administered funds. The group has fully adopted the accounting principles as required by International Accounting Standard 19 – Employee Benefits.

k. Financial instruments

Financial instruments are measured initially at cost, which is the fair value of what was paid or received to acquire or incur them.

After initial recognition, financial assets and liabilities may be classified into the following categories: financial assets or liabilities at fair value through profit or loss; held to maturity investments; available for sale financial assets; loans and receivables and other financial liabilities at amortised cost.

The company has the following categories of financial assets and liabilities:

Trade and other receivables

Trade and other receivables are initially measured at fair value, which is the original invoice amount, and subsequently measured at amortised cost, using the effective interest method. A provision for impairment is accounted for when management deems that specific receivable balances will not be collected. The amount of the impairment loss is recognised in the income statement. Bad debts are written off when they are identified as being irrecoverable.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect would not be material.

2. Statement of significant accounting policies (cont'd)

l. Investment property

Investment property is property held to generate rental income and/or for capital appreciation. Investment property is initially measured at fair value and subsequently revalued annually to its fair value at the balance sheet date.

Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

m. Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for permanent impairment.

n. Revenue

Revenue is measured at the fair value of consideration received from income from the group's ordinary activities. Revenue is stated received net of discounts, sales and other taxes. Revenue from sales is recognised when persuasive evidence of an arrangement exists, the significant risks and rewards of ownership have been transferred to the buyer, the price is fixed and determinable and collectively probable.

Rentals receivable under operating leases are recognised in the income statement over the term of the lease on a straight line basis.

Revenue from dividend income is recognised when the rights of the shareholder to receive the payment are determined.

o. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the group.

Revenue recognition

Under IFRS 15 there is a requirement to recognise revenue as and when a performance obligation is satisfied. The primary activity of the company is project management in relation to the construction of a hotel. Upon completion of this they will receive a fixed sum of £1.5m. As the performance obligation in relation to this is satisfied over time the attributable revenue should therefore be recognised in line with this. The directors have taken the view that the best estimation of attributable revenue is based on an output method measured by the stage of completion of the hotel at the year-end date, as this amounts to services rendered in completion of their performance obligation.

The output method is based on invoices received by independent contractors at the year-end which detail the value of completion to date. The amount of revenue to be recognised is then measured as a percentage of actual completion to date against the expected total cost of completion.

Given the company's experience in the sector, reliance can be placed on the budgeted cost of the project, therefore using this as a benchmark is deemed to be a faithful depiction of the stage of completion of the contract.

Transaction price allocated to the remaining performance obligations

	2019 £
Project management of Market Street Hotel	-

The hotel was handed over to HMI on 23 November 2018.

2. Statement of significant accounting policies (cont'd)

p. Key estimates – impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

q. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Further details of the provisions recognised in the year can be found at note 17.

r. Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

i. Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. For receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

s. Grants receivable

Grants are accounted for by the company when receivable.

Grants receivable in respect of contributions to fixed assets in course of construction and property development work in progress costs are credited to deferred income.

Where grants are given for a specific purpose they are released to the profit and loss account to match the cost of completed project

3. Revenue

An analysis of revenue is as follows:

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Rental income	-	5	-	-
Rendering of services	-	798	-	-
Property sales	5,020	2,547	-	1,050
	5,020	3,350	-	1,050

4. Profit from operations

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
After charging				
Auditor's remuneration:				
Audit	42	35	12	5
Non-Audit	9	7	4	2
Operating lease rentals:				
Plant and machinery	-	75	-	75
Depreciation and other amounts written off tangible fixed assets: Owned	-	27	-	27

5. Other income

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Overage receipt	1,000	-	-	-
Compensation for option renunciation	499	-	-	-
Rental income	-	4	-	-
	1,499	4	-	-

Rental income is from investment properties in relation to property development in Parc Craigmillar Limited.

6. Finance income

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Other interest received	44	54	1,772	3
Transfer pricing interest on group balances	-	-	-	16
	44	54	1,772	19

7. Finance costs

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
On secured loan stock held by the City of Edinburgh Council	156	152	156	179
	156	152	156	179

8. Income tax expense

	2019 £'000	**2018 £'000**
Current tax:		
- Adjustments in respect of prior periods	(87)	-
- Group relief receivable	-	(128)
- Current tax on income for the period	533	-
Current tax credit for year attributable to the company and its subsidiaries	446	(128)
Total deferred tax	-	-
	446	(128)

The tax (credit)/charge is allocated in the financial statements as follows:		
Profit and loss account	446	(128)
Statement of comprehensive income	-	-

Domestic income tax is calculated at 19.00% (2018: 19.00%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the loss per the income statement as follows:

	2019 £'000	**2018 £'000**
Profit/(loss) on ordinary activities before taxation	2,408	(587)
Tax on (loss)/profit at the effective rate of corporation tax of 19% (2018 – 19%)	458	(111)
Effects of:		
Expenses that are not taxable for tax purposes	-	36
Non-taxable income	(5)	-
Exempt ABGH Transfers	-	-
Deferred tax asset not recognised	5	(24)
Fixed asset differences	-	-
Accounting adjustments and transfers	-	(2)
Adjustments in respect of prior periods	1	-
Adjust deferred tax to average rate	(13)	(27)
Group relief surrendered	(177)	(118)
Group relief claimed	177	118
Current tax charge/(credit) for year attributable to the company and its subsidiaries	446	(128)

9. Employee benefits expense

The group had no employees during the year (average number of persons employed in 2018: 7). The aggregate payroll costs incurred in the prior year, included within administrative expenses, were as follows:

	Consolidated Group		**Parent Entity**	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	-	421	-	421
Social security costs*	-	40	-	40
Other pension costs*	-	87	-	87
Other staff costs	-	7	-	7
Redundancy salary costs*	-	4	-	4
	-	559	-	559

* As noted in note 2b, the group is ceasing to trade and redundancy costs were incurred in 2018 as a consequence. Due to the requirements of IAS 19 – Employee Benefits, the group determined that the conditions were met for the provision of redundancy costs in the 2017 financial statements. The total redundancy costs were estimated at £804,000 (see note 17). Pension strain costs of £281,000 were included in 'Other pension costs' however only £186,000 of such costs were incurred during the prior year, with the remaining unused provision credited against administrative expenses. Employer's national insurance costs associated with the redundancy costs of £29,000 were included in 'Social security costs', with an additional £6,000 of national insurance payments incurred when the costs crystallised in the prior year. An additional £4,000 of redundancy salary costs were incurred when the costs crystallised in the prior year. As all redundancy costs crystallized in the prior year, no further costs were recognised in the current year.

Directors' remuneration
Group and company

	2019	**2018**
	£'000	**£'000**
Directors' emoluments	-	55
Pension contributions**	-	13
Redundancy salary costs**	-	1
	-	69
Highest paid director:		
Directors' emoluments	-	55
Pension contributions**	-	13
Redundancy salary costs**	-	1
	-	69

No remuneration is paid to non-executive directors.
Retirement benefits are accruing to no directors (2018: one) under a defined benefit scheme.
Directors' remuneration costs disclosed above exclude employer's national insurance costs of £nil (2018: £15,000).

** As outlined above a provision was made for redundancy costs due to directors in 2017 which was incurred in 2018 because of the closure process

10.Property, plant and equipment

	Furniture and equipment £'000	Computer equipment £'000	Leasehold equipment £'000	Total £'000
Group				
Cost or valuation				
At beginning of year	58	82	64	204
At end of year	58	82	64	204
Depreciation				
At beginning of year	58	82	64	204
At end of year	58	82	64	204
Net book value				
At 31 December 2019	-	-	-	-
At 31 December 2018	-	-	-	-

	Furniture and equipment £'000	Computer equipment £'000	Leasehold equipment £'000	Total £'000
Company				
Cost or valuation				
At beginning of year	58	82	64	204
Additions	-	-	-	-
At end of year	58	82	64	204
Depreciation				
At beginning of year	58	82	64	204
Charge for year	-	-	-	-
At end of year	58	82	64	204
Net book value	-	-	-	-
At 31 December 2019				
At 31 December 2018	-	-	-	-

11. Investment property

	Investment property £'000
Group	
Valuation	
At 1 January 2019	220
Increase in fair value	28
At 31 December 2019	248
Net book value	
At 31 December 2019	248
At 31 December 2018	220

An investment property owned by the company was valued at £247,934 at 31 December 2019 by an internal Chartered Surveyor on the basis of open market value for existing use. The valuation was carried out in accordance with the Practice Statement in RICS Appraisal and Valuation Manual. The related rental income recognised in the Statement of Profit or Loss and Other Comprehensive Income was £nil (2018: £nil) along with direct operating expenses of £nil (2018: £nil).

The Scottish Ministers hold a standard security on a development property in respect of any amounts due to them by the company. The carrying value of this at the year-end is £nil. (2018: £nil)

Under the fair value hierarchy in IFRS 13 – Fair Value Measurement, investment property is deemed a level 2. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

12. Fixed asset investments

Group

	Joint Ventures & Associated Undertakings 2019 £'000	Joint Ventures & Associated Undertakings 2018 £'000
Post-acquisition reserves		
At 1 January and 31 December	269	269
Net book value		
Loans to and share of net assets in joint ventures and associated undertakings	269	269

Company

	Subsidiary undertakings £'000
Cost	
At 1 January 2019	7,592
Impairment charge	(176)
At 31 December 2019	7,416
Net book value	
At 31 December 2019	7,416
At 31 December 2018	7,592

12. Fixed asset investments (continued)

The directors assessed the recoverability of the investments in subsidiary undertakings and considered an impairment charge of £176,000 (2018: £359,000) was appropriate to write down the value of the investments in subsidiary undertakings.

The principal companies in which the company’s interest is more than 10% are as follows:

	Principal Activity	**Country of Registration**	**Percentage of Ordinary Share Capital Held**
EDI (Industrial) Limited	Non-trading	Scotland	100%
Edinburgh Retails Investments Limited	Non-trading	Scotland	100%
EDI Central Limited	Property development	Scotland	100%
Shawfair Land Limited	Property development	Scotland	100%
Parc Craigmillar Limited	Regeneration	Scotland	100%
Parc Craigmillar Developments Limited (Subsidiary of Parc Craigmillar Limited)	Property development	Scotland	100%
Waterfront Edinburgh Limited	Property development and regeneration	Scotland	100%
Waterfront Edinburgh (Management) Limited (subsidiary of Waterfront Edinburgh Limited)	Non-trading	Scotland	100%
Caledonia Waterfront (Harbour Road) Limited (associate of Waterfront Edinburgh Limited)	Property development and letting of properties	Scotland	42.5%
New Laurieston (Glasgow) Limited	Property development	Scotland	45%
EDI Market Street Limited	Property development	Scotland	100%
EDI Fountainbridge Limited	Property development	Scotland	100%

All companies where greater than 50% of the share capital is held have been consolidated.

Where 50% or less of the share capital is held these companies have been consolidated using the equity accounting method. In the case of New Laurieston (Glasgow) Limited, The EDI Group’s share of losses exceed the value of its interest in the company, and therefore no further losses have been recognised.

13. Inventories

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Development properties and associated costs	9,244	9,595	4,139	4,119

14. Trade and other receivables

	Consolidated Group		Parent Entity	
Current	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	85	1,217	-	-
Amounts owed by group & associated undertakings	522	150	3,299	4,463
Other debtors	1,960	2,018	-	11
Prepayments and accrued income	89	478	89	83
VAT recoverable	3	-	3	-
	2,659	3,863	3,391	4,557
Non-current				
Other debtors	2,560	1,304	-	-
	5,219	5,167	3,391	4,557

15. Trade and other payables

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables	206	304	1	39
Amounts due to group & associated undertakings	1,759	1,255	1,990	2,588
Corporation tax	-	-	-	-
Other taxation and social security	-	229	-	-
Accruals and deferred income	1,577	233	1,355	180
Retired benefit obligation	-	361	-	361
	3,542	2,382	3,346	3,168

16. Convertible unsecured loan stock

The non-interest bearing loan stock is held by The City of Edinburgh Council, the company's ultimate parent undertaking. It bears no interest and is repayable on sale of associated land assets or cancellable on provision of community assets. Agreement has been reached with the Council that this loan stock will be settled as part of the closure process against the transfer of land and buildings to the Council.

The convertible unsecured loan stock is held by The City of Edinburgh Council, the company's parent undertaking. It bears interest at a variable rate and was originally due to be repaid on 31 March 2019. However, the Council has agreed to the repayment being delayed and settled as part of the closure process against the transfer of land and buildings to the Council or in cash as assets are realised.

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Unsecured loan stock- non-interest bearing	2,599	1,731	-	-
Unsecured convertible loan stock 2019	2,240	2,240	2,240	2,240
	4,799	3,971	2,240	2,240

17. Provisions

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Infrastructure expenditure				
Balance brought forward	464	736	-	-
Increase in provision for the year	644	-	-	-
Decrease in provision for the year	-	(272)	-	-
	1,108	464	-	-
Consultancy expenditure				
Balance brought forward	-	640	-	-
Decrease in provision for the year	-	(640)	-	-
	-	-	-	-
Overspend on Market Street Project				
Balance brought forward	825	401	-	-
Decrease in provision for the year	(825)	424	-	-
	-	825	-	-
Redundancy costs				
Balance brought forward	-	804	-	804
Decrease in provision for the year	-	(804)	-	(804)
	-	-	-	-
	1,108	1,289	-	-

Provisions for infrastructure expenditure required additional works to be provided for due to land sold in the year.

Provisions for consultancy expenditure utilised in the prior year related to advisory and agency fees relating to the India Quay development. The actual cost crystallised during 2018 at £580k with the remainder of the provision written back as it was no longer required.

Provisions for overspend on Market Street Projects recognised in the prior year related to potential cost overruns on the project which were unlikely to be recoverable. As final negotiations were reached in the current year, the total provision was released against the cost of sales in the current year.

18. Deferred income

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance brought forward	-	138	-	-
Grants released to profit and loss	-	(138)	-	-
	-	-	-	-

19. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2019.

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	5,326	2,333	1,874	243

20. Contributed equity

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	8,500	8,500	8,500	8,500

The ordinary shares of £1 each carry one vote per share and participate in profits available for dividend pro rata.

21. Employee benefits

The EDI Group Limited ("the Employer") ceased as an employer in the Lothian Pension Fund ("the Fund") on 31 October 2018.

The employees of the company were eligible for membership of the Local Government Pension Scheme administered by Lothian Pension Fund. This is a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss so as to spread the cost of pensions over employees' working lives with the company.

Pension costs

As noted in note 2b, the group had begun a process of closure. A redundancy programme occurred in 2018 and the group had no employees by the end of 2018, and the company's admission to the Lothian Pension Scheme ceased on 31 October 2018.

The difference of £235,000 between the 2017 liability of £567,000, the total of amounts paid to the scheme during the prior year and the final cessation valuation, was recorded as a 'Loss on settlement of the pension scheme' through the Statement of Profit or Loss and Other Comprehensive Income in the prior year:

	2018 **£'000**
Payments made during 2018	441
Cessation valuation deficit	361
Total amount paid to scheme	802
Release of unrequired provision	(83)
2017 Net pension liability	(567)
Loss on settlement of scheme	152

As all liabilities relating to the pension fund were accounted for in the prior year, no further costs were incurred in the current year.

The cessation deficit, valued at 31 October 2018, of £361,000 was payable to the Fund at the end of the prior year. This amount was paid over during 2019.

22. Related party transactions

The key management personnel of the company are considered to be the directors. See note 9 for details of directors' emoluments. During the year group companies carried out the following transactions with related parties:

Related Party	Relationship	Group Company	Nature of Transaction	Value of transactions during year £	Amount owed from/(to) at year end £
City of Edinburgh Council	Ultimate holding organization	The EDI Group Ltd	Loan stock	-	(2,240,000)
			Interest on loan	(155,786)	(124,544)
City of Edinburgh Council	Ultimate holding organisation	EDI Central Ltd	Rent and loan account	535,000	420,000
City of Edinburgh Council	Ultimate holding organisation	EDI Market Street Ltd	Profit element of construction contract	(31,834)	-
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan for infrastructure works	-	(1,219,764)
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan stock	827,876	(2,558,899)

23. Ultimate parent undertaking

The parent company is CEC Holdings Limited, a company registered in Scotland. The financial statements of the parent undertaking are available at their registered offices. The ultimate holding organisation is The City of Edinburgh Council.

24. Financial Risk Management

The group has the following categories of financial instruments at the balance sheet date:

	Consolidated group		Parent entity	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Financial assets				
Financial assets measured at amortised cost	7,371	6,886	1,874	254

	2019 £	**2018 £**	**2019 £**	**2018 £**
Financial liabilities				
Financial liabilities measured at amortised cost	7,690	4,015	3,596	2,505

Financial assets measured at amortised cost comprise cash at bank and in hand, trade receivables, accrued income, and other receivables (excluding VAT receivable balances, tax receivables and prepayments).

Financial liabilities measured at amortised cost comprise trade payables, accruals, provisions, other payables (excluding VAT payable balances, tax payables and deferred income).

Capital risk management

The company aims to manage its overall capital structure to ensure it continues to operate on an ongoing basis within the broad timescales set out in the transition strategy. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents. The Directors are closely involved I the running of the company and are therefore fully aware of the capital position of the company at any point in time and any changes that circumstances bring. As a result they are in a position to address any issues that may arise on a timely basis.

Risk management objectives

The Board is charged with the overall responsibility of establishing and monitoring the group's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by group. The group does not enter into or trade financial instruments for speculative purposes.

The main risks that the group is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

Market risk

Market risk is the risk that the value of the company's properties and sites under development may fall resulting in further write-offs to the income statement. The company manages this risk by carrying out sensitivity analysis for fluctuations in the property market. Included in market risk is interest rate risk, which is the risk that the expected receipts from deposits may fluctuate due to market conditions. The company monitors this risk but it is very unlikely to affect the company's overall liquidity.

24. Financial Risk Management (continued)

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the group. It arises from exposure to customers and for the parent company, also from amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the Board of Directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- Only banks and institutions with an acceptable credit rating are utilised;
- All potential customers are rated for credit worthiness taking into account their size, market position and financial standing;
- Customers that do not meet the groups credit policies may only purchase in cash or using recognised credit cards.

Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Ensuring that adequate unutilised borrowing facilities are maintained.

Fair values

The directors consider that the carrying values of all the group's financial assets and liabilities approximate their fair values at the balance sheet date.

The only financial instruments measured at fair value are available for sale financial assets. These are valued annually in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual.

The Directors therefore consider that the risk in relation to financial instruments at fair value is low.

25. Post Balance Sheet Events

Agreement has been reached to sell Greendykes plots K and L with the price currently under negotiation but expected to be in the region of £1.8-£1.9m. The transaction is expected to conclude by summer 2020.

Agreement has also been reached to sell land at New Brunstane, with the transaction expected to complete in September 2020.

The group carries out annual revaluations that ensures of all property, including investment property. All valuations were carried out internally, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020 has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

25. Post Balance Sheet Events (continued)

Our post year-end sales valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will keep the valuation of this property under review.

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Marketing Edinburgh Annual Report 2019/20

Executive/routine	**Executive**
Wards	**ALL**
Council Commitments	

1. Recommendations

1.1 It is recommended that Committee:

1.1.1 Notes the annual report provided by Marketing Edinburgh Limited for 2019/20; and

1.1.2 Refers this report to Governance, Risk and Best Value Committee for scrutiny.

Paul Lawrence

Executive Director of Place

Contact: Paul Lawrence, Executive Director of Place

E-mail: paul.lawrence@edinburgh.gov.uk | Tel: 0131 529 7325

Report

Marketing Edinburgh Annual Report 2019/20

2. Executive Summary

2.1 This report provides an update on the annual performance of Marketing Edinburgh Limited (Marketing Edinburgh) for the financial year 2019/20.

3. Background

3.1 City of Edinburgh Council agreed to set up a new destination promotion body for the Council – Marketing Edinburgh – on 18 November 2010.

3.2 The business case supporting the creation of this new body was also approved by the City of Edinburgh Council on 18 November 2010. Fundamental to the business case was integration of the Destination Edinburgh Marketing Alliance, Edinburgh Convention Bureau, and Edinburgh Film Focus, into a single official, promotional body for Edinburgh - to be known as *Marketing Edinburgh* - with a remit to promote the city to visitors, tourists and investors.

3.3 Since being established, Marketing Edinburgh has operated under an SLA with reducing annual funding from the Council. In 2018/19 Marketing Edinburgh received £0.890m of grant funding from the City of Edinburgh Council. On 21 February 2019 the Council approved an allocation of £0.590m funding for Marketing Edinburgh in 2019/20.

3.4 In 2019/20, Marketing Edinburgh had four core service areas:

3.4.1 Business Tourism;

3.4.2 Commercial and Memberships;

3.4.3 Film Edinburgh; and

3.4.4 Marketing and Commercial.

3.5 A Service Level Agreement (SLA) for 2019/20 between the Council and Marketing Edinburgh was approved by the Housing and Economy Committee on 21 March 2019.

3.6 There have been a number of update reports to Committees since March 2020 in respect of the future of Marketing Edinburgh. The most recent report to Policy and

Sustainability Committee was on 9 July 2020 and includes a summary of the Council decisions taken on Marketing Edinburgh.

4. Main report

4.1 Appendix 1 provides a summary of Marketing Edinburgh's activities in the financial year 1 April 2019 – 30 March 2020.

4.2 The Council decision in February 2019 on funding for Marketing Edinburgh led to a reduction in funding of £0.3m in 2019/20, with a further reduction of £0.490m to be applied in 2020/21.

4.3 In 2019/20 Marketing Edinburgh went through a period of significant change within the organisation. This report provides an update on the performance of the organisation against the Strategic Objectives which were outlined in the approved SLA.

4.4 Appendix 2 links to the Marketing Edinburgh accounts for 2018/19 as submitted to Companies House.

Marketing Edinburgh – Future Business Planning

4.5 A business plan for the future operation of the company was considered by Housing, Homelessness and Fair Work Committee on 31 October 2019 (B agenda). However, this approach was not agreed.

4.6 In advance of the October Committee meeting, the Board of Marketing Edinburgh resigned and therefore a new Board was appointed through November 2019, and a new business plan was developed in line with the funding available.

4.7 On 31 October 2019, Committee agreed to transfer responsibility for film from Marketing Edinburgh to the Council with effect from 1 April 2020.

4.8 However, towards the end of the financial year, the outbreak of COVID-19 immediately affected the operations of Marketing Edinburgh and led to a further review of the future service operations of the company.

4.9 This led the Council to decide to hibernate the company, and to subsequently decide to transfer the staff, assets and liabilities into the Council.

5. Next Steps

5.1 This performance update together with Appendix 1 should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arm's length companies.

5.2 The staff of Marketing Edinburgh transferred to the Council on 14 September. At the time of writing the arrangements to transfer the current Marketing Edinburgh assets and liabilities into the Council is on-going.

6. Financial impact

6.1 The Council provided grant funding of £0.590m to Marketing Edinburgh in 2019/20 for delivery of the Strategic Objectives set out in the SLA. The outcomes delivered are summarised in this report and reported in more detail in Appendix 1.

6.2 Marketing Edinburgh's annual audited accounts for the year 2019 have recently been submitted to Companies House and are linked in Appendix 2.

6.3 The Council agreed additional financial support to Marketing Edinburgh to enable the company to meet its ring-fenced liabilities and to deliver operational activities in 2020/21.

7. Stakeholder/Community Impact

7.1 The Boards of Marketing Edinburgh carried out significant stakeholder engagement in 2019/20 to develop the business plans for future service operations.

7.2 Council officers will continue to work closely with the Board of Marketing Edinburgh and with stakeholders to conclude the transfer of staff, assets and liabilities to the Council.

8. Background reading/external references

8.1 Previous annual reports on Marketing Edinburgh's performance were reported to the appropriate Committee. The last annual report was considered by Housing and Economy Committee on 6 June 2019 and Governance Risk and Best Value Committee on 13 August 2019.

9. Appendices

9.1 Appendix 1 - Marketing Edinburgh Annual Report 2019/20
9.2 Appendix 2 – Marketing Edinburgh Accounts for 2019
9.3 Appendix 3 – Auditor Report

Appendix 1 – Marketing Edinburgh Annual Review 2019/20

Introduction
The purpose of this report is to provide City of Edinburgh Council with information on the performance and activities of Marketing Edinburgh Limited (Marketing Edinburgh) during the financial year 2019/20 (1 April 2019 – 31 March 2020).

Marketing Edinburgh Performance
In 2019/20 Marketing Edinburgh's activities were delivered in four distinct areas:

- Business Tourism;
- Commercial and Membership;
- Film; and
- Marketing and Partnerships.

The Business Tourism team sourced and facilitated conventions and conferences into the city, working closely with conference centre venues and hotels across the city.

The Commercial and Memberships team delivered a range of benefits for Marketing Edinburgh members, including providing information on upcoming conferences and events, promoting member activities and campaigns, facilitating the sharing of ideas and views, and booking accommodation for delegates visiting Edinburgh for conferences and conventions.

Film Edinburgh acts as the film office for the city, providing film office services for Edinburgh, East Lothian and the Scottish Borders. On 1 April 2020 responsibility for the film office transferred to City of Edinburgh Council.

Marketing and Partnerships were responsible for raising awareness of Edinburgh as a destination for visitors and residents, maintaining the city's digital media channels. A summary of the digital channels and campaigns during the year is provided at the end of this report.

The table below summarises Marketing Edinburgh's performance against the Service Level Agreement (SLA) targets agreed with the Council for the period 1 April 2019 to 31 December 2019. The Marketing Edinburgh team reported being on target to achieve all of the SLA targets prior to a period of significant change for the organisation.

Activity	2018/19 Actual	2019/20 Target	2019/20 Actual 1 April 2019 – 31 December 2019
Membership			
Income	£388,000	£335,000	£311,454
Digital Advertising	£53,185	£60,000	£42,968
Accommodation Service Commission	£108,610 Commission	£85,000	£116,619
Total Sales	£549,795	£480,000	£471,041
Business Tourism			
Economic Impact of conferences to the city in 2019/20	£72.4m	£65m	£41.8m
Partnership			
Revenue	£0.643m	£25,000	£20,275
City Pass Revenue	N/A	£6,900	£16,480

Film Activities	2018 Actual	2019 target	2019 (1 January 2019 – 31 December 2019)
Enquiries	481	450	480
Conversions	66%	60%	71%
City Economic Impact	£5.7m	£5m	£14.4m
Locations	51	40	32
Revenue	£0.0115m	£0.012m	£0.017m
Industry Workshops	N/A	2	4

Marketing Edinburgh – Digital Summary for Marketing and Subvention

In 2019/20, the results for www.edinburgh.org were:

- 3m website page views;
- 1.5m website sessions;
- 1.2m website users;
- 15.8m social media reach;
- 0.753m social media engagements; and
- 0.470m social media followers.

In 2019/20, the results for Convention Edinburgh were:

- 0.026m web page views;
- 0.018m website sessions
- 0.016m website users;
- 0.005m social media followers;
- 0.363m social media reach; and
- 0.05m social media engagements.

Marketing Edinburgh – Future Plans

Through financial year 2019/20 plans were made for the future of Marketing Edinburgh, taking account of the Council decision to reduce grant funding to the organisation over a two year period.

In early 2020 a redundancy consultation commenced. An initial business plan was developed which retained the three business areas, with reduced staffing capacity. At the same time the global coronavirus pandemic (COVID-19) was identified in the United Kingdom and began immediately impacting on Marketing Edinburgh's core business activities. This led to a revised business plan and a significant reduction in the number of members of staff employed by Marketing Edinburgh.

The Board of Marketing Edinburgh worked closely with the remaining team and with Council officers to maintain the digital channels, to support the Ambassador programme and to maintain support for Marketing Edinburgh members.

In July 2019, the Council's Policy and Sustainability Committee agreed to transfer the staff, assets and liabilities of Marketing Edinburgh into the Council.

frenchduncan.
chartered accountants

133 FINNIESTON STREET
GLASGOW G3 8HB

T: 0141 221 2984
F: 0141 221 2980
enquiries@frenchduncan.co.uk
www.frenchduncan.co.uk

Our Ref: NML / MA0721

PRIVATE AND CONFIDENTIAL
The Board of Directors
Marketing Edinburgh Limited
Ardmore House
40 George Street
Edinburgh
EH2 2LE

27 August 2020

Dear Madams

MARKETING EDINBURGH LIMITED LETTER TO THOSE CHARGED WITH GOVERNANCE

We have completed our audit of the above named company for the year ended 31 March 2019 and present the key findings of our audit below:

SCOPE OF WORK

The scope of our work has already been communicated to you in our audit planning letter dated 4 July 2019. There were no changes to the scope of our work during the course of our audit.

2. AUDIT AND ACCOUNTING ISSUES IDENTIFIED

The following audit and accounting issues were identified during the planning of your audit:

(i) All Companies

RISK IDENTIFIED	AUDIT APPROACH
Management override	Intrinsically there is always a risk of material misstatement due to fraud (and hence a significant risk to most companies) as a result of potential management override. A review of large and unusual journals and material bank transactions was undertaken and no incidences of management override were identified that required further investigation. All items tested had a commercial substance.
Revenue recognition – completeness and cut off	Revenue recognition is generally accepted to give rise to a risk of material misstatement due to the risk of fraud. In order to test revenue, we completed walk through testing in order to confirm the operation of the system and verification of key controls as we understood them. Furthermore, detailed testing in the form of proof in totals

	of specific revenue streams was carried out where appropriate, and additional substantive testing on a sample basis for the remaining income streams. Sales cut off testing was also completed on a sample basis. From the testing carried out, no material adjustments were carried out and revenue recognition was assessed as being appropriate and in accordance with FRS102.
Going concern	Going concern was noted as a significant area of audit focus at the planning stage of the audit as the company was aware that the City of Edinburgh Council ('the Council') would be reducing their future funding. Going concern was therefore critical to the future of the business, with the support from the Council and the intentions of the Board of Directors key to determining the future direction of the entity. The Council met and determined in July 2020 that all trading and associated assets and liabilities of the company would transfer over to the Council post year end. From discussions with the current board of directors, we also understand that they intend to make appropriate arrangements in order to bring about the orderly wind-down of the company. As a result of these decisions, the financial statements have been prepared on a break-up basis which requires the carrying value of assets to be at the amounts they are expected to realise, and liabilities include any amounts which have crystallised as a result of the decision to wind-down the company. An emphasis of matter detailing this departure from the going concern basis of accounting has been incorporated within the audit report in the year end financial statements.

The following audit and accounting issue was identified during the course of our audit work:

Subvention accrual	During the audit it was noted that in the situation whereby Marketing Edinburgh Limited agreed to make a contribution to events or conferences being hosted in Edinburgh, no accrual was currently provided in the financial statements. From discussion with management it was clear that there was a contractual obligation to make these

	payments, the amounts could be estimated reliably and it was probable that the amounts would be paid. As the adjustment to correct the accounting treatment was material, a prior period adjustment was processed in the 2019 financial statements to account for this appropriately.

3. SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROLS

There were no significant deficiencies in internal controls identified during the course of our audit.

Further details of our findings are detailed in section 10 below, which includes our recommendations to the Board in respect of addressing the deficiencies noted during the audit.

Please note that the above only includes those deficiencies which were highlighted during the course of our audit work and it should be noted that these may not represent all of the deficiencies that may exist within your accounting and internal control systems.

4. SIGNIFICANT ACCOUNTING POLICIES, DISCLOSURES AND ESTIMATES

During the course of our audit we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both the relevant accounting standards and Companies Act 2006.

There were no issues to note with regards to the disclosures within the financial statements.

5. UNADJUSTED / ADJUSTED MISSTATEMENTS

A summary of our unadjusted misstatements is recorded per the letter of representation. These were identified during the course of our work and discussed with management during our completion meeting.

We have not disclosed those items which we consider to be clearly trifling in the context of our audit.

6. INDEPENDENCE

In accordance with International Standards on Auditing (UK and Ireland) 260 “Communication with those charged with governance”, there have been no changes to the relationships between French Duncan LLP and Marketing Edinburgh Limited that may reasonably be thought to impact the independence and objectivity of the audit partner, the audit staff and the related safeguards from those detailed in our audit planning letter dated 4 July 2019.

7. FRAUD

There have been no instances of fraud or theft identified during the course of our audit work.

8. COMPLIANCE WITH SIGNIFICANT LAWS AND REGULATIONS

There have been no instances of non compliance with significant laws and regulations identified during the course of our audit work.

9. AUDIT REPORT

The audit report included an emphasis of matter due to the departure from the going concern basis of accounting.

10. MANAGEMENT LETTER POINTS

As required by International Standards on Auditing, we are required to bring to your attention items noted by ourselves during the audit which we consider require to be brought to your attention. Attached is a list of these points at Appendix A. We are aware that a number of the issues have already been discussed; however we are still required to formally include them in this letter.

It should be noted that this letter is not a comprehensive statement of all weaknesses that exist or of all improvements that may be made. We have only documented those matters that have come to our attention as a result of the audit procedures performed, and which we consider to be of sufficient importance that they should be brought to your notice.

If you have any queries on any of the matters raised in this letter please do not hesitate to contact us to discuss these.

May we take this opportunity of thanking you for your assistance during the course of the audit.

11. OTHER AUDIT ISSUES

There were no other issues identified during the audit which should be brought to the attention of the Board of Directors.

This report has been prepared for the sole use of the Board of Directors of Marketing Edinburgh Limited. It must not be disclosed to any third party without our written consent. No responsibility is assumed to any other person in respect of this report.

Yours sincerely

Nicola MacLennan
Partner

APPENDIX A

Prioritisation of Recommendation:

High	Significant findings which requires urgent attention
Medium	Important findings which requires imminent attention
Low	Findings which requires non urgent attention

OBSERVATION	PRIORITY	RISK	RECOMMENDATION	COMPANY RESPONSE
VAT – Sales to EU countries				
Sales to EU countries have not been accounted for correctly with respect to VAT.	Low	The accounting team correctly charged no VAT on these sales, however coded to T0 rather than T24 within the system. In addition, we noted one invoice that did not state the customer VAT number.	VAT in relation to sales to EU countries should be posted to T24 rather than T0 going forward.	
VAT – Business entertainment				
There are some transactions noted in the year that could be considered business entertainment, and if this is the case, then VAT should not have been reclaimed.	Low	If hospitality such as food or drink, or other entertainment is provided free of charge to individuals who are not employees, then this could constitute business entertainment.	If provided as part of the taxable membership fee, then this may fall outside the business entertainment classification, however, to ensure the accounting is appropriate, additional VAT advice should be sought.	
VAT - In kind transactions				
It was noted that no VAT is recorded in respect of memberships in kind.	Low	There is a risk that you are under accounting for output VAT and input VAT on in kind transactions, although there would be no impact upon the net VAT figure.	VAT in relation to in kind transactions should be accounted on the value of the goods or services provided or bought.	
VAT – Partnerships				
It was noted during the fieldwork that there is a risk on certain projects that VAT may not be reclaimable on expenditure incurred for the partnership project.	Low	Although not considered a material risk this year, input VAT could be claimed on projects when it was not appropriate to do so.	If the entity is involved in projects that are reclaiming VAT on supply costs, it is recommended that the organization confirms that this is the appropriate VAT treatment with a VAT expert.	

fd.

This page is intentionally left blank

Housing, Homelessness and Fair Work Committee

10.00am, Thursday 5 November 2020

Appointments to Working Groups 2020/21

Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1. Recommendations

1.1 To agree the remits of the working groups set out in Appendices 1 and 2 of the report.

1.2 To appoint membership of the working groups as set out in Appendices 1 and 2 of the report.

1.3 To agree the dissolution of the Edinburgh Homelessness Forum (Appendix 3).

Andrew Kerr

Chief Executive

Contact: Sarah Stirling, Assistant Committee Officer

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

Report

Appointments to Working Groups 2020/21

2. Executive Summary

2.1 The Housing, Homelessness and Fair Work Committee is required to annually re-appoint the membership of its working groups. The proposed membership structures and remits of each are detailed in Appendices 1 to 3 of this report.

3. Background

3.1 On 6 August 2020 the Policy and Sustainability Committee agreed the Review of Political Management Arrangements report which outlined that, due to the impact of the Covid-19 emergency and remaining resource pressures, working groups would only meet if:

3.1.1 There is officer capacity and resource available.

3.1.2 It is required for specific actions to progress.

3.1.3 They take place virtually.

4. Main report

4.1 The Committee is required to appoint the membership of its working groups for 20/21.

4.3 While there is no requirement for the membership of working groups to be proportionate to that of the Council, it is suggested that this is good practice.

4.4 The proposed membership has therefore been adjusted to reflect the overall political balance on the Council. It is, however, open to the Committee to alter the membership where it feels this is warranted.

4.5 The Committee is requested to agree the dissolution of the Edinburgh Homelessness Forum. The Rapid Rehousing Transition Plan (RRTP) was approved by the Housing and Economy Committee on 21 March 2019 and the Second Iteration of the RRTP approved for submission to the Scottish Government by the Housing, Homelessness and Fair Work Committee on 18 September 2020. Any issues will be addressed through the Homelessness Task Force.

4.5 The current membership structures and remits are set out in Appendices 1 to 3 of this report.

5. Next Steps

5.1 Not applicable.

6. Financial impact

6.1 Not applicable.

7. Stakeholder/Community Impact

7.1 Not applicable.

8. Background reading/external references

8.1 Review of Appointments to Committees, Boards and Joint Boards for 2020/2021– report by Chief Executive

8.2 Review of Political Management Arrangements – Policy and Sustainability Committee of 6 August 2020

8.3 Minute of the Housing, Homelessness and Fair Work Committee of 18 September 2020

8.4 Rapid Rehousing Transition Plan – Second Iteration – 18 September 2020

9. Appendices

Appendix 1 – Homelessness Task Force

Appendix 2 – Economic Advisory Panel

Appendix 3 – Edinburgh Homelessness Forum

Appendix 1

Homelessness Task Force

Homelessness Task Force

Membership - 5 members
(1 SNP, 1 Labour, 1 Conservative, 1 Green, 1 SLD)

Councillor Kate Campbell (Convener)

Councillor Booth

Councillor Watt

Councillor Aldridge

Councillor Whyte

Remit

- Build on existing prevention work which further reduces homelessness presentations.
- Reduce the number of people rough sleeping, accessing temporary accommodation and living in insecure accommodation.
- Increase the supply of quality council led temporary accommodation provision, reducing the reliance on bed and breakfast.
- Ensure that appropriate support is available for all homeless people who require it.

Last Met: 18 August 2020

Expected completion date: to be reviewed in May 2021

Economic Advisory Panel

Economic Advisory Panel

Membership - 2 members

Convener and Vice-Convener of the Housing, Homelessness and Fair Work Committee.

Remit

- Build on existing joint working with key economic partners.
- Support business engagement in the delivery of the Edinburgh Economy Strategy.
- Work with the Council to advise and collaborate on actions to make sure that Edinburgh's economic growth is sustainable and benefits all citizens.

Last Met: 28 October 2020

Expected completion date: to be reviewed in May 2021

Edinburgh Homelessness Forum

Edinburgh Homelessness Forum

Membership - 7 Members
(2 SNP, 2 Conservative, 1 Labour, 1 Green, 1 SLD)

Councillor Kate Campbell (Convener)

Councillor Work

Councillor Rose

Councillor McLellan

Councillor Watt

Councillor Booth

Councillor Aldridge

Remit

- Be the oversight body for the Prevention of Homelessness Plan and recommend any deviations/additions to the plan.
- Be the oversight body for the implementation and review of the commissioning Plan.
- Be the oversight body for the performance framework, highlighting key area of concerns and driving forward mitigation solutions.
- Provide overall strategic direction for the Homelessness Planning Group.
- Agree any deviations/additions to the Prevention of Homelessness Plan.
- Request updates on the key themes being developed by the working groups.
- Consider proposals put to them by the Homelessness Planning Group.

Last Met: 4 June 2019

Expected Completion Date: November 2020

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

Place Directorate - Revenue Monitoring 2020/21 – month five position

Executive/routine	Routine
Wards	All
Council Commitments	

1. Recommendations

1.1 It is recommended that the Committee notes:

1.1.1 that the Housing Revenue Account (HRA) projected position for the 2020/2021 financial year is a balanced position after a contribution of £12.945m towards in-year capital investment and the future strategic housing investment programme;

1.1.2 the Place General Fund (GF) revenue budget forecast for 2020/2021 is a projected £1.710m overspend (excluding Covid-19 impact) including a forecast budget pressure of £0.160m for services within the remit of this Committee;

1.1.3 the Place GF revenue budget forecast for 2020/2021 in respect of the net cost impact of Covid-19 is forecast to be circa £28m. £2.3m of this budget pressure relates to services within the remit of this Committee; and

1.1.4 that the Executive Director of Place is taking measures to reduce budget pressures and progress will be reported to Committee at agreed frequencies.

Paul Lawrence

Executive Director of Place

Contact: Susan Hamilton, Principal Accountant

E-mail: susan.hamilton@edinburgh.gov.uk | Tel: 0131 469 3718

Report

Place Directorate - Revenue Monitoring 2020/21 – month five position

2. Executive Summary

2.1 The report sets out the projected month five revenue monitoring position for the HRA and Place Directorate GF services. The month five forecast is based on analysis of actual expenditure and income to the end of August 2020, and expenditure and income projections for the remainder of the 2020/2021 financial year.

2.2 At month five, the 2020/2021 full year forecast for the HRA is a balanced position after providing £12.945m towards capital investment from revenue; £3.656m in-year contribution as per the approved capital investment programme and £9.289m towards financing the strategic investment programme in forthcoming years.

2.3 Excluding the costs of the Coronavirus pandemic, the month five projection for the Place GF 2020/21 revenue budget is a net residual budget pressure of £1.710m. This is an improvement of £1.315m on the reported month three position.

2.4 At month five, the GF services within the remit of this Committee are forecasting a budget pressure in 2020/2021 of £0.160m. This represents the residual 'at risk' element of the approved budget saving in respect of Business Growth and Inclusion services and is an improvement of £0.090m on the month three reported position.

2.5 At month five, the GF Covid-19 impact for Place Directorate has been forecast to be a net cost in the region of £28m with £2.300m of this relating to the net loss of income to Housing Property Services from the reduced volume of jobs undertaken due to the operating context. This is an improvement on the month three position.

2.6 The Executive Director of Place is fully committed to making all efforts to identify management action to reduce the budget pressures. However, given the magnitude of these pressures, there is the potential for a significant level of overspend.

3. Background

3.1 The HRA is a ring-fenced statutory account. The HRA is funded from rents relating to Council housing and related assets and is used to fund the provision of Council housing in line with tenants' priorities.

3.2 In February 2020, the Council approved a five-year HRA Budget Strategy. This was informed by extensive consultation with tenants, focused on investing in homes and services that reduce tenants' cost of living and includes significant investment in both new and existing affordable housing, while keeping rent increases affordable.

3.3 The approved HRA budget for 2020/21 is derived from the longer-term strategy. It comprises a budgeted revenue income of £103.138m and costs of £92.540m. This enables a budgeted contribution of £6.942m to the Strategic Housing Investment Fund in accordance with the finance strategy for future planned investment after making a £3.656m revenue contribution towards in-year capital investment. The total budgeted contribution from 2020/2021 revenue is £10.598m.

3.4 The portfolio of services under the remit of the Committee have a GF gross revenue budget of £77.550m in 2020/21 which is netted to £0.859m after budgeted income of £76.691m is considered.

3.5 This report provides an update on financial performance against the above revenue budgets. A separate report to the Council's Finance and Resources Committee on 29 October 2020 set out the projected position on the Council's HRA and GF Capital Investment Programme.

4. Main report

Housing Revenue Account

4.1 At month five, the forecast 2020/2021 position for the HRA is balanced with a contribution to in year capital spend of £3.656m and £9.289m currently forecast to be transferred to the Strategic Housing Investment Fund as part of the HRA investment programme future funding strategy. Overall, when looking at the bottom line available for future HRA investment this compares favourably by £2.347m to the budget agreed in February 2020. Forecasts and variances against budget are shown within Appendix 1.

4.2 Most of the variances forecast at month five, both adverse and favourable are linked to the economic outlook and operational changes in the current Covid-19 era:

Income

4.2.1 The rent collection service has been fully maintained during the Covid-19 emergency. An acceleration in the number of tenants moving to Universal Credit (UC) during the first five months of the 2020/2021 financial year and a complexity in changes in household incomes has led to lower rental income collected against the projected period figure. Income collection risks continue to be mitigated through early contact and advice and information being provided to support tenants with changes in their household incomes and for those moving on to UC. Flexible payment methods are available to enable tenants to continue to pay rent at this time. The Department of Work and Pensions has now changed the previous four- week payment schedules for housing costs to align this with the UC payment dates for tenants. This will also help reduce the fluctuations in income due to the current four-week payment schedule and assist tenants with household budgeting.

4.2.2 More broadly, the HRA Business Plan, has made prudent assumptions for the reduction in income expected due to the move to UC, any increases can be managed in year by drawing down on a ringfenced contingency fund. In addition, work is underway to determine the unbudgeted forecast level of income from Edinburgh Living as settlement of accrued interest incurred by the HRA whilst handed over homes were in development. The overall income recovery position will continue to be monitored closely through the financial year.

Costs

4.2.3 For health and safety reasons in response to the pandemic the repairs and maintenance service, carried out by Housing Property on behalf of the HRA, was scaled back to emergency repairs only. As a result, the volume of jobs completed for the HRA and associated GF income in the first five months of the year were significantly less than would be projected in a 'normal' year. As advised in the month three update in September 2020 work has now been undertaken to improve this position through planned efficiencies in operating costs, a reduction in the use of external contractors and, linked to Covid-19 recovery, reviewing the adaptation plan and timeline to safely bring service works back online sooner. This has the effect of generating more income on the GF side whilst increasing HRA operational costs due to increased activity earlier than previously assumed. Modelling of the management plans estimates a £0.900m positive impact on Housing Property Services GF net income in 2020/2021 since reported at month three; the GF net income reduction is now forecast to be £2.300m.

General Fund

4.3 At month five, the 2020/2021 forecast net pressure within Place GF budgets overall is £1.710m. This is an improvement of £1.310m from the position reported at month three. The improvement is a combination of progress made in delivery of existing agreed management action, service manager efforts to address 'at risk' elements of approved savings (4.4) and delivery of £1.125m of new measures identified by Place Senior Management Team. Gross pressures of £8.690m have been identified and £8.190m of management actions have been agreed across the Directorate with a commitment to identify additional measure to mitigate against the risk of not delivering a balanced budget for the Directorate as a whole. The month five forecast reflects the delivery status assessment of agreed management actions.

4.4 At month five, the forecast position for GF services within the remit of the Committee is a £0.160m over-spend (excluding Covid-19 impact). This represents the 'at risk' element of the approved budget saving of £0.500m in respect of Business Growth and Inclusion third party contractual spend. This is a £0.090m improvement on the reported month three position and reflects ongoing efforts by service managers to bring forward and deliver all appropriate measures to address 'at risk' elements of approved budget savings which have arisen through a material change in circumstances since the 2020/2021 was approved by Council in February 2020.

Savings Delivery – General Fund Approved Savings 2020/2021

4.5 The approved budget savings for Place Directorate in 2020/2021 total £4.508m. Approved savings within the remit of the Committee total £0.990m and relate to Marketing Edinburgh and Business Growth and Inclusion as shown in Appendix 2

4.6 A risk assessment exercise has been undertaken and this indicates that, on the basis of actions planned or already undertaken, £2.278m of the Directorate approved savings including £0.160m of the savings which fall under the jurisdiction of this Committee are 'at risk' of non-delivery within the 2020/2021 financial year.

5. Next Steps

5.1 The Place directorate is committed to delivering mitigating management action to address identified budget pressures wherever possible. Progress will be reported to Committee at agreed frequencies.

6. Financial impact

6.1 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets. The Executive Director of Place regularly reviews the directorate budget position alongside the identification and implementation of management actions to mitigate budget pressures.

7. Stakeholder/Community Impact

7.1 Consultation was undertaken as part of the HRA and GF budget setting processes.

7.2 Successful delivery of the HRA budget will support investments to improve the energy efficiency of Council Homes.

8. Background reading/external references

8.1 HRA Budget Strategy, Finance and Resources Committee, 14 February 2020.

8.2 Revenue and Monitoring Update, Month Three Position, 3 September 2020.

9. Appendices

9.1 Appendix 1 - Place Directorate - HRA Revenue Projection: 2020/2021.

9.2 Appendix 2 - 2020/2021 – GF Approved Savings - Month five assessment.

Appendix 1 – Place Directorate - HRA Revenue Projection: 2020/2021 – Month five forecasted position.

	2020/2021 Budget	2020/2021 Month five forecast	2020/2021 Month five forecast variance
	£m	**£m**	**£m**
Net Income	-103.138	-103.138	0.000
Strategic Housing Investment Funds	6.942	9.289	2.347
Total Income	**-96.196**	**-93.849**	**2.347**
Housing Management	33.339	33.114	-0.225
Repairs and Maintenance	19.691	17.994	-1.697
Environmental Maintenance	2.787	2.748	-0.039
Debt Service	36.723	36.337	-0.386
	92.540	90.193	-2.347
Housing Investment (CFCR)	3.656	3.656	0.000
Total Expenditure	**96.196**	**93.849**	**-2.347**
In year contribution to capital investment	**10.598**	**12.945**	**2.347**

Note: The reserve draw-down is from the Strategic Housing Investment Fund which is made up of the Repairs and Renewals Reserve and the Council Tax Discount Fund. The forecast reserve drawdown forms part of the aprroved capital programme for 2020/2021.

CFCR denotes Capital Funded from Current Revenue.

Appendix 2 – Housing, Homelessness and Fair Work – General Fund – 2020/2021 – Approved Savings, Efficiencies and Mitigations - Month five forecasted position.

<u>2020/21 Approved Savings within the remit of Housing, Homelessness and Fair Work.</u>

Saving	Green £m	Amber £m	Red £m	Black £m	Total £m
	Delivered	In Progress	Limited Assurance	At Risk *	
Business Growth and Inclusion.	0.290	0.050	0.000	0.160 MC	0.500
Marketing Edinburgh	0.490	0.000	0.000	0.000	0.490
Total	0.780	0.050	0.000	0.160	0.990
% of Total	79%	5%	0%	16%	100%

***PD = Project Design**

***MC= Material Change in Circumstances**

GF month three forecast for services within the remit of The Committee is £0.160m and representative of the 'at risk' element of approved savings above.

Housing, Homelessness and Fair Work Committee

10am, Thursday, 5 November 2020

Homelessness and Housing Support - Revenue Monitoring 2020/21 – month five position

Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 Members of the Housing, Homelessness and Fair Work Committee are asked to:

1.1.1 note an overall net residual budget pressure of £12.3m for Communities and Families at month five;

1.1.2 note that this pressure includes a net residual budget pressure of £9.3m for the Homelessness and Housing Support service;

1.1.3 note that the net pressure of £9.3m relates to the impact of the Covid-19 pandemic;

1.1.4 note that an approved saving of £0.060m in 2020/21 has been assessed as amber and is at risk of not being delivered until 2021/22.

Alistair Gaw

Executive Director for Communities and Families

Contact: Brendan O'Hara, Acting Principal Accountant

E-mail: brendan.o'hara@edinburgh.gov.uk | Tel: 0131 469 3620

Report

Revenue Monitoring 2020/21 – month five position

2. Executive Summary

2.1 The report sets out the projected month five revenue monitoring position for the Homelessness and Housing Support service, based on analysis of actual expenditure and income to the end of August 2020, and expenditure and income projections for the remainder of the financial year.

2.2 The projected net residual budget pressure of £9.3m is part of an overall net residual budget pressure of £12.3m for Communities and Families.

2.3 The Executive Director of Communities and Families is fully committed to making all efforts to identify management action to reduce the budget pressures, while addressing the impact of the pandemic.

3. Background

3.1 Homelessness and Housing Support is part of the Safer and Stronger Communities service area within the Communities and Families directorate.

3.2 The 2020/21 net budget for Homelessness and Housing Support is £30.7m.

3.3 This report sets out the projected overall position for the Homelessness and Housing Support revenue expenditure budget for 2020/21.

4. Main report

Overall Position

4.1 The Homelessness and Housing Support service is projecting net budget pressures of £9.3m at month five, which is related to the Covid-19 pandemic. This is part of an overall net residual budget pressure of £12.3m for Communities and Families.

Budget Pressures £9.3m

4.2 During the Covid-19 pandemic, the Council has used significantly more temporary accommodation to support vulnerable people and ensure that the spread of the virus is minimised amongst the homeless population. The increased use of temporary accommodation has created a significant additional budget pressure, currently projected to be £9.3m.

4.3 The increase in temporary accommodation use is due to three main factors: the provision of additional accommodation for those rough sleeping; the provision of temporary accommodation for people who may have no recourse to public funds; and a lack of move on or settled accommodation across all tenures.

4.4 There is a projected increase of 193,000 bed-nights in bed and breakfast/ shared house and short term let provision in 2020/21 compared with 2019/20.

4.5 Homelessness presentations have fallen since the introduction of lockdown restrictions in March 2020, however, this is not translated into a reduction in people requiring temporary accommodation. Normally, around 60% of homeless presentations result in the service user taking up temporary accommodation. Over the period of the public health crisis over 90% of those presenting for assistance have required temporary accommodation.

4.6 Due to the Covid-19 emergency the Council and Registered Social Landlords (RSLs) had to stop advertising and letting homes to protect customers and staff. It was not possible for viewing of properties to take place and services such as furniture removals and utility connections were not available to enable people to move into permanent homes.

4.7 In 2019/20, the Council and its RSL partners let 2,401 social homes and 62% (1,489) of these homes went to homeless households, of which 893 had been in temporary accommodation. Projections for 2020/21, show that the Council and its RSL partners will let 1,654 homes and 64% (1,059) of these homes will go to homeless households, of which 635 will be in temporary accommodation. The projections for 2020/21 represent a reduction due to a range of factors, primarily linked to the pandemic, which have impacted on the ability to let safely and complete repairs as well as construction down-time. Also, during this period, the number of tenancy terminations, which result in stock availability fell by two-thirds.

4.8 The number of settled homes available across all tenures is beginning to pick up, however, there are factors, which at the moment are not quantifiable, that may impact on these figures, for example expected increases in domestic abuse cases, relationship breakdowns and unemployment, and reductions in income due to the impact on the economy.

4.9 It should be noted that around 50 homes from social housing stock have been allocated to the Council's temporary accommodation stock. These additional properties, in addition to the use of suitable properties from the private rented sector, have ensured that the Council was able to move all pregnant women and families with children out of unsuitable accommodation.

4.10 The financial impact in 2020/21 will depend on the number of homeless presentations as restrictions are relaxed, and how quickly allocations to permanent accommodation can be made. The net pressure forecast for 2020/21 is currently £9.3m which is related to the impact of Covid-19. This is based on the number of households currently in temporary accommodation, including those previously rough sleeping or using night shelters and those with no recourse to public funds (NRPF). The forecast pressure allows for an element of growth in numbers over the remainder of the financial year.

Savings Delivery – Approved Savings 2020/21 Budget

4.11 An approved budget saving of £0.060m for Homelessness and Housing Support relates to the adoption of the Scottish Government Framework for electricity and gas. Progress in the delivery of the saving is reviewed regularly and an analysis has been undertaken in consultation with senior management. Due to delays on the part of suppliers, this saving has been assessed as amber and is at risk of not being delivered until 2021/22.

5. Next Steps

5.1 Work is ongoing to identify mitigating measures and to change the current mix of temporary accommodation, reducing the reliance on expensive and unsuitable accommodation.

5.2 The service is currently developing financial plans that seek to address the current £9.3m pressure and work towards the aims of the Rapid Rehousing Transition Plan, which fall into four broad categories:

5.2.1 Prevention of homelessness

5.2.2 Transforming temporary accommodation

5.2.3 Ending rough sleeping

5.2.4 Provision of settled accommodation

5.3 Officers will continue to seek to identify appropriate properties for use as Home Share as instructed by members.

5.4 Officers will also work with partners and landlords in the city to increase the availability of suitable temporary accommodation.

6. Financial impact

6.1 The report highlights 2020/21 projected net budget pressures of £9.3m for Homelessness and Housing Support services. This is included in the overall net residual budget pressure of £12.3m for Communities and Families.

6.2 The £9.3m net pressure is directly related to the Covid-19 pandemic.

6.3 This position is subject to active monitoring, management of risks and identification of further mitigation.

6.4 The service is currently developing financial plans that seek to address the current £9.3m pressure and work towards the aims of the Rapid Rehousing Transition Plan. The financial implications will be considered in the 2021/22 budget process.

7. Stakeholder / Community Impact

7.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2020/21 revenue budget.

7.2 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development. The Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

8. Background reading / external references

8.1 None.

9. Appendices

9.1 None.

This page is intentionally left blank

Agenda Item 11.1

by virtue of paragraph(s) 8, 9 of Part 1 of Schedule 7A
of the Local Government(Scotland) Act 1973.

Document is Restricted

This page is intentionally left blank

Amendment by the Green Group

Housing, Homelessness and Fair Work Committee
5 November 2020
Item 7.2 – Housing Sustainability Update

In recommendations:

Delete “notes” at the end of 1.1

Insert “notes” at the start of 1.1.1, 1.1.2 and 1.1.3

Insert at the end of recommendations:

“1.1.4 thanks officers for their hard work on developing this agenda, acknowledges the significant progress achieved so far in ensuring that all citizens have a warm, dry, affordable, climate-friendly home, and acknowledges the substantial challenges in reducing climate emissions and energy bills from homes;

1.1.5 agrees that officers will engage with the Edinburgh Climate Commission, and work with colleagues developing the emerging Carbon Scenario tool, and will receive an update report within six months which will outline progress on this agenda, and, in particular, will set out:

a) a target date on which all new-build council housing will be net zero carbon, consistent with the council’s wider net zero carbon target;
b) potential revisions to the retrofit action plan to ensure it remains consistent with the council’s wider net zero carbon target;”

Moved by: **Chas Booth**
Seconded by:

Amendment by the Coalition

Housing, Homelessness and Fair Work Committee
5 November 2020
Item 7.13 – Town Centre Fund – Additional Allocations

Notes the agreed strategic statement

"The Council will direct investment in Edinburgh's town centres and local centres to projects that strengthen and reinforce their roles as set out in the Edinburgh Local Development Plan; contribute to inclusive growth; and enhance their resilience and sustainability in the face of change."

Recognises the importance of outdoor public space especially in the current circumstances.

Further recognises the importance of investing in regeneration areas and the coalition commitment to tackling poverty and inequality.

Therefore replaces recommendation 1.1.3 in the report:

1) Allocates to the projects as set out in the table below.

Gracemount public realm - £100k	100,000.00
Craigmillar town centre - £170k	170,000.00
Westside Plaza Phase 3	300,000.00
Granton Station	747,000.00
Pentlands Community Space	75,000.00
Pennywell Hub	62,000.00
TOTAL	**£1,454,000.00**

Moved by: **Councillor Kate Campbell**

Seconded by: **Councillor Mandy Watt**

Amendment by the Green Group

Housing, Homelessness and Fair Work Committee
5 November 2020
Item 7.13 – Town Centre Fund – Additional Allocations

Allocates the available funding as follows

Project	Funding allocated (£m)	As a percentage of funding requested
Craigmillar town centre	0.170	100%
Gracemount public realm	0.100	100%
Granton station	0.759	89%
Pennywell hub	0.125	100%
Westside plaza phase 3	0.300	100%

Moved by: **Councillor Claire Miller**

Seconded by: **Councillor Chas Booth**

Amendment by the Liberal Democrat Group

Housing, Homelessness and Fair Work Committee
5 November 2020
Item 7.13 – Town Centre Fund – Additional Allocations

To accept the recommendations of the report and agree to allocate funding to:

1. Bruntsfield St Oswald's
2. The Corstorphine Community Centre
3. Pennywell Hub

Moved by Cllr Kevin Lang

Seconded by

•EDINBVRGH•
THE CITY OF EDINBURGH COUNCIL