

# Notice of meeting and agenda

## Finance and Resources Committee

**10.00am, Thursday, 10th November, 2022**

Dean of Guild Court Room - City Chambers

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

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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

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## 1. Order of business

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

## 2. Declaration of interests

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

## 3. Deputations

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- 3.1 If any

## 4. Minutes

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- |     |   |         |
|-----|---|---------|
| 4.1 | Minute of the Finance and Resources Committee of 8 September 2022 - submitted for approval as a correct record                  | 9 - 26  |
| 4.2 | Minute of the Finance and Resources Committee (Special Meeting) of 10 October 2022 - submitted for approval as a correct record | 27 - 30 |

## 5. Forward Planning

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| 5.1 | Work Programme      | 31 - 40 |
| 5.2 | Rolling Actions Log | 41 - 50 |

## 6. Business Bulletin

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| 6.1 | Business Bulletin | 51 - 54 |
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## 7. Executive Decisions

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- |     |  |          |
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| 7.1 | City of Edinburgh Council 2021/22 Annual Audit Report to the Council and the Controller of Audit - referral from the Governance, Risk and Best Value Committee | 55 - 304 |
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<b>7.2</b>	The City of Edinburgh Council Charitable Trusts – Report by the Interim Executive Director of Corporate Services	305 - 366
<b>7.3</b>	2021/22 Common Good Annual Performance Report – Report by the Interim Executive Director of Corporate Services	367 - 380
<b>7.4</b>	Revenue Monitoring 2022/23 - Month 5 Report – Report by the Interim Executive Director of Corporate Services	381 - 398
<b>7.5</b>	Corporate Services Directorate: Revenue Budget - Monitoring 2022/23 – Month Five position – Report by the Interim Executive Director of Corporate Services	399 - 406
<b>7.6</b>	Capital Monitoring 2022-23 - Month 5 Position – Report by the Interim Executive Director of Corporate Services	407 - 420
<b>7.7</b>	Revenue Budget Framework 2023/27: progress update – Report by the Interim Executive Director of Corporate Services	421 - 438
<b>7.8</b>	Sustainable Capital Budget Strategy 2022-33 – Report by the Interim Executive Director of Corporate Services	439 - 452
<b>7.9</b>	Finance and Procurement Policies - Assurance Statement – Report by the Interim Executive Director of Corporate Services	453 - 460
<b>7.10</b>	Professional Services Expenditure 2021/22 – Report by the Interim Executive Director of Corporate Services	461 - 482
<b>7.11</b>	Telefonica UK Ltd (O2) – Voice Services (Mobile & Fixed Lines) Contract Award – Report by the Interim Executive Director of Corporate Services	483 - 486
<b>7.12</b>	Award of The Supply of Five Electric Refuse Collection Vehicles – Report by the Executive Director of Place	487 - 494
<b>7.13</b>	Award of Contract for Restoration of Granton Gas Holder – Report by the Executive Director of Place	495 - 502
<b>7.14</b>	Asset Management Works Programme- 2021/22 Update – Report by the Executive Director of Place	503 - 526
<b>7.15</b>	Contract Award Recommendations Report in respect of ‘Business	527 - 534

Gateway Specialist Support Training Services' – Report by the Executive Director of Place

<b>7.16</b>	Homelessness Services - Contract Extension Request for Street-based Outreach and Support Hub for Rough Sleepers – Report by the Executive Director of Place	To Follow
<b>7.17</b>	Waiver Extension - Building Energy Management System (BEMS) – Report by the Executive Director of Place	535 - 538
<b>7.18</b>	Liberton Hospital, Edinburgh - Update on Proposed Acquisition – Report by the Executive Director of Place	539 - 542
<b>7.19</b>	Homelessness Services – Use of Temporary Accommodation – Report by the Executive Director of Place	543 - 548
<b>7.20</b>	Finance for Equity - Update – Report by the Executive Director of Education and Children's Services	549 - 554
<b>7.21</b>	Motion by Councillor Caldwell - Importance of Participatory Budgeting - referral from the Housing, Homelessness and Fair Work Committee	555 - 564

## **8. Routine Decisions**

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<b>8.1</b>	Annual Fraud Prevention and Detection Report – Report by the Interim Executive Director of Corporate Services	565 - 572
<b>8.2</b>	Workforce Dashboard and Living Our Behaviours Deep Dive – Report by the Interim Executive Director of Corporate Services	573 - 586
<b>8.3</b>	Summary Report on Property Transactions concluded under Delegated Authority – Report by the Executive Director of Place	587 - 626
<b>8.4</b>	Walled Garden and Stable Block at Gracemount Mansion, Gracemount House Drive, Edinburgh - Proposed New Lease – Report by the Executive Director of Place	627 - 632
<b>8.5</b>	Block 1 Unit 1 Pennywell Town Centre, Edinburgh - Proposed New Lease – Report by the Executive Director of Place	633 - 638
<b>8.6</b>	Powderhall Stable Block, Broughton Road - Proposed Lease –	639 - 646

	Report by the Executive Director of Place	
<b>8.7</b>	Land at Meadowbank - Proposed Acquisition – Report by the Executive Director of Place	647 - 650
<b>8.8</b>	Lochend Golf Club, 147 Craigentenny Avenue, Edinburgh – Proposed Lease – Report by the Executive Director of Place	651 - 654
<b>8.9</b>	Portobello Town Hall - Proposed Lease – Report by the Executive Director of Place	655 - 660
<b>8.10</b>	Response to Motion by Councillor Davidson - Support for Roseburn Businesses – Report by the Executive Director of Place	661 - 670

## **9. Motions**

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**9.1** None.

## **10. Resolution to Consider in Private**

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

## **11. Private Reports**

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<b>11.1</b>	Extension of existing Insurance broker contract – Report by the Interim Executive Director of Corporate Services	671 - 674
<b>11.2</b>	Council's Human Resources System, Outcome of Request for Proposal Process – Report by the Interim Executive Director of Corporate Services	675 - 692

## **Nick Smith**

Service Director, Legal and Assurance

## **Committee Members**

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Councillor Mandy Watt (Convener), Councillor Graeme Bruce, Councillor Phil Daggart, Councillor Joan Griffiths, Councillor Euan Hyslop, Councillor Lesley Macinnes, Councillor Alys Mumford, Councillor Vicky Nicolson, Councillor Neil Ross, Councillor Alex Staniforth and Councillor Lewis Younie

## **Information about the Finance and Resources Committee**

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The Finance and Resources Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council.

This meeting of the Finance and Resources Committee is being held in the City Chambers, High Street, Edinburgh and virtually by Microsoft Teams.

## **Further information**

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If you have any questions about the agenda or meeting arrangements, please contact Rachel Gentleman, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4107, email [rachel.gentleman@edinburgh.gov.uk](mailto:rachel.gentleman@edinburgh.gov.uk) / [taylor.ward@edinburgh.gov.uk](mailto:taylor.ward@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 the Council's online [Committee Library](#).

Live and archived webcasts for this meeting and all main Council committees can be viewed online by going to the Council's [Webcast Portal](#).

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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](mailto:committee.services@edinburgh.gov.uk)).

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# Minutes

## Finance and Resources Committee

10.00am, Thursday 8 September 2022

### Present

Councillor Watt (Convener), Councillor Bruce, Councillor Doggart, Councillor Griffiths, Councillor Hyslop, Councillor Macinnes, Councillor Mumford, Councillor Nicolson, Councillor Neil Ross, Councillor Staniforth, and Councillor Younie.

### 1. Minutes

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#### Decision

- 1) To approve the minute of the Finance and Resources Committee of 16 June 2022 as a correct record.
- 2) To approve the minute of the Finance and Resources Committee of 14 July 2022 as a correct record.

### 2. Work Programme

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The Finance and Resources Committee Work Programme for September 2022 was presented.

#### Decision

- 1) To note the Service Director - Finance and Procurement would provide an update on Spend to Save projects in the next monitoring report and the annual outturn reports.
- 2) To otherwise to note the work programme.

(Reference – Work Programme of 8 September 2022, submitted.)

### 3. Rolling Actions Log

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The Finance and Resources Committee Rolling Actions Log for September 2022 was presented.

#### Decision

- 1) To agree to close the following actions:
  - 4 – Granton Waterfront Phase 1 – Pre-Development Services – Delegated Authority Award of Contract
  - 6 – Business Bulletin
  - 7 – Revenue Budget 2022/27 - Progress Update
  - 9 – Award of Overnight Responder Service

- 10 (1) – Cost of Living Crisis: Cost implications of motion approved by Council, 30 June
- 2) To note the Service Director - Finance and Procurement would circulate the letters to members, written from the Council Leader to the Scottish and UK Governments referred to in action 10 (2).
  - 3) To otherwise to note the Rolling Actions Log.

(Reference – Rolling Actions Log of 8 September 2022, submitted.)

#### 4. Business Bulletin

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The Finance and Resources Committee Business Bulletin for September 2022 was presented.

##### Decision

To note the Business Bulletin.

(Reference – Business Bulletin of 8 September 2022, submitted.)

#### 5. Revenue Monitoring 2021/22 – outturn report Revenue Monitoring 2021/22 – outturn report

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The provisional 2021/22 revenue outturn position for the Council based on the unaudited annual accounts was presented. This position indicated an overall in-year underspend of £3.878m, with £2.628m of this sum previously approved in setting a balanced budget for 2022/23 and the remaining available sum was now earmarked to provide targeted one-off cost of living crisis support to affected households within the city.

##### Decision

- 1) To note that the provisional outturn position for 2021/22 showed an overall underspend of £3.878m and that this sum had been set aside in reserves, with £2.628m previously approved as a contribution towards balancing 2022/23's budget and the remaining available sum now earmarked to support the Council's response to the cost of living crisis.
- 2) To note the contributions to and from the General Fund in 2021/22 as detailed in the report by the Interim Executive Director of Corporate Services.
- 3) To note that the Housing Revenue Account was balanced after making a contribution of £8.653m towards in-year and future capital investment.
- 4) To note the intention to submit the audited annual accounts and annual auditor's report initially to the Governance, Risk and Best Value Committee and thereafter to the Finance and Resources Committee in October 2022, for approval.
- 5) To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## 6. Treasury Management: Annual Report 2021/22

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An update on Treasury Management activity in 2021/22 was presented.

### Decision

- 1) To note the Annual Report on Treasury Management for 2021/22.
- 2) To remit the report to Council for approval.
- 3) To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## 7. Accounts Commission: Local Government in Scotland – Financial Overview 2020/21

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A summary was provided of the main issues and themes identified within the Accounts Commission's recently published Financial Overview 2020/21 and how these relate to the local context within Edinburgh.

### Decision

- 1) To note the report.
- 2) To refer the report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## 8. Revenue Monitoring 2022/23 – month three position

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The projected Council-wide revenue budget position for the year was outlined, based on analysis of the first three months' financial data and projections of income and expenditure for the remainder of the year.

### Decision

- 1) To note that, as of month three, an overall overspend of £5.627m was forecast.
- 2) To note the potential for further expenditure pressures to emerge during the remainder of the year, particularly in respect of the 2022/23 employee pay award and other inflationary uplifts, and the urgent need for pressures, savings delivery shortfalls and risks to be fully and proactively managed within all Directorates and the Health and Social Care Partnership.
- 3) To note the ongoing discussions with the UK and Scottish Governments around the provision of further funding to address in full significant additional costs expected to be incurred as part of the Council's response to the Ukraine crisis.
- 4) To note that, in light of the above, regular updates would continue to be provided to members of the Committee during the remainder of the year.
- 5) To refer the report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **9. Corporate Services Directorate: Revenue Budget Monitoring 2022/23 – Month Three position**

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A report set out the projected three-month revenue budget monitoring position for services delivered by Corporate Services Directorate and the Chief Executive's Office, based upon actual expenditure and income to the end of June 2022 and expenditure and income projections for the remainder of the financial year.

### **Decision**

- 1) To note that a favourable budget variance of £0.279m was forecast for services delivered by Corporate Services Directorate for 2022/23.
- 2) To note measures would continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn expenditure in line with the approved revenue budget for 2022/23.
- 3) To note the ongoing risks to the achievement of a balanced revenue budget projection for services delivered by Corporate Services Directorate.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **10. 2022-32 Sustainable Capital Budget Strategy – Outturn 2021/22 and Revised Budget 2022/23**

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The report provided capital expenditure and funding outturns for 2021/22, providing explanations for key variances.

### **Decision**

- 1) To note the 2021/22 unaudited capital outturn for the Council's General Fund and Housing Revenue Account.
- 2) To refer the report to the Governance Risk and Best Value Committee as part of its work programme.
- 3) To approve the revised capital budget strategy for the financial year 2022/23, as set out in Appendix 3 to the report by the Interim Executive Director of Corporate Services.
- 4) To note a further update on the Sustainable Capital Budget Strategy would be brought to Finance and Resources Committee in November 2022, with a focus on addressing the funding pressure identified in the report.
- 5) To note the Council's Prudential Indicators for the Revised Budget 2022/23, as set out in Appendix 5 to the report.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **11. Revenue Budget 2022/27 - Progress Update**

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An update was provided on the outcome of the most recent review of the Council's financial planning assumptions, resulting in an increased estimate savings requirement

of £70.4m in 2023/24 and £152.9m by 2026/27. An update was also provided on the development of the Council's Medium-Term Financial Plan.

### **Decision**

- 1) To note the updates to financial planning assumptions set out in the report, resulting in increased overall estimated savings requirements of £70.4m in 2023/24 and £152.9m over the period to 2026/27 respectively.
- 2) To note the further risks outlined in the report, particularly those in respect of inflationary-linked pressures.
- 3) To note progress in the development of the Council's Medium-Term Financial Plan and the intention to present draft budget proposals for 2023/24 and broad programmes of activity to contribute towards future years' savings requirements at the Committee's meeting on 10 November 2022.
- 4) To refer the report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **12. Potential financial flexibilities to address pay-related pressures**

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An initial overview was provided of existing funding streams which were directly, or indirectly, linked to the delivery of national priorities and, as such, had been suggested as potentially addressing wider pressures related to the in-year and future impacts of the 2022/23 pay award.

### **Decision**

- 1) To note the the report and officers' initial assessment that the benefit of available flexibilities in addressing pay-related pressures, particularly in 2022/23, may be limited.
- 2) To note further engagement would be undertaken, as appropriate, with relevant service areas, COSLA and the Scottish Government to determine areas where spend in future years might subsequently be redirected to address pay-related pressures.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **13. Resource Provision for Medium-Term Financial Plan**

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The Council required urgently to develop and deliver a Medium-Term Financial Plan to address the current projected budget gap not just for 2023- 24 but covering the next four years. A report set out the resource provision required to support this.

### **Motion**

- 1) To note the requirement for the Council to develop and deliver a Medium-Term Financial Plan to respond the financial challenge now facing it. This Plan would ultimately need to be approved by Council.
- 2) To note the resources required to enable this work.

- 3) To note that most of the resource required to support the development of a plan had been secured through the redeployment of existing internal staff.
  - 4) In addition to the internal resource realigned, to note that the Interim Executive Director of Corporate Services, in consultation with the Finance and Resources Committee Convener under urgency provisions set out in paragraph 4.1 of the Committee Terms of Reference and Delegated Functions had approved the waiver and extension of the contract for expert services to GatenbySanderson Ltd to provide specific capacity to lead this work.
- Moved by Councillor Watt, seconded by Councillor Griffiths

### **Amendment**

- 1) To note the requirement for the Council to develop and deliver a Medium-Term Financial Plan to respond the financial challenge now facing it. This Plan would ultimately need to be approved by Council.
  - 2) To note the resources required to enable this work.
  - 3) To note that most of the resource required to support the development of a plan had been secured through the redeployment of existing internal staff.
  - 4) In addition to the internal resource realigned, to note that the Interim Executive Director of Corporate Services, in consultation with the Finance and Resources Committee Convener under urgency provisions set out in paragraph 4.1 of the Committee Terms of Reference and Delegated Functions had approved the waiver and extension of the contract for expert services to GatenbySanderson Ltd to provide specific capacity to lead this work.
  - 5) To note that the report to Council must make clear the links between the yearly budget, set annually by the council, and the medium-term plan.
  - 6) To note that any medium-term plan must include options to take full advantage of coming additional potential revenue streams including but not limited to transient visitor levy and workplace parking levy.
- Moved by Councillor Staniforth, seconded by Councillor Mumford

In accordance with Standing Order 22(12), the amendment was accepted as an addendum to the motion by Councillor Watt.

### **Decision**

- 1) To note the requirement for the Council to develop and deliver a Medium-Term Financial Plan to respond the financial challenge now facing it. This Plan would ultimately need to be approved by Council.
- 2) To note the resources required to enable this work.
- 3) To note that most of the resource required to support the development of a plan had been secured through the redeployment of existing internal staff.
- 4) In addition to the internal resource realigned, to note that the Interim Executive Director of Corporate Services, in consultation with the Finance and Resources

Committee Convener under urgency provisions set out in paragraph 4.1 of the Committee Terms of Reference and Delegated Functions had approved the waiver and extension of the contract for expert services to GatenbySanderson Ltd to provide specific capacity to lead this work.

- 5) To note that the report to Council must make clear the links between the yearly budget, set annually by the council, and the medium-term plan.
- 6) To note that any medium-term plan must include options to take full advantage of coming additional potential revenue streams including but not limited to transient visitor levy and workplace parking levy.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **14. Enterprise Resource Planning Funding**

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A report provided an update and financial overview on the Council's ERP (Enterprise Resource Planning) Programme and requested funding that was needed to support the required infrastructure upgrade and other potential ERP commitments on both the Finance, Procurement and Debt Management elements of the programme, along with highlighting the importance to complete it this financial year.

### **Decision**

- 1) To note the requirement for the Council to continue to move forward with the implementation tasks to bring all aspects of the ERP Programme in to live production, and that the R12 upgrade programme was planned to complete in this financial year.
- 2) To note in order to conclude this programme the report had set out the funding required to complete the necessary implementations.
- 3) To note the funding requested of £0.961m one off costs and £102k recurring costs were critical, as explained in the report, to ensure successful operational completion of both the Finance and Debt Management upgrades. This funding had been identified within the Corporate Services budget to meet these costs; however, there were resulting risks to funding the programme in this way that would require mitigating actions.
- 4) To note the programme management team would continue to apply strict financial monitoring controls and scrutinise any additional costs to keep the contingency spend to a minimum. Contingency funding not required would be returned.
- 5) To note the Council's Change Board actively monitored and tracked progress on all Council wide programmes ensuring that targeted action was taken should timelines, benefits or costings deviate from the original business case, including the ERP Programme.
- 6) To note that a Business Bulletin update would be provided when the project had commenced and funding secured, and if there were any issues experienced throughout the system upgrade.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## 15. Sustainable Procurement Strategy Annual Report - 2022

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The Council's Sustainable Procurement Strategy 2020-2025 was approved by Committee on 5 March 2020. The Sustainable Procurement Annual Report provided the Committee with an update on the activity and outcomes that have been delivered through the Strategy from 1 April 2021 to 31 March 2022.

### Decision

- 1) To note the report and to approve the publication of the Sustainable Procurement Strategy Annual Report 2022.
- 2) To request a briefing on the Living Wage Employer/Living Wage City, including the percentage of contractors and suppliers currently paying the Living Wage and what percentage might be achievable as a goal, and which sectors were most likely to face issues with paying the Living Wage.

(References – Finance and Resources Committee, 5 March 2020 (item 12); report by the Interim Executive Director of Corporate Services, submitted.)

## 16. Award of Engineering Inspection Services

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Approval was sought to award the Engineering Inspection Services to Zurich Insurance PLC (trading as Zurich Municipal), to commence in October 2022 for a period of five years with the option to extend at twelve-month intervals up to a total of 24 months, undertaken at the sole discretion of the Council at a total estimated value of £1,263,165.

### Decision

- 1) To approve the award of a contract for Engineering Inspection Services to Zurich Insurance PLC.
- 2) To approve the commencement of the contract in October 2022 for a period of five years with the option to extend at twelve-month intervals up to a total of 24 months with a total estimated value of £1,263,165.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## 17. Update on the implementation of the Construction Charter

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A report provided an update on the Council's promotion of the commitments set out in the Construction Charter following its approval in August 2018.

### Decision

- 1) To note the ongoing work of the Council in promoting the Construction Charter Commitments.
- 2) To note that since the Construction Charter was fully embedded, a further implementation update was no longer required.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)



## 18. Edinburgh Living LLPs: Acquisition of Homes 2022/2023

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Approval was sought for the intended transfer of a further 14 homes due to complete at the Council's Dumbryden development in 2022/2023, bringing the total number of mid-market rent homes approved through this route since 2019 to 514 homes.

### Decision

- 1) To agree the transfer of 14 homes constructed at Dumbryden as part the Council's housebuilding programme, from the Housing Revenue Account, to Edinburgh Living mid-market rent LLP, once completed in 2022.
- 2) To note the intention for Edinburgh Living to purchase 80 homes from the National Housing Trust Fruitmarket LLP.
- 3) To delegate authority to the Executive Director of Place to complete the purchase of homes on behalf of the Council as Member of the Edinburgh Living Mid-Market Rent LLP.
- 4) To note the requirement for the Council:
  - 4.1) To make available up to £4.9m from the Council Tax Discount Fund (CTDF) to support the purchase of homes at Fruitmarket at Market Value.
  - 4.2) To lend to the mid-market rent LLP to enable the purchase of all 94 homes.
  - 4.3) To provide corresponding capital advances from the Loans Fund based on a repayment profile using the funding/ income method, as set out in Appendix 1 to the report.
- 5) To refer the report to Council for approval.

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

## 19. Lauriston Castle: Operational and Governance Arrangements

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The governance arrangements for the Lauriston Castle Trust (LCT) were being reviewed and the outcome of this review would be reported to a future Committee meeting. Until such time as any changes to the governance arrangements were approved and implemented, Committee was asked to agree delegated authority to Council officers to take operational decisions on the basis of urgency and/or where the value of the action was up to £5,000.

### Decision

- 1) To note the information provided on the governance of the Lauriston Castle Trust and the operational arrangements in place for day-to-day decision making in respect of Lauriston Castle, its Gardens and wider Estate.
- 2) To agree the proposal to delegate authority to Council officers for day-to-day operational decisions (as set out in paragraphs 4.6.1 and 4.6.2 of the report by the Executive Director of Place).

- 3) To agree that all other decisions on the day-to-day operational arrangements for Lauriston Castle, its Gardens and wider Estate should be reported to the Finance and Resources Committee for approval until such time as new governance arrangements for LCT were implemented.

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

### **Declaration of Interests**

Councillor Staniforth declared a financial interest in the above item as a previously paid performer at Lauriston Castle, left the meeting and took no part in the consideration of the item.

## **20. Millerhill Energy from Waste Plant Heat Offtake Unit**

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The report provided an update on the construction of the Macmillan Hub project following its conditional approval by Finance and Resources Committee on 3 March 2022. It provided details of North Edinburgh Arts (NEA) fundraising to date and requests approval to proceed with the work as planned in order to preserve the overall intended outcomes of the project.

### **Decision**

- 1) To agree to progress with the construction of the energy plant, noting that all the contractual conditions had been met.
- 2) To agree to the payment of sum totalling £5,200,000 to be paid for this construction.
- 3) To refer the report to Council for the approval of prudential borrowing required to make this payment.
- 4) To note that approval was also being sought by Midlothian Council in accordance with the Inter Authority to agreement that governs the Energy from Waste contract.

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

## **21. Macmillan Hub - Update on Funding Position**

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Approval was sought for expenditure relating to capital works for the addition of plant/equipment at the Millerhill Energy from Waste facility that would enable the facility to provide heat to the Midlothian Energy Heat Network.

### **Decision**

- 1) To note the progress made with the project from the previous report to Committee on 3 March 2022.
- 2) To approve Option 3, as identified in the report, to forward loan fund the remaining project budget shortfall subject to the cost recovery arrangements being agreed with North Edinburgh Arts.

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

## 22. Education and Children's Services Waiver Extension

---

A report provided an update on the construction of the Macmillan Hub project following its conditional approval by Finance and Resources Committee on 3 March 2022. It provided details of North Edinburgh Arts fundraising to date and requested approval to proceed with the work as planned in order to preserve the overall intended outcomes of the project.

### Decision

- 1) To note the progress made with the project from the previous report to Committee on 3 March 2022.
- 2) To approve Option 3, as identified in the report, to forward loan fund the remaining project budget shortfall subject to the cost recovery arrangements being agreed with North Edinburgh Arts.

(References – Finance and Resources Committee, 3 March 2022 (item 22); report by the Executive Director of Education, Children and Families, submitted.)

## 23. Health and Social Care Contract Extension Report

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A report set out the current Edinburgh Health and Social Care Partnership commissioning activity and how that impacted on contractual arrangements including the requirement to waive the requirement of Contract Standing Orders to allow contracts to be extended at the expiry of the current contract duration.

### Decision

To approve the extension of the Health and Social Care contracts outlined in paragraph 4.1 of the report by the Chief Officer, EHSCP.

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

## 24. Award of Contract: EADP – Counselling and Psychological Therapies Services

---

Approval was sought to award a contract to Edinburgh Lothian Council on Alcohol leading a consortium comprising Crew 2000 and CrossReach to deliver Counselling and Psychological Therapies Services. The service was to commence on 1 October 2022 for an initial period of 3 years with the option to extend for a further 3 years, at an estimated total cost of £3,971,000.

### Decision

- 1) To approve the award of a contract for Counselling and Psychological Therapies Services to Edinburgh Lothian Council on Alcohol.
- 2) To approve the commencement of the contract on 1 October 2022 for an initial period of 3 years with the option to extend for a further 3 years, with a total estimated value of £3,971,000.

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

## **25. Appointments to Joint Consultative Group**

---

The Finance and Resources Committee was invited to appoint the membership of the Joint Consultative Group.

### **Decision**

- 1) To appoint Councillors Macinnes, McVey, Pogson, Neil Ross and Walker and to the Joint Consultative Group.
- 2) To appoint Councillor Walker as the Convener of the Joint Consultative Group.
- 3) To agree that the Green and Conservative Groups would confirm their appointments in writing following the meeting.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **26. Contract Awards and Procurement Programme (Period 1 January to 30 June 2022)**

---

Updates were presented on the scope of contracts awarded across the Council in the period 1 January to 30 June 2022.

### **Decision**

- 1) To note the report and the contract awards made by officers under delegated authority, in accordance with the Council's Contract Standing Orders. A further report would be submitted to the Committee in approximately six months' time.
- 2) To note the total value of contacts for individual suppliers who held multiple contacts would be provided in future reports.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## **27. Workforce Dashboard with Wellbeing and Absence Deep dive**

---

The Council's Workforce Data (April to June 2022) and a 'deep dive' data and analysis relating to the wellbeing and absence trends of the workforce (July 2021 to June 2022) were provided.

### **Decision**

- 1) To review and to note the information contained in the Workforce Dashboard (April to June 2022) and Wellbeing and absence deep dive (July 2021 to June 2022).
- 2) To note the progress which had been made in delivering the commitments of the Council's Wellbeing Strategy.
- 3) To request information on the number of staff by contract type, for example permanent, fixed term, agency.

(Reference – report by the Interim Executive Director of Corporate Services, submitted.)

## 28. Ravelston Pavilion and Surrounding Parkland – Community Asset Transfer

---

Approval was sought for the disposal of Ravelston Park Pavilion and surrounding land under a Community Asset Transfer arrangement.

### Decision

To approve the disposal of Ravelston Park Pavilion and surrounding land, Craigcrook Road, Edinburgh, to Blackhall Community Trust on the terms set out in the report and on such other terms and conditions to be agreed by Executive Director of Place.

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

## 29. Land at Millerhill, Edinburgh – Proposed Disposal

---

Approval was sought for the proposed disposal of an area of land to Midlothian Energy Ltd require a site to construct a District Heating Centre, to utilise heat from the Millerhill Recycling and Energy Recovery Centre.

### Decision

To approve the disposal of 1.09 hectares (2.69 acres) of land, and grant of servitude rights, at Millerhill to Midlothian Energy Limited, on the terms and conditions outlined in the report.

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

## 30. Land at Rannoch Terrace, Clermiston, Edinburgh – Proposed Disposal

---

A report sought approval to dispose of land to AMA Homes on the terms and conditions outlined in the report.

### Motion

To approve the disposal of 247 sq m of land at Rannoch Terrace to AMA Homes, on the terms and conditions outlined in the report.

- Moved by Councillor Watt, seconded by Councillor Griffiths

### Amendment

- 1) To approve the disposal of 247 sq m of land at Rannoch Terrace to AMA Homes, on the terms and conditions outlined in the report.
- 2) To request early indication from the developer of their proposed timeline for bringing forward an application which delivers active frontage at ground level and 100% affordable housing above ground level.
- 3) To note the Condition of Sale at 4.1.4 and includes a further condition that the purchaser would submit planning permission within 12 months of the date of the report.

- Moved by Councillor Hyslop, seconded by Councillor Macinnes

In accordance with Standing Order 22(12), the amendment was accepted as an addendum to the motion by Councillor Watt.

### **Decision**

- 1) To approve the disposal of 247 sq m of land at Rannoch Terrace to AMA Homes, on the terms and conditions outlined in the report.
- 2) To request early indication from the developer of their proposed timeline for bringing forward an application which delivers active frontage at ground level and 100% affordable housing above ground level.
- 3) To note the Condition of Sale at 4.1.4 and includes a further condition that the purchaser would submit planning permission within 12 months of the date of the report.

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

### **31. Depot Rationalisation Programme – Bankhead Depot Refurbishment Award of Contract**

---

Approval was sought to award a contract for the Bankhead Depot Refurbishment to Tilbury Douglas Construction Limited, to commence in October 2022 for a period of 11 months at a total value of £3,402,119.74.

### **Decision**

- 1) To approve the award of a contract for Bankhead Depot Refurbishment to Tilbury Douglas Construction Limited at a value of £3,402,119.74.
- 2) To note it was anticipated the contract would commence in October 2022 and have a programme duration of 11 months.

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

### **32. Unit 4/5 Clocktower, South Gyle Industrial Estate, Edinburgh – Proposed Lease Extension**

---

Approval was sought to grant a lease extension to Thus Group Holdings Limited until 31 August 2032 on the terms and conditions outlined in the report.

### **Decision**

To approve a new 10-year lease extension to Thus Group Holdings Limited at Unit 4/5 Clocktower, on the terms and conditions outlined in the report.

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

### **33. Walk Up Avenue, Craigmillar, Edinburgh - Proposed New Lease**

---

The Craigmillar Meanwhile Project was a proposal to transform an unused site in the heart of Craigmillar Town Centre. Approval was sought to lease the site to Trade Unions in Communities.

## **Decision**

- 1) To note the outcome of the marketing exercise for the first commercial unit at Walk Up Avenue, Craigmillar.
- 2) To note the connection with the motion approved by Council, on 30 June 2022, regarding Trade Unions in Communities.
- 3) To approve the lease to the Trade Unions in Communities on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Place.
- 4) To note that the Head of Estates would provide further information on funding and timescales for the proposed second commercial unit.

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

### **34. 18-19 West Harbour Road, Edinburgh – Proposed Lease Extension**

---

Approval was sought for a 10-year lease extension to Powderhall Bronze on the terms and conditions outlined in the report.

#### **Decision**

To approve a new 10- year lease extension to Powderhall Bronze of the property at 18-19 West Harbour Road on the terms and conditions outlined in the report.

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

### **35. Deed of Servitude for access at Water of Leith Walkway Waulkmill Loan**

---

Approval was sought to grant a Deed of Servitude for access to Mr Brian Hall, along the Water of Leith Walkway at Waulkmill Loan.

#### **Decision**

To approve granting a Deed of Servitude in favour of Mr Brian Hall under the terms and conditions outlined in the report.

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

### **36. Block 1 Unit 4 Pennywell Town Centre, Edinburgh – Proposed New Lease**

---

Approval was sought to grant a new 10-year lease to Eye Tec (Ophthalmic Opticians) Limited on the terms and conditions outlined in the report.

#### **Decision**

To approve a new 10-year lease to Eye Tec (Ophthalmic Opticians) Limited at Block 1 Unit 4, Pennywell Town Centre, on the terms and conditions outlined in the report.

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

### **37. Appointment of Professional Services, George Street and the First New Town – from RIBA Stage 4 (Technical Design)**

---

British Architects (RIBA) Stage 4 - Technical Design professional services to support delivery of the George Street and First New Town public realm improvement project.

#### **Decision**

- 1) To note the previous commission approved by the Executive Director of Place to appoint Faithful & Gould Ltd to support delivery of the Royal Institute of British Architects Stage 3 - Spatial Co-ordination of the George Street and First New Town Public Realm Improvement Project by utilising the Council's Professional Services Framework.
- 2) To approve the retention of Faithful & Gould Ltd to provide RIBA Stage 4 - Technical Design professional services, commissioned through the Council's Professional Services Framework.
- 3) To note that the RIBA Stage 4 -Technical Design process would only commence following progression through the end of RIBA Stage 3 gateway review process (September 2022).

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

### **38. Housing Service Asbestos Framework**

---

The Housing Service had an ongoing requirement for professional services and remediation works related to the management of asbestos throughout the domestic estate.

#### **Decision**

- 1) A Housing Service Asbestos Framework to agreement was awarded by the Executive Director of Place, in consultation with the Convener and Vice-Convener of the Finance and Resources Committee, in March 2022. This decision was taken under urgency provisions, in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions.
- 2) The contract commenced on the 1 April 2022, for a period of three years with the option to extend for up to a further 12 months, at a total estimated value of £3,165,593.

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

### **39. Community Alarm System and Sheltered Housing Alarm Repair, Maintenance and Installation Contract Extension**

---

A report set out the detail of the extension of the Sheltered Housing elements of a contract awarded to SPIE Ltd under urgency powers in consultation with the Convener and Vice-Convener of Finance and Resources on 1 April 2022.



## **Decision**

- 1) To note the contract extension awarded to SPIE Ltd as an urgent decision in accordance with section 4.1 of the Council's Committee terms of Reference and Delegated Functions by the Executive Director of Place, in consultation with the Convener of Finance and Resources.
- 2) That urgent powers to authorise these extensions were sought and granted by the Convener and Vice-Convener on 1 April 2022.
- 3) The contract extension was backdated to 1 February 2022 and would run for a period of one year. The estimated value of the contract was £100,000.

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

## **40. Currie High School**

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The Committee in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 8 and 9 of Part 1 of Schedule 7A of the Act.

Approval was sought to award the construction contract for the new Currie High School to Kier Construction Ltd. A review of the existing Capital Investment Programme, including consideration of current market conditions in the construction sector, would be undertaken as part of the 2023/24 annual budget process.

## **Decision**

- 1) To approve the award of the contract for the construction of the replacement Currie High School to Kier Construction Ltd at the fixed price value of £65,986,369.35.
- 2) To note that a full review of the Capital Investment Programme would be carried out for presenting to elected members as part of the budget process.
- 3) To refer the report to a future meeting of the Education, Children and Families Committee for information.

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

## **41. Award of Contracts for Roseburn to Union Canal Active Travel Route and Greenspace Improvements Project Construction**

---

The report sought approval to delegate authority to the Executive Director of Place to award the contract for the construction stage to Balfour Beatty Civil Engineering Limited, through the Scape Procure Scotland 'National Civil Engineering and Infrastructure Framework – Scotland' framework To agreement, and to appoint a Construction Supervisor for the project through Lot 13 (Transportation Services) of the Council's new Professional Services Framework (PSF), at an estimated cost of approximately £350-400k.

## Decision

- 1) To delegate authority to the Executive Director of Place to award a contract to Balfour Beatty Civil Engineering Limited to undertake construction of the Roseburn to Union Canal Active Travel Route and Greenspace Improvements Project' procured through the Scape Procure Scotland 'National Civil Engineering and Infrastructure Framework – Scotland' framework to agreement, subject to the project's continued affordability.
- 2) To note that the contract value was expected to be at an upper range of under £13.5m.
- 3) To approve the appointment of a Construction Supervisor for the project through Lot 13 (Transportation Services) of the Council's new Professional Services Framework, at an estimated cost of approximately £350-400k.

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

# Minutes

## Finance and Resources Committee

11.00am, Monday 10 October 2022

### Present

Councillor Watt (Convener), Councillor Doggart, Councillor Griffiths, Councillor Hyslop, Councillor Macinnes, Councillor McVey (substituting for Councillor Nicolson) Councillor Mumford, Councillor Neil Ross, Councillor Staniforth, Councillor Whyte (substituting for Councillor Bruce), and Councillor Younie.

### 1. **Edinburgh's Christmas – Emergency Contract Award**

---

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraph 8 and 9 of Part 1 of Schedule 7(A) of the Act.

The report provided an update to Committee on the circumstances surrounding the contract CT1043 for the delivery of Edinburgh's Christmas by Angels Event Experience Ltd (AEE), and sought approval to undergo emergency procurement procedures to approve the direct award of a contract to deliver Edinburgh's Christmas for one year (2022/23) with the option of an extension for one further year to Unique Assembly, a consortium formed by Unique Events Ltd and Assembly Festival Ltd.

### Motion

- 1) To note that Angels Events Experience Ltd (AEE) had indicated that the contract CT1043 could not be delivered as awarded and had made clear that it did not intend to deliver the contract as awarded.
- 2) To approve the direct award of a contract under emergency procurement procedures to Unique Assembly for a period of one year with an optional one year extension.
- 3) To agree that any extension would be approved by the Culture and Communities Committee in early 2023 following submission of an outcome report on the 2022/23 event.
- 4) To present Committee with the following reports prior to any future tender process:
  - i. A Lessons Learned report analysing problems that arose from the tender process and what options there were for avoiding problems in the next tender process.
  - ii. A report on the proposed new tender process prior to it going ahead.

- iii. A report on the profit-share element of the contract and the work done to verify it.

- moved by Councillor Watt, seconded by Councillor Griffiths

### **Amendment 1**

- 1) To note that Angels Events Experience Ltd (AEE) had indicated that the contract CT1043 could not be delivered as awarded and had made clear that it did not intend to deliver the contract as awarded.
  - 1.1) To regret that the tender process had failed to secure an appropriate and successful Christmas that reflected the more than 8,000 consultation responses.
  - 1.2) To regret that the Administration failed to honour the agreement at the Finance and Resources Committee of June 2022 to deliver regular briefings to spokespeople – showing contempt for Councillors, Committee and Council.
- 2) To approve the direct award of a contract under emergency procurement procedures to Unique Assembly for a period of one year with an optional one year extension.
- 3) To agree that any extension would be approved at Culture and Communities Committee and Finance and Resources Committee in early 2023 following submission of an outcome report on the 2022/23 event.
- 4) In the event that Angel Events withdrew from all involvement for any reason, officers were delegated to work with Unique Assembly to find alternative arrangements with Unique Assembly – prioritising those local stallholders who had already signed up to Angel Events.
- 5) To agree that whatever the makeup this year, these events needed to reflect the outcome of the consultation, and ensure that the stalls (both commercial and 3<sup>rd</sup> sector) reflected and promoted Edinburgh's local offer and put at the heart of the offer the affordability of events and attractions for local people.
- 6) To agree that the decision in relation to this report did not bar any further actions or motions being agreed in the next 6 months in relation to longer term Christmas planning or consideration of matters relating to scrutiny of what had created this situation.

- moved by Councillor Macinnes, seconded by Councillor McVey

### **Amendment 2**

- 1) To note that Angels Events Experience Ltd (AEE) had indicated that the contract CT1043 could not be delivered as awarded and had made clear that it did not intend to deliver the contract as awarded.
- 2) To approve the direct award of a contract under emergency procurement procedures to Unique Assembly for a period of one year with an optional one year extension.

- 3) To agree that any extension would be approved at Culture and Communities Committee in early 2023 following submission of an outcome report on the 2022/23 event.
  - 4) To request a report in two cycles in respect of the procurement process for events, highlighting what alternative approaches were available, what was best practice and what changes would be made to the Council procedures in light of this experience.
  - 5) To forward the report to Culture and Communities Committee and Governance, Risk and Best Value for noting.
- moved by Councillor Doggart, seconded by Councillor Whyte

In accordance with Standing Order 22(12), Paragraphs 5 and 6 of Amendment 1 were accepted as an addendum to the motion by Councillor Watt. Paragraphs 4 and 5 of Amendment 2 were accepted as an addendum to the motion by Councillor Watt and to Amendment 1 by Councillor Macinnes.

### **Voting**

The voting was as follows:

For the motion (as adjusted)	-	2 votes
For amendment 1 (as adjusted)	-	7 votes
For amendment 2	-	2 votes

(For the motion (as adjusted): Councillors Watt and Griffiths.

For amendment 1 (as adjusted): Councillors Hyslop, Macinnes, McVey, Mumford, Neil Ross, Staniforth and Younie.

For amendment 2: Councillors Doggart and Whyte.)

### **Decision**

To approve the following adjusted amendment by Councillor Macinnes:

- 1) To note that Angels Events Experience Ltd (AEE) had indicated that the contract CT1043 could not be delivered as awarded and had made clear that it did not intend to deliver the contract as awarded.
  - 1.1) To regret that the tender process had failed to secure an appropriate and successful Christmas that reflected the more than 8,000 consultation responses.
  - 1.2) To regret that the Administration failed to honour the agreement at the Finance and Resources Committee of June 2022 to deliver regular briefings to spokespeople – showing contempt for Councillors, Committee and Council.
- 2) To approve the direct award of a contract under emergency procurement procedures to Unique Assembly for a period of one year with an optional one year extension.

- 3) To agree that any extension would be approved by the Culture and Communities Committee and Finance and Resources Committee in early 2023 following submission of an outcome report on the 2022/23 event.
- 4) In the event that Angel Events withdrew from all involvement for any reason, officers were delegated to work with Unique Assembly to find alternative arrangements with Unique Assembly – prioritising those local stallholders who had already signed up to Angel Events.
- 5) To agree that whatever the makeup this year, these events needed to reflect the outcome of the consultation, and ensure that the stalls (both commercial and 3<sup>rd</sup> sector) reflected and promoted Edinburgh's local offer and put at the heart of the offer the affordability of events and attractions for local people.
- 6) To agree that the decision in relation to this report did not bar any further actions or motions being agreed in the next 6 months in relation to longer term Christmas planning or consideration of matters relating to scrutiny of what had created this situation.
- 7) To request a report in two cycles in respect of the procurement process for events, highlighting what alternative approaches were available, what was best practice and what changes would be made to the Council procedures in light of this experience.
- 8) To forward the report to Culture and Communities Committee and Governance, Risk and Best Value for noting.

Note: full decision contained in the Confidential Schedule, as signed by the Convener with reference to this minute.

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

# Work Programme

## Finance and Resources Committee

10 November 2022

Item	Key decisions	Frequency	Wards affected	Director and Lead Officer	Expected Date
1	Workforce Dashboard	6 monthly Report		Interim Executive Director of Corporate Services Lead Officer: Katy Miller <a href="mailto:katy.miller@edinburgh.gov.uk">katy.miller@edinburgh.gov.uk</a>	March 2023
2	Council Commercial Property Portfolio – Update Report	Committee agreed to receive regular updates, where required, on 29 October 2020		Executive Director of Place Lead Officer: Graeme McGartland 0131 529 5956 <a href="mailto:graeme.mcgartland@edinburgh.gov.uk">graeme.mcgartland@edinburgh.gov.uk</a>	April 2023
3	Revenue Monitoring – Council-wide	Quarterly Report		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	January 2023

Item	Key decisions	Frequency	Wards affected	Director and Lead Officer	Expected Date
4	Revenue Budget Risks and Reserves Report	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	January 2023
5	Capital Monitoring – Council-wide	Quarterly Report		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	January 2023
6	Corporate Services Directorate - Revenue Budget Monitoring	Quarterly Report		Interim Executive Director of Corporate Services Lead Officer: Iain Shaw 0131 469 3117 <a href="mailto:iain.shaw@edinburgh.gov.uk">iain.shaw@edinburgh.gov.uk</a>	January 2023
7	Chief Executive – Revenue Budget Monitoring	Quarterly Report		Chief Executive Lead Officer: Iain Shaw 0131 469 3117 <a href="mailto:iain.shaw@edinburgh.gov.uk">iain.shaw@edinburgh.gov.uk</a>	January 2023
8	Contract Award and Procurement Programme	Six Monthly Report		Interim Executive Director of Corporate Services Lead Officer: Iain Strachan	May 2023



Item	Key decisions	Frequency	Wards affected	Director and Lead Officer	Expected Date
				0131 529 4930 <a href="mailto:jain.strachan@edinburgh.gov.uk">jain.strachan@edinburgh.gov.uk</a>	
9	Revenue Budget 2022/27 – Progress Update	Annual Update Report, incorporating impacts of provisional Local Government Finance Settlement		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	January 2023
10	Housing Revenue Account Budget Strategy	Annual Report		Executive Director of Place Lead Officer: Elaine Scott 0131 529 2277 <a href="mailto:elaine.scott@edinburgh.gov.uk">elaine.scott@edinburgh.gov.uk</a>	January 2023
11	Capital Budget Strategy 2020/30	Annual Update Report, incorporating impacts of provisional Local Government Finance Settlement		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	January 2023
12	Annual Fraud Prevention and	Annual Report		Interim Executive Director of Corporate Services	November 2023

Item	Key decisions	Frequency	Wards affected	Director and Lead Officer	Expected Date
	Detection			Lead Officer: Nicola Harvey 0131 469 5016 <a href="mailto:nicola.harvey@edinburgh.gov.uk">nicola.harvey@edinburgh.gov.uk</a>	
13	City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit – referral by the Governance, Risk and Best Value Committee	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	October 2023
14	The City of Edinburgh Council Charitable Trusts – report to those charged with governance on the 2021/22 audit	Annual Report		Interim Executive Director of Corporate Services Lead Officer: John Aghodeaka 0131 469 5348 <a href="mailto:john.aghodeaka@edinburgh.gov.uk">john.aghodeaka@edinburgh.gov.uk</a>	October 2023
15	2021/22 Common Good Annual Performance Report	Annual Report		Interim Executive Director of Corporate Services Lead Officer: John Aghodeaka 0131 469 5348 <a href="mailto:john.aghodeaka@edinburgh.gov.uk">john.aghodeaka@edinburgh.gov.uk</a>	October 2023

Item	Key decisions	Frequency	Wards affected	Director and Lead Officer	Expected Date
16	Annual Treasury Management Strategy 2021/22	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Innes Edwards 0131 469 6291 <a href="mailto:innes.edwards@edinburgh.gov.uk">innes.edwards@edinburgh.gov.uk</a>	September 2023
17	Treasury Management Mid-Term Report 2021/22	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Innes Edwards 0131 469 6291 <a href="mailto:innes.edwards@edinburgh.gov.uk">innes.edwards@edinburgh.gov.uk</a>	June 2023
18	Asset Management Works Programme	Annual Report  The report is normally presented at the financial year end to update Committee on the outcome of the 12-month programme.		Executive Director of Place Lead Officer: Peter Watton 0131 529 5962 <a href="mailto:peter.watton@edinburgh.gov.uk">peter.watton@edinburgh.gov.uk</a>	June 2023
19	Health and Safety Performance	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Nick Smith 0131 529 4377	April 2023

Item	Key decisions	Frequency	Wards affected	Director and Lead Officer	Expected Date
				<a href="mailto:nick.smith@edinburgh.gov.uk">nick.smith@edinburgh.gov.uk</a>	
20	Workforce Control Annual Report	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Katy Miller 0131 469 5522 <a href="mailto:katy.miller@edinburgh.gov.uk">katy.miller@edinburgh.gov.uk</a>	September 2023
21	Commercial and Procurement Annual Report	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Iain Strachan 0131 529 4930 <a href="mailto:iain.strachan@edinburgh.gov.uk">iain.strachan@edinburgh.gov.uk</a>	September 2023
22	Appointments to Working Groups	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Rachel Gentleman 0131 529 4107 <a href="mailto:rachel.gentleman@edinburgh.gov.uk">rachel.gentleman@edinburgh.gov.uk</a>	TBC (to be confirmed after revised political management arrangements are agreed)
23	Depot Strategy – Phase 2	Requests further reports as progress is made		Executive Director of Place Lead Officers: Gareth Barwell / Peter Watton 0131 529 5962 / 0131 529 5962 <a href="mailto:gareth.barwell@edinburgh.gov.uk">gareth.barwell@edinburgh.gov.uk</a> / <a href="mailto:peter.watton@edinburgh.gov.uk">peter.watton@edinburgh.gov.uk</a>	TBC

Item	Key decisions	Frequency	Wards affected	Director and Lead Officer	Expected Date
24	Consultants Costs Annual Report	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	November 2023
25	Finance and Procurement Annual Policies Assurance	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Hugh Dunn 0131 469 3150 <a href="mailto:hugh.dunn@edinburgh.gov.uk">hugh.dunn@edinburgh.gov.uk</a>	November 2023
26	Construction Charter Annual Update	Annual Report		Interim Executive Director of Corporate Services Lead Officer: Iain Strachan 0131 529 4930 <a href="mailto:iain.strachan@edinburgh.gov.uk">iain.strachan@edinburgh.gov.uk</a>	September 2023

## Finance and Resources Committee Upcoming Reports

## Appendix 1

Report Title	Directorate	Lead Officer
<b>January 2023</b>		
Revenue Monitoring – Council-wide	Corporate Services	Hugh Dunn
Revenue Budget Risks and Reserves Report	Corporate Services	Hugh Dunn
Treasury Management Mid Term Report	Corporate Services	Hugh Dunn
Capital Monitoring – Council-wide	Corporate Services	Hugh Dunn
Corporate Services Directorate - Revenue Budget Monitoring	Corporate Services	Iain Shaw
Chief Executive – Revenue Budget Monitoring	Corporate Services	Iain Shaw
Revenue Budget 2022/27 – Progress Update	Corporate Services	Hugh Dunn
Housing Revenue Account Budget Strategy	Corporate Services	Elaine Scott
Capital Budget Strategy 2020/30	Corporate Services	Hugh Dunn

Cost of Future Planned visits from King Charles III (Motion from 27 October 2022 Council)	Corporate Services	Norma Cuthbertson/ Fraser Rowson
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# Rolling Actions Log

## Finance and Resources Committee

10 November 2022

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	12.08.21	Lauriston Castle Trust (private report)	<p>1) To agree to implement Option 2 in the report subject to a further report being submitted to full Council which addressed:</p> <ul style="list-style-type: none"> <li>the appointment of only Councillor Trustees at the moment</li> <li>appropriate support being made available to purchase indemnity insurance for Councillor</li> </ul>	Executive Director of Corporate Services	Autumn 2022		<p><b><u>Update September 2022</u></b> A report is being drafted on the proposed way forward and will be submitted to a future Committee meeting prior to submission to Council.</p> <p><b><u>Update February 2022</u></b> Work is ongoing on a report to F&amp;R along with a briefing note and a further member briefing session once further consideration to the issues has been completed.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			trustees and providing legal and administrative support for at least 6 months <ul style="list-style-type: none"> <li>• a route map setting out a proposed way forward for the Trust.</li> </ul>				
			2) To agree that the Executive Director of Corporate Services examine the arrangements for the other trusts of which the Council was sole trustee with reference to the arrangements agreed for Lauriston Castle Trust.	Executive Director of Corporate Services	Autumn 2022		<u><b>Update September 2022</b></u> A report is being drafted on the proposed way forward and will be submitted to a future Committee meeting prior to submission to Council.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
2	07.10.21	<a href="#">Workforce Dashboard</a>	To agree to provide a joint report by the Interim Director of Education and Children's Services and the Service Director – Human Resources to be submitted to a future committee following a review of fixed term contracts for teaching staff.	Interim Director of Education and Children's Services Service Director – Human Resources	March 2023		<b><u>Update November 2022</u></b> Information will be included in the next workforce dashboard report due in March 2023.
3	09.12.21	<a href="#">Work Programme</a>	To request a written update on Councillor Corbett's motion to Council from May 2021 on Bridges and Investment in Craiglockhart and Colinton Dells.	Executive Director of Place			<b><u>Update September 2022</u></b> An agreement in principle has been reached with the Councils Bridges and Structures team and Mott MacDonald have been instructed to finalise procurement specifications.  <b><u>Update March 2022</u></b> Briefing circulated February 2022; Committee in March 2022 agreed action to remain

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							open until clarity on when work would commence.
4	16.06.22	<a href="#">Rolling Actions Log</a>	1) To note the Service Director - Sustainable Development would provide an update and expected timescale for the work to commence as noted in Item 3 (RAL item on bridges).	Executive Director of Place			<b>Recommended for closure</b> Update provided in item 3.
			2) To note expected completion dates would be added to Items 2 (workforce dashboard) and 4 (Granton Waterfront).	Interim Executive Director of Corporate Services			<b>Update November 2022</b> Item 4 (Granton Waterfront) was closed in September 202.  Item 2 (Workforce Dashboard) will be updated when an expected completion date is confirmed.
5	16.06.22	<a href="#">Homelessness Services – Use of Temporary Accommodation</a>	To note that the Interim Homelessness & Housing Support Senior Manager would include	Executive Director of Place	December 2022		<b>Update September 2022</b> Report scheduled for Committee in December.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			information on the number of households in temporary accommodation by category in future reports.				
6	14.07.22	<a href="#">Cost of Living Crisis: Cost implications of motion approved by Council, 30 June</a>	1) To note that the Council Leader has called a special meeting of key members of the Edinburgh Partnership to consider the above proposal and for their input to be noted in a report when Council considers the decision of the Finance and Resources Committee in relation to reserve spending.	Interim Executive Director of Corporate Services	August 2022	August 2022	<b>Closed September 2022</b> Report considered by Council in August 2022.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>2) To request that the Council Leader writes to both the Scottish and UK Governments to:</p> <p>2.1) urge them to increase recurring welfare payments to those in need, who are most directly affected by the cost of living crisis; and also</p> <p>2.2) intensify efforts to increase the uptake of welfare benefits, as many people are missing out on payments to which they are entitled.</p>	Council Leader		September 2022	<p><b>Recommended for closure</b></p> <p>Letters sent September 2022</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
7	08.09.22	<a href="#">Work Programme</a>	To provide an update on Spend to Save projects in the next monitoring report and the annual outturn reports.	Service Director - Finance and Procurement	January 2023		
8	08.09.22	<a href="#">Rolling Actions Log</a>	To circulate the letters to members, written from the Council Leader to the Scottish and UK Governments (referred to in action 6(2)).	Service Director - Finance and Procurement	September 2022	September 2022	<b>Recommended for closure</b> Letters will be circulated to members prior to the Committee meeting once copies received by Committee Services.
9	08.09.22	<a href="#">Sustainable Procurement Strategy Annual Report - 2022</a>	To request a briefing on the Living Wage Employer/Living Wage City, including the percentage of contractors and suppliers currently paying the Living Wage and what percentage might be achievable as a goal, and which sectors were most likely	Interim Executive Director of Corporate Services			Update requested from directorate

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			to face issues with paying the Living Wage.				
10	08.09.22	<a href="#">Workforce Dashboard with Wellbeing and Absence Deep dive</a>	To request information on the number of staff by contract type, for example permanent, fixed term, agency.	Interim Executive Director of Corporate Services			
11	08.09.22	<a href="#">Land at Rannoch Terrace, Clermiston, Edinburgh – Proposed Disposal</a>	To request early indication from the developer of their proposed timeline for bringing forward an application which delivers active frontage at ground level and 100% affordable housing above ground level.	Executive Director of Place		November 2022	<b>Recommended for closure</b> The developer has held pre application discussions with planning colleagues and is aiming to submit a planning application, for social rent affordable housing with ground floor active frontage, by mid December 2022.
12	08.09.22	<a href="#">Walk Up Avenue, Craigmillar, Edinburgh - Proposed New Lease</a>	To note that the Head of Estates would provide further information on funding and timescales for the	Executive Director of Place			<b><u>Update November 2022</u></b> Source of funding to be confirmed.



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			proposed second commercial unit.				
13	27.10.22 (Council meeting)	<b>By Councillor Parker – Operation Unicorn</b> – see <a href="#">Agenda</a>	<p>“Calls for a report to Finance and Resources Committee within 3 cycles outlining the costs associated with future planned visits from Charles III or other members of the monarchy that will be incurred by the council over the next year and whether this is covered in full by the Capital City Supplement”</p> <p>(Full motion text available on agenda link)</p>	Executive Director of Place	January 2023		

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# Business Bulletin

## Finance and Resources Committee

**10.00am, Thursday, 10 November 2022**

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

# Finance and Resources Committee

Convener:	Members:	Contact:
<p>Convener Councillor Mandy Watt</p> 	<p>Councillor Graeme Bruce Councillor Phil Daggart Councillor Joan Griffiths Councillor Euan Hyslop Councillor Lesley Macinnes Councillor Alys Mumford Councillor Vicky Nicolson Councillor Neil Ross Councillor Alex Staniforth Councillor Lewis Younie</p>	<p><a href="#">Rachel Gentleman</a> Committee Services 0131 529 4107</p> <p><a href="#">Taylor Ward</a> Committee Services</p>

Recent News	Background	Contact
<p><b>Macmillan Hub</b></p> <p>On <a href="#">8 September 2022</a>, the Finance and Resources committee approved the funding update for the new Community Hub at Macmillan Square, Edinburgh. The new hub is the focal point of the regeneration of Pennywell and Muirhouse, a long term local and national objective with the root aim of tackling significant deprivation in the area. It will include an Early Learning and Childcare Centre for 185 children, a library and skills hub, affordable homes, and an expanded and refurbished North Edinburgh Arts (NEA) facility, now in community ownership following the conclusion of a Community Asset Transfer.</p> <p>The construction team continue to make good progress on site with much of the structural steel now in place and it is possible to see the outline of the building taking shape. A number of stakeholder site visits have been held for elected members, funders, and local MSPs and MPs.</p> <p>Since the report to committee on 8 September, North Edinburgh Arts has secured two awards of £50,000 from charitable trusts, reducing their borrowing requirement to £1.405m, with further bids pending. The terms of the loan agreement are being refined and agreed with NEA.</p>		<p><a href="mailto:housingregeneration@edinburgh.gov.uk">housingregeneration@edinburgh.gov.uk</a></p> <p>or</p> <p><a href="mailto:admin@northedinburgharts.com">admin@northedinburgharts.com</a></p>
<p><b>Funding Flexibilities</b></p> <p>On 5 October, the Deputy First Minister wrote to COSLA’s Resources Spokesperson to confirm agreement to a number of options for applying the £120.6m of capital funding provided by the Scottish Government to meet the additional (revenue) costs of the provisional non-teaching pay award. One of these options would see Edinburgh’s allocation of this funding (£9.700m) being used to meet an element of its debt principal repayment, freeing up an equivalent sum from the General Fund budget to meet the additional pay award liability. At this stage, it is anticipated that this mechanism will be used to</p>		<p><a href="#">Fraser Rowson</a></p>

<p>“convert” the capital allocation to meet the additional revenue liability in both 2022/23 and 2023/24.</p> <p>Discussions on revenue funding flexibilities are continuing and an update will be reported to members of the Committee when available. Given that these discussions are on-going, the Council’s budget framework in both 2022/23 and subsequent years currently assumes that the shortfall between the cost of the agreed non-teaching pay award and the combined amount of the Council’s baseline funding and additional Scottish Government contribution falls to be met in full by the Council.</p>		
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**Forthcoming activities:**

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# Finance and Resources Committee

10am, Thursday, 10 November 2022

## City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit

Executive/routine	Executive
Wards	
Council Commitments	

### 1. For Decision/Action

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- 1.1 The Governance, Risk and Best Value Committee has referred the attached report to the Finance and Resources Committee for approval.

**Richard Carr**  
Interim Executive Director of Corporate Services

Contact: Emily Traynor, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services  
[emily.traynor@edinburgh.gov.uk](mailto:emily.traynor@edinburgh.gov.uk)

# Referral Report

## City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit – referral from the Governance, Risk and Best Value Committee

### 2. Terms of Referral

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- 2.1 On 31 October 2022, the Governance, Risk and Best Value Committee considered a report on City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit.
- 2.2 The Governance, Risk and Best Value Committee agreed:
  - 2.2.1 To note that, following the audit process, an unqualified audit opinion will be issued on the Council's annual accounts for 2021/22.
  - 2.2.2 To refer the audited annual accounts to the Finance and Resources Committee for approval and thereafter to Council for noting.
  - 2.2.3 To note that, following approval by the Finance and Resources Committee, the audited annual accounts will be signed and submitted to the external auditor.
  - 2.2.4 To note the external auditor's assessment of the four dimensions of the wider scope audit and implementation of the recommendations contained within the Council's Best Value Assurance Report and that progress in the delivery of the resulting improvement actions set out in Appendices 2 and 3 of the auditor's report will be reported to the Committee during the coming year.
  - 2.2.5 To note that, once approved, a summarised version of the annual accounts will also be published on the Council's website by 30 November.
  - 2.2.6 To agree to provide a briefing note with details on the variances in figures reported for Non-Domestic Rates receipts from the national pool within the report.
  - 2.2.7 To agree to arrange a Risk Management Framework workshop for members.
  - 2.2.8 To agree to provide a briefing note on the £1m expenditure in relation to Leith Links - Common Good.



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

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- 3.1 Minute of the Governance, Risk and Best Value Committee – 31 October 2022
- 3.2 [Governance, Risk and Best Value Committee – 31 October 2022 webcast](#)

### **4. Appendices**

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Appendix 1 – report by the Interim Executive Director of Corporate Services

# Governance, Risk and Best Value Committee

2.00pm, Monday, 31 October 2022

## City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
  - 1.1.1 note that, following the audit process, an unqualified audit opinion will be issued on the Council's annual accounts for 2021/22;
  - 1.1.2 refer the audited annual accounts to the Finance and Resources Committee for approval and thereafter to Council for noting;
  - 1.1.3 note that, following approval by the Finance and Resources Committee, the audited annual accounts will be signed and submitted to the external auditor;
  - 1.1.4 note the external auditor's assessment of the four dimensions of the wider scope audit and implementation of the recommendations contained within the Council's Best Value Assurance Report and that progress in the delivery of the resulting improvement actions set out in Appendices 2 and 3 of the auditor's report will be reported to the Committee during the coming year; and
  - 1.1.5 note that, once approved, a summarised version of the annual accounts will also be published on the Council's website by 30 November.

**Richard Carr**

Interim Executive Director of Corporate Services

Contact: Hugh Dunn, Service Director: Finance and Procurement,  
Finance and Procurement Division, Corporate Services Directorate  
E-mail: [hugh.dunn@edinburgh.gov.uk](mailto:hugh.dunn@edinburgh.gov.uk) | Tel: 0131 469 3150

## City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit

### 2. Executive Summary

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- 2.1 The report summarises the principal findings arising from the Council's 2021/22 external audit. While primarily focused on the review of the financial statements, the wider scope aspects of the audit include consideration of the Council's financial sustainability, financial management, governance and transparency and arrangements to secure and demonstrate value for money. Following the publication of the Council's Best Value Assurance Report (BVAR) in November 2020, the report also assesses progress in implementing its recommendations.
- 2.2 The audit certificate provides an unqualified audit opinion on the financial statements and other prescribed matters. The report concludes that the Council had appropriate arrangements in place for managing its financial position and use of resources during the year, with an overall surplus of £3.9m reported and an increased proportion of approved savings delivered relative to previous years.
- 2.3 The report notes that the Council continues to face significant financial pressures resulting from increased demand for services, inflation and legislative reform, as well as the continuing financial impacts of the pandemic. The development of a medium-term financial plan, which aligns to the Council's business plan and identifies options to address savings requirements over the term of the plan, is therefore critical to demonstrating and achieving financial sustainability. Work is underway to develop potential options to address this gap with reference to the priorities set out in the Council's business plan.
- 2.4 The report concludes that the Council's governance arrangements during the year were satisfactory and appropriate. These arrangements will continue to develop over the coming year, following the local government elections and future changes in the corporate leadership of the Council. A review has commenced into the Council's political arrangements with a view that this will be reported in December 2022. A review of the officer governance structure and senior leadership team is also underway, having been paused until the political management arrangements are confirmed.

- 2.5 The auditor's report notes the Council implemented its Planning and Performance Framework during 2021/22 and published an annual performance report including an assessment of performance against the Local Government Benchmarking Framework (LGBF)<sup>1</sup>. This report indicated that the impact of the COVID-19 pandemic has been varied across Council services, with 2021/22 seeing a gradual decrease in restrictions while also highlighting how the Council has continued to adapt to its ongoing effects. Further work is required, however, to demonstrate fully compliance with the Accounts Commission Statutory Performance Information Direction, in particular demonstrating best value.
- 2.6 Progress continues to be made against all of the recommendations contained within the BVAR, with agreed approaches to address these and many of the overarching strategies now confirmed. Detailed work continues to support delivery of these approaches.

### **3. Background**

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- 3.1 The Council's statement of accounts for 2021/22 was passed to the external auditor by the statutory deadline of 30 June. The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 amended the date by which local authorities must approve the audited 2021/22 annual accounts from 30 September to 30 November 2022. This flexibility reflected the additional logistical challenges of obtaining appropriate audit assurance within a remote working environment. A revised timetable for the audit process was subsequently agreed, with the auditor's report being presented to today's meeting.
- 3.2 The unaudited annual accounts required to be published on the Council's website by no later than 30 June 2022 and thereafter made available for public inspection for a period of 15 working days. These requirements were met, with the inspection period running from Friday 1 July to Thursday 21 July 2022 inclusive. As permitted by relevant regulations, this year's inspection process was again undertaken largely by electronic means.
- 3.3 Correspondence was received from one individual during this period, resulting in the lodging of one objection in relation to the Growth Accelerator Model (GAM) Agreement between Nuveen and the Council for the delivery of the new St James Quarter. Following audit consideration, the objection to the accounts was not upheld.
- 3.4 The review of all matters relating to external audit forms part of the remit of the Governance, Risk and Best Value Committee and is an important aspect of the overall governance arrangements of the Council. The external auditor will attend today's meeting to provide an overview of the accompanying report and respond to specific queries members may have on its content, supplementing an earlier briefing session held on 28 October. Given the Committee's scrutiny function,

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<sup>1</sup> Due to the availability of data, by definition the period of analysis for the LGBF report was 2020/21.

however, approval of the annual accounts will be secured by onward referral to the Finance and Resources Committee meeting taking place on 10 November. Subject to this approval, a shorter, more accessible version of the annual accounts will then be published on the Council's website by 30 November.

- 3.5 The external auditor is required, in undertaking the audit, to comply with Audit Scotland's revised Code of Audit Practice and ISA260: Communications with those charged with governance. As part of the standard, the auditor is required to highlight:
- Relationships that may bear on the independence, integrity and objectivity of the appointed auditor and audit staff;
  - The overall scope and approach to the audit, including any expected limitations, or additional requirements;
  - Expected modifications to the audit report;
  - Management representations requested by him/her;
  - Unadjusted misstatements other than those that are clearly trivial;
  - Material weaknesses in internal control identified during the audit;
  - Qualitative aspects of accounting practice and financial reporting, including accounting policies; and
  - Matters specifically required by auditing standards to be communicated to those charged with governance and any other matters that are relevant to the audit.
- 3.6 Appendix 1 of the auditor's report summarises the respective responsibilities of the Council and the auditor.

## 4. Main report

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### Overall audit opinion

- 4.1 There are no qualifications to the audit certificate. The report notes that the unaudited accounts were received in accordance with the audit timetable and were accompanied by working papers of a high standard.
- 4.2 As part of the audit process, a number of adjustments were incorporated within the audited accounts and these will be added to the report prior to its onward submission to Audit Scotland.

### Wider scope assessment and BVAR actions follow-up

- 4.3 As with recent years' reports, the audit reflects the revised approach to best value agreed by the Accounts Commission in June 2016. This "wider scope" audit comprises four elements:
- Financial sustainability;
  - Financial management;
  - Governance and transparency; and

- Value for money.

4.4 In addition, the report includes a progress assessment on the implementation of the recommendations contained within the Council's BVAR.

#### **Key messages (pages 3 to 7)**

4.5 The key messages from the audit are presented on pages 3 to 7 of the auditor's report, with a number of action points for the Council to address in the coming months noted in Appendix 2. These, together with the management responses provided by the Council (including assigned responsibility and associated timescale for implementation), are shown on pages 83 to 86. The report also summarises on pages 87 to 93 progress made in implementing the recommendations contained in previous years' reports.

4.6 The wider scope aspects of the audit and progress in addressing the recommendations of the BVAR are subject to a grading system set out on page 8 of the auditor's report. With the exception of financial sustainability where, due to the need to identify specific savings to address significant funding gaps, current arrangements are assessed to be inadequate (with the actions the Council is taking in response highlighted in Paragraph 4.9), all other areas are assessed as having no major weaknesses but with opportunities for improvement to offset remaining risks.

#### **Annual accounts audit (pages 12 to 37)**

4.7 An unqualified opinion has been provided on the financial statements and other prescribed matters, with positive feedback provided across a number of areas.

4.8 While noting positive changes implemented in recent years in respect of property valuations, the report nonetheless identifies a number of suggestions on possible further improvements in respect of accounting for property, plant and equipment, with these recommendations included in Appendix 2 of the auditor's report. Scope for improvement was also identified in the Council's payroll processes and controls.

#### **Financial sustainability (pages 38 to 43)**

4.9 The report notes that the Council continues to face significant financial pressures resulting from increased demand for services, inflation and legislative reform, as well as the continuing financial impacts of the pandemic. The development of a medium-term financial plan, which aligns to the Council's business plan and identifies options to address savings requirements over the term of the plan, is therefore critical to demonstrating and achieving financial sustainability. Work is underway to develop potential options to address this gap with reference to the priorities set out in the Council's business plan.

#### **Financial management (pages 44 to 49)**

4.10 The report concludes that the Council had appropriate arrangements in place for managing its financial position and use of resources during the year, with an overall

surplus of £3.9m reported and an increased proportion of approved savings delivered.

- 4.11 The external auditor's report intimates that no significant weaknesses were identified within the Council's systems of accounting and internal financial control and that its arrangements with regard to the detection of fraud and irregularity are considered sufficient and appropriate, complemented by active participation in the National Fraud Initiative.

#### **Governance and transparency (pages 50 to 59)**

- 4.12 The report concludes that the Council's governance arrangements during the year were satisfactory and appropriate. These arrangements will continue to develop over the coming year, following the local government elections and future changes in the corporate leadership of the Council. A review has commenced into the Council's political arrangements with a view that this will be reported in December 2022. A review of the officer governance structure and senior leadership team is also underway, having been paused until the political management arrangements are confirmed.
- 4.13 The Council is assessed to have responded promptly and effectively in its political management arrangements to the COVID-19 crisis.
- 4.14 During 2021/22, the Chartered Institute of Internal Auditors (IIA) undertook an External Quality Assessment (EQA) of the Council's Internal Audit function, in line with the requirements of the Public Sector Internal Audit Standards (PSIAS). These standards require internal audit to have an external quality effectiveness review completed on a five-yearly basis. The EQA concluded that the Council's internal audit function generally conforms with the PSIAS, which set out the expected standards for internal auditing, including a code of ethics, core principles and international standards. Two recommendations were made to address partial conformance with the standards. Management responses and action dates have been agreed.

#### **Value for money (pages 60 to 66)**

- 4.15 The auditor's report notes the Council implemented its Planning and Performance Framework during 2021/22 and published an annual performance report including an assessment of performance against the Local Government Benchmarking Framework (LGBF). This report indicated that the impact of the COVID-19 pandemic has been varied across Council services, with 2021/22 seeing a gradual decrease in restrictions while also highlighting how the Council has continued to adapt to its ongoing effects. Further work is required, however, to demonstrate fully compliance with the Accounts Commission Statutory Performance Information Direction, in particular demonstrating best value.

## **BVAR follow-up (pages 67 to 74)**

- 4.16 Progress in addressing all of the recommendations contained within the BVAR is noted, with approaches to addressing the recommendations agreed and many of the overarching strategies already confirmed.
- 4.17 A summary of progress in respect of each recommendation is included on pages 68 to 74 of the report.

## **5. Next Steps**

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- 5.1 Subject to approval by the Finance and Resources Committee on 10 November, the annual accounts will be signed and submitted to the external auditor.
- 5.2 Progress in implementing the improvement actions set out in Appendices 2 and 3 will be reported to the Governance, Risk and Best Value Committee over the coming year.

## **6. Financial impact**

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

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

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- 7.1 The annual audit report includes a review of the effectiveness of existing and proposed arrangements to empower communities.
- 7.2 The financial statements were made available for public inspection in July for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. One objection was received as part of this process but was not upheld.

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

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- 8.1 [Revenue Monitoring 2021/22 - outturn report](#), Finance and Resources Committee, 8 September 2022
- 8.2 [Unaudited Annual Accounts 2021/22](#), The City of Edinburgh Council, 30 June 2022



## 9. Appendices

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Appendix 1 – 2021/22 Annual Audit Report to the Council and the Controller of Audit

Appendix 2 – 2021/22 Audited Annual Accounts



## City of Edinburgh Council

2021/22 Annual Audit Report to the Council and the  
Controller of Audit

November 2022



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# Key messages



This report concludes our audit of the City of Edinburgh Council for 2021/22.

This section summarises the key findings and conclusions from our audit.

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## Annual accounts audit

<p><b>Audit opinion</b></p>	<p>The annual accounts are due to be considered by the Governance, Risk and Best Value Committee on 31 October and approved by the Finance and Resources Committee on 10 November.</p> <p>We report unqualified opinions within our independent auditor’s report.</p>
<p><b>Key findings on audit risks and other matters</b></p>	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The Council had appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers.</p>
<p><b>Audit adjustments</b></p>	<p>The Council updated the annual accounts for all potential audit adjustments identified during the audit process.</p> <p>We also identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts.</p>
<p><b>Accounting systems and internal controls</b></p>	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Council’s processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. We consider the control environment within the Council to be satisfactory although there is scope for improvement.</p>

## Wider scope audit

### Auditor judgement



The Council continues to face significant financial pressures resulting from increased demand for services, inflation, legislative reform and increased citizen expectations, as well as the continuing financial impacts of the pandemic.



#### Financial Sustainability

The development of a medium-term financial plan, which aligns to the Council's business plan, and identifies options to address savings requirements over the term of the plan is critical to the Council demonstrating and achieving financial sustainability.

Current projections indicate a need to deliver at least £70million of recurring savings in 2023/24, increasing to £153million over the five year period to 2026/27. Work is underway to develop potential options to address this gap with reference to the priorities set out in the Council's business plan.

The impact of increasing costs to the Housing Revenue Account (HRA) as well as a reduction in income as a result of rent freezes means that the HRA business plan goes into considerable deficits over the next few years unless mitigating measures are implemented. The Council will need to make difficult decisions over the medium-term to ensure the financial sustainability of the HRA is maintained.

### Auditor judgement



#### Financial Management

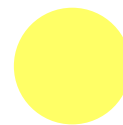
The Council has appropriate arrangements in place for financial management and the use of resources.

The Council reported a surplus outturn position in 2021/22. 89% of approved savings were delivered, a continued improvement in comparison to previous years.

Around 91% of the revised general fund capital programme and 62% of the revised HRA capital programme was delivered in 2021/22.



### Auditor judgement

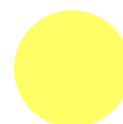


Governance arrangements at the Council were found to be satisfactory and appropriate. These arrangements will continue to develop over the coming year, following the local government elections and future changes in the corporate leadership of the Council. A review has commenced into the Council's political arrangements with a view that this will be reported in December 2022. A review of the officer governance structure and senior leadership team has also commenced. This was paused until the political management arrangements are confirmed.



**Value for  
Money**

### Auditor judgement



The Council implemented its Planning and Performance Framework during 2021/22. The Planning and Performance Framework includes a suite of key performance indicators aligned to the business plan. The performance indicators have been mapped against the National Performance Framework and seven best value themes.

The Council published an annual performance report and report on performance against the Local Government Benchmarking Framework (2020/21). The impact of the Covid-19 pandemic has been varied across Council services. 2021/22 saw the gradual decrease of restrictions and the report highlights how the Council has continued to adapt to the ongoing effects of Covid-19.

Further work is required to fully demonstrate compliance with the Accounts Commission Statutory Performance Information Direction; in particular demonstrating best value.

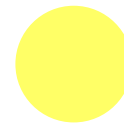
## Best value Assurance Report – follow up

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

A Best Value review was undertaken on the City of Edinburgh Council in 2020. The Best Value Assurance Report (BVAR) includes recommendations to help the Council address the improvement areas identified during the audit.

We have considered progress made by the Council in implementing the recommendations made in the BVAR.

### Auditor judgement



Progress continues to be made against all of the recommendations. Agreed approaches to address the recommendations and many of the overarching strategies have been confirmed. Detailed work continues to support these agreed approaches.



## Definition

Our wider scope audit involves consideration of the Council's arrangements as they relate to financial sustainability; financial management, governance and transparency and value for money. We have used the following grading to provide an overall assessment of the arrangements in place as they relate to the four dimensions.



# Introduction



We carried out our audit in accordance with Audit Scotland's Code of Audit Practice and maintained auditor independence



## Scope

1. We outlined the scope of our audit in our External Audit Plan, which we presented to the Governance, Risk and Best Value Committee at the outset of our audit. The core elements of our work include:
  - an audit of the 2021/22 annual accounts for both the Council and its group and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1;
  - consideration of the Council's arrangements to secure best value;
  - consideration of the arrangements for the collection and publication of statutory performance information in accordance with the Accounts Commission direction;
  - monitoring the Council's participation in the National Fraud Initiative (NFI); and
  - any other work requested by Audit Scotland.

### Exhibit 1: Audit dimensions within the Code of Audit Practice



## Responsibilities

2. The Council is responsible for preparing annual accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
3. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
4. We would like to thank all management and staff for their co-operation and assistance during our audit.

## Auditor independence

5. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
7. We set out in Appendix 1 our assessment and confirmation of independence. Our assessment includes consideration of:
  - Provision of non-audit services to the Council's group components; and
  - Relationships between Azets and the Council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

## Adding value through the audit

8. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

## Feedback

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of the audit team.

## Openness and transparency

10. This report will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# Annual accounts audit

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

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## Overall conclusion

11. The annual accounts are due to be considered by the Governance, Risk and Best Value Committee on 31 October and approved by the Finance and Resources Committee on 10 November. Our independent auditor's report is unqualified.

## Administrative processes

12. We received unaudited annual accounts and supporting papers of a high standard, in line with our agreed audit timetable. Our thanks go to staff at the Council for their assistance with our work, particularly given the current environment we are working in.

## Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	<p>We have issued unqualified audit opinions.</p>
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the Council's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Council.</p>	<p>We reviewed the financial forecasts for 2022/23. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Council will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission on:</p> <ul style="list-style-type: none"> <li>• Management Commentary</li> <li>• Annual Governance Statement</li> <li>• Remuneration Report</li> </ul>	<p>We plan and perform audit procedures to gain assurance that the Management Commentary, Annual Governance Statement and the audited part of the Remuneration Report are prepared in accordance with:</p> <ul style="list-style-type: none"> <li>• statutory guidance issued under the Local Government in Scotland Act 2003 (Management Commentary);</li> <li>• the Delivering Good Governance in Local Government: Framework (Annual Governance Statement); and</li> <li>• The Local Authority Accounts (Scotland) Regulations 2014 (Remuneration Report)</li> </ul>	<p>We have concluded that:</p> <ul style="list-style-type: none"> <li>• the management commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.</li> <li>• the information given in the annual governance statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework.</li> <li>• the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.</li> </ul>
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept; or</li> <li>• the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>	<p>We have no matters to report.</p>

## An overview of the scope of our audit

13. The scope of our audit was detailed in our External Audit Plan, which was presented to the Governance, Risk and Best Value Committee in March 2022. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
14. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
15. In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

## Significant risk areas

16. Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those

risks that have a higher risk of material misstatement.

17. The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described below.



## Significant risk areas

### 1. Management override

#### Significant risk description

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

#### How the scope of our audit responded to the significant risk

##### Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.

##### Audit procedures

- Review of the Council's accounting records and audit testing on transactions.
- Adoption of data analytics techniques in carrying out testing.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This includes a retrospective review of the prior year estimates against the current year estimates.

#### Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

## Significant risk areas

### 2. Revenue recognition

#### Significant risk description

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

#### How the scope of our audit responded to the significant risk

##### Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.

##### Audit procedures

- Evaluate each material revenue stream and review controls over revenue accounting.
- Substantive testing on all material revenue streams.
- Audit testing over the revenue recognition policy to ensure it is appropriate and applied consistently throughout the year.

#### Key observations

At the planning stage of our audit we concluded that the revenue recognition risk was present in all material revenue streams except for council tax income, non-domestic rates, housing rents and non-ring fenced government grants. Our conclusion remained the same throughout the audit.

Based on audit work performed, we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

## Significant risk areas

### 3. Expenditure recognition

#### Significant risk description

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

#### How the scope of our audit responded to the significant risk

##### Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end.

##### Audit procedures

- Evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing).
- Consideration of the Council's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
- Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

#### Key observations

We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

## Significant risk areas

### 4. Asset valuations (significant accounting estimate)

#### Significant risk description

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

Council dwellings are valued using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. A full revaluation exercise is completed every five years, with the last exercise undertaken in 2018/19. In interim years the Council applies an uplift factor to the valuation of beacon properties based on growth in the housing sector and other key factors.

Other land and buildings are held at fair value and revalued as part of the five-year rolling programme. In addition, the valuer considers all material changes to assets, such as significant maintenance spend or a change in the condition of the property and makes an assessment as to whether a revaluation is necessary.

Investment properties are valued annually at fair value, in line with the Code.

There is a significant degree of subjectivity in the measurement and valuation of property, plant and equipment. This subjectivity and the material nature of the Council's asset base represents an increased risk of misstatement in the annual accounts.

#### How the scope of our audit responded to the significant risk

#### Key judgements

Councils are required to revalue assets held at fair value with sufficient regularity to ensure that the carrying amount does not differ materially from the current value at 31 March.

#### Audit procedures

- Consider the competence, capability and objectiveness of the internal valuer in line with ISA (UK) 500 - *Audit Evidence*.
- Consider the scope of the valuer's work and the information provided to the valuer for completeness.
- Review the valuation report and consider the assumptions used by the valuer against external sources of evidence.
- Challenge management's formal assessment of impairment to ensure assets are not materially misstated as at 31 March.

## Significant risk areas

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### Key observations

#### Valuers

Valuations are carried out by internal valuers and formally communicated to the Council through a valuation report. We have gained assurance that the carrying value of assets in the audited annual accounts is in line with the internal valuer's report.

We considered the instructions and information provided to the valuer and performed procedures to confirm the accuracy and completeness of the information. All property, plant and equipment required to be carried at fair value has been appropriately revalued as part of the five-year rolling programme.

In accordance with ISA (UK) 500 - *Audit Evidence* we have considered the competence, capability and objectivity of the professional valuer and did not identify any items which gave us cause for concern over the suitability of the valuer.

#### Review of assumptions

We confirmed that the basis of valuation for assets is appropriate based on their usage and that the assumptions applied appear reasonable. Overall, valuation movements were in line with our expectation.

We reviewed the valuation assumptions against external sources of evidence including private rental prices for HRA Revaluation movements, general cost indices and construction prices for Other Land and Buildings Revaluation movements and capital values for Investment Properties. From our testing, we are satisfied that assumptions used within determination of valuation movements can be corroborated to third party sources.

Council dwellings are valued using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates. A full revaluation exercise is completed every five years, with the last exercise undertaken in 2018/19.

In interim years the Council applies an uplift factor to the valuation of beacon properties based on growth in the housing sector and other key factors. The appropriateness of the discount factor was considered. An uplift of 2.8% was applied in 2021/22 whilst the discount factor remained at 38%; both of which we deem to be reasonable based on the evidence available.

Other land and buildings are held at fair value and revalued as part of the five-year rolling programme. In addition, the valuer considers all

## Significant risk areas

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material changes to assets, such as significant maintenance spend or a change in the condition of the property and makes an assessment as to whether a revaluation is necessary.

In 2021/22 a total of 633 valuations were completed, equating to 21% of asset records and over 30% of the portfolio by value. We reviewed the reasonableness of valuation assumptions applied and are satisfied that these are appropriate.

In 2021/22, the Council introduced the process of using indices to reflect market changes in interim years between valuations. An uplift of 8.9% was applied in 2021/22 to the build cost component of other land and buildings not revalued during the year. Based on the professional judgement of the valuer it was deemed appropriate to apply the uplift in 2021/22 to reflect the significant increase in build costs during the year. We deem this assessment to be reasonable and the uplift factor to be reasonable based on the evidence available.

The Council applies component accounting to land and buildings. The Council's accounting policies reflect that the building component of an asset is separated into further components primarily to those with a carrying value of over £5million. This methodology is deemed to be reasonable.

### Impairment

The Council has further developed its procedures for assessing whether there has been an impairment to ensure this takes cognisance of a range of sources of information. This includes:

- Any changes in condition per the conditions surveys performed as part of the five year rolling programme;
- A review of any properties declared surplus to requirements;
- A review of the level of repairs and maintenance undertaken on each property;
- Confirmation from asset managers as to whether any assets have been damaged or demolished in year.

No indication of material impairment was identified, which is consistent with our testing.

### Disclosure of Estimation Uncertainty

IAS 1 'Presentation of Financial Statements' requires entities to disclose assumptions made about the future and other major sources of estimation uncertainty, specifically those that present a significant

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## Significant risk areas

risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. Disclosures should include the nature of the assumption or estimation uncertainty and the sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation.

The Council has identified the valuation of property, plant and equipment as a major source of estimation uncertainty. At our request, management have included further disclosures within the audited annual accounts on key assumptions made when determining the valuation of all assets held at fair value including disclosure to reflect the change in methodology in 2021/22 to apply an uplift to all other land and buildings asset not subject to revaluation during the year.

### 5. Pension assumptions (significant accounting estimate)

#### Significant risk description

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

#### How the scope of our audit responded to the significant risk

##### Key judgements

A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.

##### Audit procedures

- Review the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate.
- Review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.
- Agree the disclosures in the financial statements to information provided by the actuary.
- Consider the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 *Audit Evidence*.

## Significant risk areas

### Key observations

We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 - *Audit Evidence*. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

## 6. Provisions for doubtful debts (significant accounting estimate)

### Significant risk description

The Council in its annual accounts provides for doubtful debts over sundry debtors and housing rent arrears.

There is a significant degree of subjectivity in the measurement and valuation of provisions for doubtful debts. This subjectivity represents an increased risk of misstatement in the financial statements.

### How the scope of our audit responded to the significant risk

#### Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of provisions around the year end.

#### Audit procedures

- Review of management's estimation for the provisions and related disclosures.

### Key observations

We are satisfied that the amounts recognised as provisions for doubtful debts over sundry debtors and housing rent arrears appropriately reflect the expected recovery rate of debt over the next 12 months. This is based on a historical analysis of aged debt recovery within the Council.



## Significant risk areas

### 7. Financial instruments: fair value measurement (significant accounting estimate)

#### Significant risk description

The Council maintains significant debt and investment portfolios. The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values are estimated by calculating the net present value of the remaining contractual cash flows.

Fair values are categorised by their level in the fair value hierarchy:

- Level 1 – fair value is derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs

For level 1 and level 2; the Council's valuations are supported by independent expert advice from its treasury management advisors; Arlingclose. For level 3, there is the potential for management to use their judgement to influence the financial statements.

#### How the scope of our audit responded to the significant risk

#### Key judgements

As noted above, whilst for fair values assessed at level 1 and level 2, valuations are supported by independent expert advice, for level 3, there is the potential for management to use their judgement to influence the financial statements.

#### Audit procedures

- Evaluate and review the controls in place over accounting for financial instruments.
- Consider the Council's material financial instruments and obtain evidence that these have been appropriately valued at 31 March 2022 including challenging fair value classification.
- Review management experts and external investment managers.
- Review the disclosures within the annual accounts to ensure they are consistent with supporting information.

## Significant risk areas

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### Key observations

#### Level 1 / 2

Levels 1 and 2 comprise loans, including PWLB loans, and investments held within money market funds, sovereign / supranational debt and local authority loans.

For those loans and investments assessed as level 1/2 the Council's valuations are supported by expert advice from its treasury management advisors. We obtained evidence during our audit over the values assigned to those loans and investments and where appropriate third party confirmation over the values.

#### Level 3 – PPP liabilities

The Council has entered into significant financial contracts to build new schools and a residual waste treatment plant under 'Public Private Partnership' agreements. At 31 March 2022, the value of financial liabilities in relation to these projects was £283.119million. Valuations are based on a financial model prepared by management.

We considered the appropriateness of the models, ensuring that the assumptions, inputs and disclosures are reasonable. We agreed the models to the underlying contract and third party operator models. We considered whether the models and resulting transactions were in line with accounting standards. We challenged changes to an operational model which resulted in the valuation of the liability being revisited and adjusted in the accounts.

We gained reasonable assurance over the valuation of the PPP liabilities at year end and are satisfied that the liabilities are fairly stated in the financial statements.

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## Other risk factors

### Other impacts of COVID-19 on the annual accounts

18. COVID-19 continues to present unprecedented challenges to the operation, financial management and

governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
Access to audit evidence	Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.	<p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We stayed in close contact with Council officers to ensure all relevant issues were satisfactorily addressed.</p>
Timescales / administrative processes	The pre COVID-19 deadline was 30 September. The Scottish Government amended the Accounts Regulations to require the 2021/22 annual accounts to be approved for signature no later than 30 November 2022 (and published no later than 15 December 2022).	The annual accounts are due to be approved by the Finance and Resources Committee on 10 November 2022 and therefore are in line with the revised timescales.

### Accounting for Infrastructure Assets

19. The Code requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Where a component of an asset is replaced the cost of the new component should be reflected in the carrying amount of the infrastructure asset and the gross cost and accumulated depreciation of the old component should be derecognised to avoid double counting. Auditors have

identified that local authorities in the UK have not been properly accounting for infrastructure assets since the move to International Financial Reporting Standards in 2010/11 due to information deficits.

20. CIPFA/LASAAC attempted to resolve the issues and undertook an urgent consultation on temporary changes to the Code. However, it was unable to agree an approach that addressed the concerns of all stakeholders whilst also supporting high quality financial

reporting. CIPFA/LASAAC therefore requested that the Scottish Government (and governments in England and Wales) for a temporary statutory override while a permanent solution is developed.

21. The Scottish Government published statutory guidance on 29 August 2022 and sets out the following 2 statutory overrides:
  1. Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
  2. Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.
22. The Council has chosen to adopt both of the statutory overrides. The annual accounts have been updated to reflect the adoption of these overrides. There has been no impact on the financial position of the Council; amendments were applied to the notes to the financial statements.
23. The Scottish Government expects bodies will begin to address information deficits to ensure adequate accounting records for the measurement of infrastructure assets and the timely adoption of the Code requirements once a more permanent solution is delivered.

### Common Good

24. Local Authorities are required to administer common good funds under section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide benefit to the population of the area either through the disbursement of funds, securing assets for on-going use for the population or contributing to specific local projects/initiatives.
25. The Common Good Fund stands separately from the Council's annual accounts and has been described as "the ancient patrimony of the community".
26. During 2021/22, a surplus of £1.059million was reported on the common good fund. Overall useable common good funds stood at £2.657million as at 31 March 2022.
27. In 2016, the Council's Finance and Resources Committee approved the use of the common good fund for planned maintenance of part of the common good assets. £2million was earmarked in 2015/16 (following a receipt from the sale of East Market Street Garage), to fund a maintenance programme for common good assets.
28. Since this earmarked fund was created in 2016, £123,000 has been used on the Scott Monument, £33,000 on surveys at the City Observatory, £12,600 on Portobello Municipal Clock, £36,200 on Queensferry Harbour and £600 on Key to City Repairs.
29. During our 2021/22 audit of the Common Good fund annual accounts, we noted the following:

### Common Good income & expenditure

30. The common good fund comprehensive income and

expenditure statement reports a full disclosure of the income and expenditure which relates to the common good fund. Property costs expenditure for the period totalled £4.307million which has been offset by rental income for the period of £0.358million. In order to achieve a “breakeven position” on property costs, the Council has offset the expenditure with an income recharge from the Council of £3.930million and capital funding of £1.090million.

31. In 2021/22, the Leith Links was transferred from the Council to the Common Good Fund. £1.071million capital expenditure was incurred during 2021/22 on this asset. This has resulted in an adjustment to the Common Good financial statements in order to present the property costs as Assets under Construction.
32. As part of planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which were key to the common good fund. We identified expenditure recognition as a key area where management use estimates.
33. Our audit work consisted of reviewing the keys areas for any indication of bias and assessing whether the judgements used by management are reasonable.
34. While we gained reasonable assurance that expenditure was materially appropriate, we identified areas for improvements. An audit adjustment was made to the Common Good Fund financial statements to reflect expenditure on parks and other green spaces which were not included in management’s estimate.

### Common Good Asset Registers

35. Local Authorities have a statutory responsibility, per Part 8 of the Community Empowerment (Scotland) Act 2015, to establish, maintain and publish a register of all property held by them for the common good. The Council has met all statutory deadlines set by this act in the establishment, consultation and publication of a common good register.
36. As part of audit work we confirmed the completeness of the Common Good annual accounts by comparing the published common good register to the asset register (“accounting asset register”) used to prepare the accounts.
37. We identified three assets which were on the published register but not included in the accounting asset register and a further four which were included in the accounting asset register but not on the published register. These were as follows:
  - Promenade, Portobello
  - South Bridge
  - Belford Street
38. The Council has committed to add these assets to the accounting register in 2022/23. We are satisfied that exclusion of these assets does not have a material impact on the 2021/22 accounts.
39. We also identified one asset, Princes Street Gardens Dean Ramsay Memorial Cross, which was on the accounting asset register but not on the published register which remains unactioned from previous years. This asset remains under investigation by the Council’s Solicitors and we are satisfied that exclusion of this asset

does not have a material impact on the 2021/22 accounts.

- 40. We reviewed the requirements of the Community Empowerment (Scotland) Act 2015 along with related Scottish Ministerial guidance. We noted that the target to consider and respond to representations within twelve weeks has not been met on a number of occasions. There is also no timetable of when cases will be looked at by the local authority.

to asset valuations, pension assumptions, impairment, depreciation and amortisation rates, provisions for legal obligations and doubtful debts, financial instruments (fair value measurement) and accruals. Other than asset valuations, pension assumptions, provisions for doubtful debts and financial instruments (fair value measurement), we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and concluded that our assessment remained appropriate.

### Estimates and judgements

- 41. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
- 42. As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those were key to the overall financial statements. Consideration was given

- 43. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

#### Estimates and judgements

##### Asset valuations

Balanced

Valuations are carried out by an internal valuer. We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

We considered key assumptions against other sources of evidence. We have not identified any indication that the asset valuation as at 31 March 2022 is not materially appropriate.

## Estimates and judgements

### Pension Assumptions

Balanced

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience.

We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

We reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.

The Council has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

### Provisions for doubtful debts

Balanced

There is a significant degree of subjectivity in the measurement and valuation of provisions for doubtful debts. We considered key assumptions and are satisfied that these are reflective of debt recovery rates across the Council.

### Financial instruments: fair value measurements

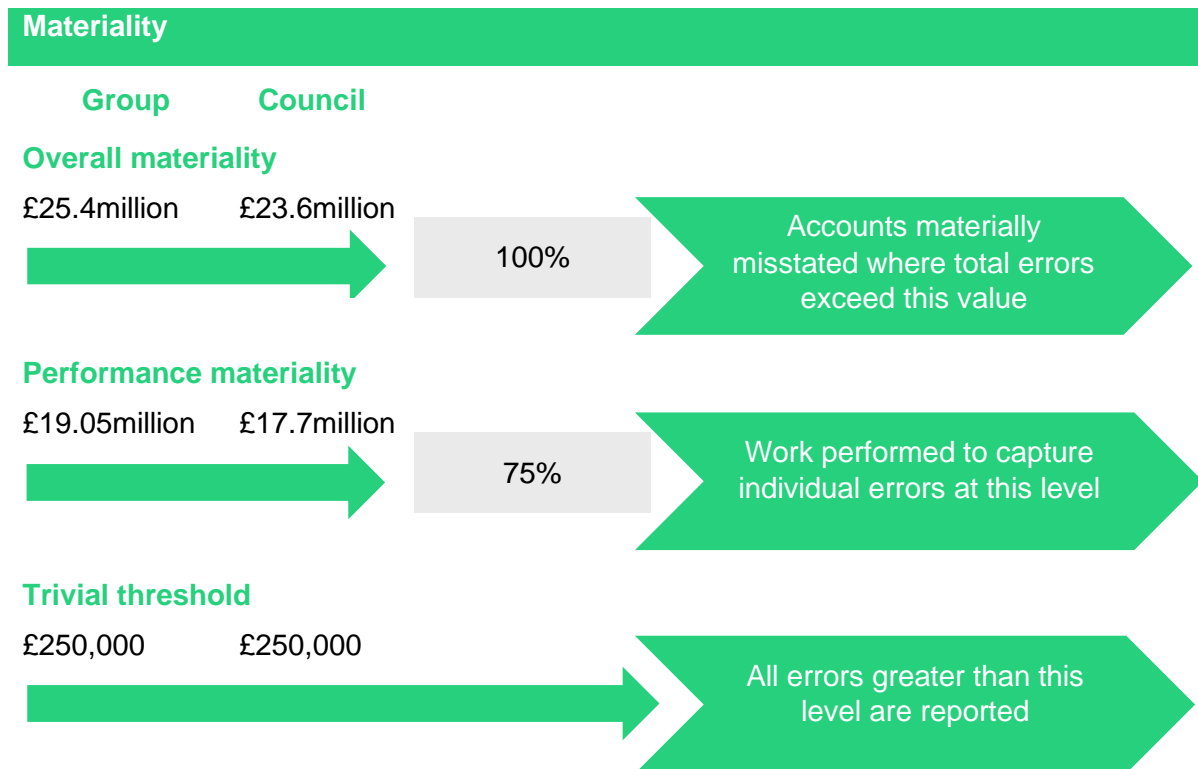
Balanced

For financial instruments assessed under the fair value hierarchy as level 1 or level 2; the Council's valuations are supported by independent expert advice from its treasury management advisors; Arlingclose. We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the experts was appropriate.

PPP liabilities are assessed as level 3 under the fair value hierarchy. Valuations are based on a financial model prepared by management. We considered the appropriateness of the models, ensuring that the assumptions, inputs and disclosures are reasonable.

## Materiality

44. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor’s report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.
45. Our initial assessment of materiality for the group annual accounts was £22.5million and for the Council single entity annual accounts £20.8million. On receipt of the unaudited annual accounts, we reassessed materiality and revised it as detailed in the table below. We consider that our updated assessment has remained appropriate throughout our audit.



### Materiality

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

Our assessment of materiality equates to approximately 1% of gross expenditure as disclosed in the 2021/22 unaudited annual accounts.

We apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.



Materiality	
<b>Performance materiality</b>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<b>Trivial misstatements</b>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

## Group audit

46. The Council has a complex group which requires consolidation of a range of subsidiaries, associates and joint ventures. The group structure is detailed within the Council's annual accounts.
47. As group auditors under ISA (UK) 600 we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and regarding the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The following table sets out the components within the group.

Component	Significant	Level of response required
City of Edinburgh Council	Yes	Comprehensive
Transport for Edinburgh	Yes	Comprehensive
Edinburgh Living MMR LLP	Yes	Comprehensive
CEC Holdings Limited	No	Analytical
Edinburgh Leisure	No	Analytical
Capital Theatres	No	Analytical
Lothian Valuation Joint Board	No	Analytical
Common Good	No	Analytical
Edinburgh Integration Joint Board	No	Analytical

**Comprehensive** The component is of such significance to the group as a whole that an audit of the components financial statements is required for group reporting purposes. Azets is the appointed auditor to all significant components.

**Analytical** The component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

48. As part of our audit we reviewed the consolidation entries made within the group accounts and confirmed those entries back to the financial statements of the group bodies.
49. The Code sets out that the financial statements of all entities within the group accounts are required to be prepared to the same date. Where entities within the group do not have the same year-end as the Council, either additional financial statements should be prepared or where this is impracticable, the financial statements should be adjusted for the effects of significant transactions and events that occur between the two dates.
50. In 2021/22, an adjustment was made to the Council's group accounts for net pension asset as reported by Transport for Edinburgh (whose financial statements are prepared to 31 December). The overall impact was an increase in the net pension asset of £36.339million.
51. The audited annual accounts also include the following prior year adjustments as they relate to the group bodies:
- Edinburgh Living MMR LLP – adjustment to align income recognition policy to the Council's accounting policy;
  - CEC Holdings – adjustment to reflect revised assessment of the CEC Holdings investment consolidation entries.
52. Overall, we concluded that the results of the group bodies had been appropriately consolidated into the Council's audited group accounts.
53. As set out in our External Audit Plan we deemed the following subsidiaries

to be significant in the context of the group audit:

- Transport for Edinburgh; and
- Edinburgh Living MMR LLP.

54. We revisited our assessment, following receipt of the unaudited accounts and our assessment remained the same.
55. Azets is the appointed auditor to Transport for Edinburgh and Edinburgh Living MMR LLP. During our audit we liaised with the audit engagement teams to confirm that their programmes of work were adequate for our purposes.
56. We have nothing to report in respect of the following matters:
- No significant deficiencies in the system of internal control or instances of fraud were identified by the component auditor; and
  - There were no limitations on the group audit.

audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

## Audit differences

57. The Council updated the annual accounts for all potential audit adjustments identified during the audit process.
58. We also identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

## Internal controls

59. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our

Area	Assessment	Comment
Control and process environment	<b>Satisfactory – although scope for improvement</b>	<p>We consider the control environment within the Council to be satisfactory although there is scope for improvement.</p> <p>We have noted suggestions on possible process improvements in respect of accounting for property, plant and equipment as documented at Appendix 2 (action plan points 1-3).</p> <p>We also identified scope for improvement in the Council's payroll processes and controls. Our findings have been reported to management.</p> <p>Our assessment has taken into account Internal Audit's annual audit opinion. Internal audit's overall opinion was that <i>"some improvement is required across the Council's control environment, governance and risk management arrangements to ensure that the Council's most significant risks are effectively identified, mitigated, and managed"</i>.</p>
Quality of supporting schedules	<b>Satisfactory</b>	We received unaudited annual accounts and supporting papers of a high standard, in line with our agreed audit timetable.
Responses to audit queries	<b>Satisfactory</b>	Management's responses to our audit queries were appropriate and received on a timely basis.

## Follow up of prior year recommendations

60. We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

appropriateness of the accounting policies adopted by the Council.

62. The accounting policies, which are disclosed in the annual accounts, are considered appropriate.

63. There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

## Other communications

### Accounting policies, presentation and disclosures

61. Our work included a review of the adequacy of disclosures in the annual accounts and consideration of the

64. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

### Fraud and suspected fraud

65. We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.
66. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

### Non-compliance with laws and regulations

67. As part of our standard audit testing, we have reviewed the laws and regulations impacting the Council. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

### The Local Authority Accounts (Scotland) Regulations 2014

68. As part of our audit we reviewed the Council's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 101 as they relate to the annual accounts.
69. Overall we concluded that appropriate arrangements were in place to comply with the Regulations.
70. Following the statutory accounts being made available for inspection, an objection was received in relation to the Growth Accelerator Model Agreement (GAM) between Nuveen and the Council for the delivery of the new St James Quarter. The GAM was

a funding mechanism whereby the Council funds the delivery of public realm and other improvements in and around the St James Quarter and then recovers these costs from the Scottish Government based on the achievement of increased amounts of non-domestic rates arising as a result of the development.

71. Payments amounting to £56.4million were made in 2022 to Nuveen in relation to costs incurred. Accrued expenditure and retentions totalling £5million were held back by the Council pending completion of all outstanding works. On final payment of this retained sum, the growth assets covered by the agreement will be conveyed to the Council and a leaseback arrangement simultaneously put in place with Nuveen.
72. Following audit consideration the objection to the accounts was not upheld. During the objection process the individual objecting was denied access to certain information within the GAM agreement that the Council designated as commercially confidential. The Council's view was informed by a legal opinion on this. This matter has not been subject to legal proceedings in the Scottish courts and it is therefore not known what the view of the Scottish courts would be in the event of legal proceedings being commenced which attempted to challenge the Council's position.

### Written representations

73. We presented a letter of representation to the Service Director:

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<sup>1</sup> Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public

right to inspect and object to the accounts and consideration and signing of the audited accounts.

Finance and Procurement (section 95 officer) to sign at the same time as the annual accounts were approved.

#### **Related parties**

74. We are not aware of any related party transactions which have not been disclosed.

#### **Confirmations from third parties**

75. All requested third party confirmations were received.

# Financial sustainability

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



## Auditor judgement



The Council continues to face significant financial pressures resulting from increased demand for services, inflation, legislative reform and increased citizen expectations, as well as the continuing financial impacts of the pandemic.

The development of a medium-term financial plan, which aligns to the Council's business plan, and identifies options to address savings requirements over the term of the plan is critical to the Council demonstrating and achieving financial sustainability.

Current projections indicate a need to deliver at least £70million of recurring savings in 2023/24, increasing to £153million over the five year period to 2026/27. Work is underway to develop potential options to address this gap with reference to the priorities set out in the Council's business plan.

The impact of increasing costs to the Housing Revenue Account (HRA) as well as a reduction in income as a result of rent freezes means that the HRA business plan goes into considerable deficits over the next few years unless mitigating measures are implemented. The Council will need to make difficult decisions over the medium-term to ensure the financial sustainability of the HRA is maintained.

## Significant audit risk

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

### Financial sustainability

The Council's Business Plan and budget for 2022/23 are due to be approved by the Council in February 2022, subject to approval of the Scottish Government's budget in March 2022. The Council will approve a five-year revenue forecast projection and a 10-year capital budget strategy alongside the 2022/23 budget.

The Council has developed a medium-term financial framework. The revenue budget for the first five years remains unbalanced. A report to the Finance and Resources Committee in February 2022 noted a cumulative funding gap of £418.104million for the period 2022/23 to 2026/27.

The report presented to the Finance and Resources Committee in February 2022 considered the proposed medium-term savings and noted that additional savings targets are to be allocated to Directorates based on 5%/3%/3%/3% of gross expenditure respectively in 2023/24 to 2026/27. This would reduce the savings requirement to a surplus position of £21.646million. The savings plan, if all approved, is ambitious and presents a significant financial challenge to the Council. Work is ongoing to develop these potential savings options, which are to form the basis of public consultation in Autumn 2022.

The Council continues to identify the adequacy of current COVID-related provision as a key financial risk on achieving financial balance in the medium term. Provision for the anticipated recurring financial impacts of the pandemic totals £25.3million in 2022/23, £11million in 2023/24, £9million in 2024/25 and continuing at that level thereafter.

The 2022/23 Local Government Finance Settlement confirmed that Local Authorities can, in line with the prior year, utilise financial flexibility whereby the payment of the principal element of the planned loans fund repayment is deferred by one year. The Council has recognised that if utilised, this would allow funding up to £30million of COVID-related expenditure over a longer timeframe. The application of the financial flexibilities does however impact on subsequent years and the Council continues to review the situation with an updated position due to be presented to the Finance and Resources Committee in March 2022. This report will also provide an update on the availability of the service concession financial flexibility.

*Noted in the 2021/22 External Audit Plan (March 2022)*

77. Our detailed findings on the Council's financial framework for achieving long term financial sustainability are set out below.



## 2022/23 revenue budget

78. In February 2022 the Council set a balanced revenue budget for 2022/23 based on the Council's provisional grant funding allocation and a 3% increase in Council Tax rates. The grant funding allocation was confirmed following approval of the Local Government Finance Order for 2022/23 in March 2022.

79. The approved budget included the following:

- Service investment (£9.860million): the Council budget motion included a number of one-off (non-recurring) service investments. No carry-forward is assumed on any unspent elements of these investments.
- Savings: the budget is underpinned by the delivery of £19.2million of savings measures, primarily in corporate budgets.
- Additional resources for business support and low-income households: the Council's share was £6.435million. The budget allocated the majority of this to supporting the most vulnerable households by committing to providing a cash grant of £150 to each of the 33,000 low-income households across the city. In addition £100 was provided for every child within a low-income household, determined with reference to free school meal eligibility.
- £25.3million provisions in respect of the on-going financial impacts of the pandemic including sums provided to recognise continuing homelessness pressures, loss of the Lothian Buses dividend,

support to the Council's ALEOs (Arm's Length External Organisations) and reduced parking and commercial rental income.

80. As at month three of 2022/23, the Council forecast an overall overspend of £5.627million with the potential for further risks to emerge during the remainder of the year, particularly in respect of the 2022/23 employee pay award and other inflationary uplifts. The Council is also seeking certainty with regard to securing full funding for the significant additional costs being incurred as part of the Council's response to the Ukraine crisis.

## Participatory budgeting

81. Officers have continued to work with relevant services in developing a proposed programme of Participatory Budgeting (PB) activity for 2022/23. While opportunities for further activity are to continue to be explored, areas in scope have been agreed as follows:

- Gypsy / Traveller Accommodation Fund
- Estate Improvement Programmes (formerly Neighbourhood Environmental Projects)
- Road Safety, particularly more sustainable routes to school
- Pupil Equity and / or other attainment-related devolved education funding; and
- £eith Chooses

## Medium term financial framework

- 82. As part of the Council’s response to its Best Value Assurance Report (BVAR), a medium-term financial framework has been developed.
- 83. The Council has forecast significant incremental savings requirements beyond 2022/23, amounting to £70.4million in 2023/24 and increasing by a further £152.9million over the period to 2026/27.

23/24	24/25	25/26	26/27
£m	£m	£m	£m
70.4	99.2	125.8	152.9

*Estimated funding gap September 2022 (Revenue Budget Framework 2023/27: progress update, September 2022)*

- 84. Work is underway to develop potential options to address this gap with reference to the priorities set out in the Council’s business plan. A dedicated project lead has been appointed. Directorates have been requested to identify potential options, detailing service and performance impacts, risks and dependencies, with reference to the priorities set out in the Council’s business plan. The proposals will be framed by a refreshed Business Plan that articulates the Administration’s priorities, forms the basis of collaboration amongst political parties and sets out the narrative of a strategic case for change.
- 85. Given the extent of the financial challenge, members will need to make increasingly difficult choices about the Council’s priorities, including considering service reductions, across

all service areas to maintain expenditure in line with available income.

- 86. The development of a medium-term financial plan which aligns to the Council’s business plan and identifies options to address savings requirements over the term of the plan is critical to the Council demonstrating and achieving financial sustainability.

### Action plan point 4

## Capital plans

- 87. The Sustainable Capital Budget Strategy 2022-2032 sets out priorities for £1,459.874million of Council general fund capital investment, in alignment with the Business Plan, over the medium to long-term, and sets out a plan as to how they could be funded.
- 88. The programme is fully funded over the ten-year period. However, if a funding gap in the strategy emerges through failure to deliver revenue savings or project cost pressures increase, then further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund borrowing costs to deliver the Capital Budget Strategy will be required. This could potentially mean that later phases of the programme could not be delivered within the ten-year strategy.
- 89. The Capital Budget Strategy is expected to come under significant financial pressure as a result of higher tender prices, caused by external factors including Covid-19, inflation and Brexit. Currently, this is most notable in the scarcity and cost pressures in various key construction materials which is leading to slippage on delivery of projects. Delivery of funded capital expenditure priorities is

dependent on the achievement of a balanced medium-term revenue budget. The strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will require to be funded primarily from external funding, unless significant realignment of existing budgets is undertaken. The wider financial implications of City Plan 2030 infrastructure requirements are also likely to have a further impact on the 2022-32 Capital Budget Strategy.

90. In September 2022, the Sustainable Capital Budget Strategy was adjusted to reflect actual levels of slippage and acceleration following the reported outturn position for 2021/22. The programme, fully funded, now sets out £1,469.644million in capital investment.

## Housing Revenue Account

91. The financial framework underpinning revenue and capital decisions on the Housing Revenue Account is the HRA Business Plan 2022/23- 2051/52. The Business Plan is reviewed annually in consultation with tenants and a ten-year capital programme and one-year revenue budget are approved by Council.
92. The HRA Budget Strategy, approved by the Council in February 2022, included a ten year £2.9billion capital programme and £1.2billion revenue programme. The Council approved a rent freeze for the second year in a row equating to £179million loss of income over the lifetime of the business plan from the two rent freezes.
93. This position has now been reviewed and to deliver the same outcomes over the next ten years is now

projected to cost £3.5billion in capital and £1.4billion in revenue. The key factors include:

- Increase in cost of delivering services (inflationary, staff costs, electricity costs)
- Cost of borrowing to fund capital investment
- Delays in financial efficiencies coming from the Housing Service Improvement Plan – impact from the pandemic
- New build programme cost increases
- Bringing existing homes up to EESSH2

94. As part of the 2022/23 Programme for Government, the First Minister announced in September 2022 that emergency legislation would be introduced to freeze rent with immediate effect until at least 31 March 2023 and a moratorium on evictions. Scottish Government has indicated that it would like to discuss the potential for a “cap” on rent increases in the social rented sector.
95. In September 2022, the Council agreed a motion on “rent freeze”. A report was subsequently presented to the Housing Homelessness and Fair Work Committee on the implications of a rent freeze for council tenants in 2023/24 and the subsequent impact of this freeze across the HRA for the three years commencing 2023/24.
96. The impact of increasing costs as well as a reduction in income as a result of rent freezes means that the business plan goes into considerable deficits over the next few years unless mitigating measures are implemented.

97. A rent freeze in 2023/24 reduces rental income by c.£121million over the 30-year plan period. The Council forecast rent increases of 7.4% would be required over the following five years to be able to deliver EESSH2 by 2040 and build more council homes.
98. Officers continue to work on the development of the HRA Budget Strategy 2023/24 to 2032/33, the draft 2023/24 one-year revenue budget and the capital investment programme.
99. The Council will need to make difficult decisions over the medium-term to ensure the financial sustainability of the HRA is maintained.

# Financial management

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

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## Auditor judgement



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The Council has appropriate arrangements in place for financial management and the use of resources.

The Council reported a surplus outturn position in 2021/22. 89% of approved savings were delivered, a continued improvement in comparison to previous years.

Around 91% of the revised general fund capital programme and 62% of the revised HRA capital programme was delivered in 2021/22.

## Financial performance

100. The 2021/22 Comprehensive Income and Expenditure Statement shows that the Council spent a total of over £2billion on the provision of public services and recorded an accounting deficit on the provision of services of £255.479million. The accounting deficit is partly technical as it includes elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting (the Code), and which are subsequently adjusted

to show their impact on statutory Council reserves.

101. The key measure of performance in the year is the movement in the Council's general fund balance. Following the required adjustments, the net impact on the general fund is an increase of £36.172million to £257.205million. In total, cash backed (useable) reserves held by the Council increased by £37.281million in the year to £397.156million.

### Movement in the Council's useable reserves per the Annual Accounts 2021/22

	2020/21 £million	2021/22 £million	Movement £million
General Fund	221.033	257.205	36.172
Housing Revenue Account	0	0	0
Renewal and Repairs Fund	41.162	50.407	9.245
Capital Fund	49.731	42.550	(7.181)
Capital Grants Unapplied Account	47.949	46.994	(0.955)
<b>Total useable reserves</b>	<b>359.875</b>	<b>397.156</b>	<b>37.281</b>

102. The increase in general fund balance comprises:

- Application of COVID-related funds of £14.518million
- Increase in sums set aside for specific investments of £31.680million

- Increase in various funds (including the Council Tax Discount Fund, Devolved School Management Fund and the Council's General Fund) of £19.010million

103. The unallocated General Fund was £28.891million as at 31 March 2022,

an increase of £3.956million from the previous year. This is equivalent to 2.51% of annual budgeted net expenditure.

104. The remaining balance of £228.224million is earmarked for specific purposes including balances set aside to manage specific financial risks or for specific investment in the future together with income received in advance. Details of the make-up of these balances are shown in note 12 to the annual accounts.

## Revenue performance against budget

105. The final outturn position on the General Fund for 2021/22 shows a surplus of £3.877million compared to the balanced budget set at the outset. This surplus has been set aside in reserves. The Council approved in February 2022 that £2.628million was applied in setting the budget for 2022/23. The remaining balance (£1.249million) was earmarked by the Council in August 2022 to support the Council's response to the cost of living crisis.
106. The approved 2021/22 budget was predicated on the delivery of £31.087million of directorate-specific and corporate savings. 89% of approved savings by value were delivered in year. This represents continued improvement on previous years – 2020/21: 82%, 2019/20: 77%, 2018/19: 60%.

## Covid-19 financial impact

107. The outturn position in 2021/22 reflects an underspend of £13.5million against the £39million set aside to address the in-year income and expenditure impacts of the pandemic.

This lower requirement was offset by a corresponding reduction in sums drawn down from reserves. As at 31 March 2022, the Council held £86million in reserves to off-set future specific or unknown Covid costs (2020/21 £101million).

## Housing revenue account (HRA)

108. The balance on the HRA is nil. In line with the HRA Business Plan, at the end of 2021/22 the HRA was balanced after making a contribution totalling £8.653million towards the Strategic Housing Investment Fund.

## Capital Expenditure

109. During 2021/22, the Council reported total capital expenditure of £436million; of which £371million was general fund expenditure and £65million was housing revenue account (HRA) expenditure. In doing so the Council delivered on 92% of the revised general fund capital programme and 62% of the HRA revised capital programme. The slippage was primarily caused by the impact of the pandemic and market conditions including rising costs, material shortages and shortfalls in supply chains.
110. Projects contributing to the slippage on the general fund capital programme include:
- Trams to Newhaven
  - Rising school rolls and Maybury Primary School projects
  - Edinburgh Living LLPs
  - Active Travel Investment Programme

- Asset Management Works Programme

111. Acceleration in the Castlebrae High School and St Crispin's Special School projects however significantly offset the slippage in the general fund projects attributable to Education and Children's Services.

112. Projects contributing to the slippage on the housing revenue account capital programme were:

- Land acquisition of Liberton Hospital
- Improvements to existing homes and estates
- New homes development

### Trams to Newhaven

113. The Trams to Newhaven project incurred capital expenditure of £68million against a budget of £72million. The in-year underspend is a result of a rescheduling of works due to the impact of the pandemic and industry wide material and skilled labour shortages.

114. While an in-year underspend is reported for 2021/22, the project is still expected to complete on time in 2022/23 and within the approved budget of £207million.

### St James Centre Redevelopment Growth Accelerator Model (GAM)

115. The Growth Accelerator Model (GAM) Agreement was agreed between the Council and TH Real Estate (now Nuveen) as a means of ensuring the delivery of the new St James Quarter,

securing additional public realm benefits alongside the new centre, and generating new jobs and economic growth for the city.

116. The GAM is a funding mechanism that allows borrowing costs to be off-set by performance-related payments from the Scottish Government linked to the achievement of targets relating to the rateable value of the centre and surrounding areas by new income streams – primarily Non-Domestic Rate Income. Under the GAM agreement payment of the amounts to the developer was due when practical completion certificates had been issued and where at least 50% of the retail and leisure element on which NDR is payable was open for trading.

117. In September 2021, a report was presented to the Council that stated that the works were all substantially complete with the exception of Leith Street, St James Square, Elder Street, Cathedral Lane and Little King Street works.

118. In light of the progress made with the development of the new St James Quarter, Nuveen submitted a request for payment for the delivery of the Growth Assets. In line with the GAM Agreement, the Council is obliged to pay for the Growth Assets once three requirements are met, as summarised below:



## Progress of GAM Requirements

Requirement	Assessment
Requirement 1: That 50% of the Retail and Leisure Element in respect of which non-domestic rates are payable is open for trading.	Assessment : <b>MET</b>
Requirement 2: A statement or statements of practical completion has been issued for the areas comprising the Retail and Leisure Element.	Assessment : <b>NOT MET</b> This requirement has not been met as the cinema has not yet reached practical completion.
Requirement 3: A statement or statements of practical completion has been issued for the areas comprising the Growth Assets	Assessment : <b>MET</b>

Source: St James Quarter GAM: Interim Payment- September 2021

119. Despite the second requirement not being met, the Council proposed an interim payment of £56million on the proposed GAM payment of £61million to be made to Nuveen. The Council agreed to retain the remaining £5million as a contingency to ensure that those assets still to be completed are done to the required standard. The full amount of Scottish Government funding to meet the borrowing costs of the GAM payment was received in 2021/22.
- of the Council's Treasury Management Policy.
121. The Council increased its borrowing in 2022 by £206million. However, £54million in previous loans were repaid during the year, meaning the Council's net borrowing increased by £152million during the year. There was a significant increase in the Council's net advances from the Loans Fund during the year, resulting in the Council's external debt still being below its Capital Finance Requirement at year-end.

## Treasury management

120. Treasury management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code. In 2021/22, the Council operated within both the Authorised Limit and the Operational Boundary and there were no breaches
122. The Council's money is invested via the Treasury Cash Fund. The investment return for 2021/22 continued to show out-performance against the Fund's benchmark while maintaining the security of investments.

## Systems of internal control

123. We have evaluated the Council's key financial systems and internal financial controls to ensure internal controls are operating effectively to safeguard public assets.
124. While we did not identify any significant weaknesses in the Council's accounting and internal control systems during our audit we have noted areas with scope for improvement in the Council's payroll processes and controls. Our findings have been reported to management.

## Prevention and detection of fraud and irregularity

125. We found the Council's arrangements for the prevention and detection of fraud and other irregularities to be sufficient and appropriate. The Council continued to operate an appropriate control environment throughout the pandemic to ensure that those controls and procedures which prevent fraud were appropriately managed.
126. The Council's whistleblowing arrangements operate with oversight from an independent external service provider, with the autonomy to decide who investigates the concerns raised. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee. The whistleblowing policy is currently being reviewed and will take on board the recommendations of the Cultural Review. The Council's approach to investigations will also be changed through the recruitment of an investigatory team as recommended by the Tanner Review. This will replace the current practice of

managers taking on an investigatory role and this will cover both whistleblowing and HR matters.

127. During the year, internal audit conducted a review into the Council's management of fraud and serious organised crime which identified significant areas for improvement. Although there are policies in place, there is a need for these to be reviewed and updated. In addition, there is no corporate overarching framework that pulls the different strands and policies together. As yet there is no owner within the Council for this role and further work is necessary to devise an implementation plan to make the necessary improvements in this area.

### National Fraud Initiative (NFI)

128. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.
129. The most recent NFI exercise commenced in 2020. We completed a questionnaire and submitted this to Audit Scotland earlier this year. Overall we concluded that NFI arrangements were satisfactory.

# Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



## Auditor judgement



Governance arrangements at the Council were found to be satisfactory and appropriate. These arrangements will continue to develop over the coming year, following the local government elections and future changes in the corporate leadership of the Council. A review has commenced into the Council's political arrangements with a view that this will be reported in December 2022. A review of the officer governance structure and senior leadership team has also commenced. This was paused until the political management arrangements are confirmed.

## Governance arrangements

### Local government elections

130. The Local Government election on 5 May 2022 resulted in a change in political representation for the Council, with a new minority Labour administration formed. The Council currently has 63 Councillors representing 17 wards within the city.

131. The elections saw 32 newly elected members with 31 re-elected.

### Member training

132. Work was undertaken in the early and middle of 2022 to prepare for a new Council following the local government elections. This included preparing for how a new programme of work could be supported, a revised business plan, a medium-term financial plan and new political management arrangements. Work was commenced earlier than usual so as to allow this work to inform discussions between groups following the election.

133. Elected member training took place between May and June 2022. This was extensive training from a wide range of subjects that prioritised what was needed to ensure elected members were ready to take decisions at committee. Training offered was classified as mandatory; mandatory for those appointed to specific committees, strongly recommended or recommended. We noted the following participation in mandatory and strongly recommended sessions:

- 68% attendance at the mandatory session; all newly appointed members attended.
- On average 38% attendance at strongly recommended sessions for all members

- On average 44% attendance at strongly recommended sessions for newly appointed members.

134. Further training is being provided throughout the autumn and winter with the intention that there will be regular training slots to explore further into subjects such as equality duties and corporate parenting.

### Member-officer protocols

135. In our 2019/20 audit we highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all councillors and senior officers having a clear understanding of their respective rights and responsibilities in relation to information held by the Council. A review of the Member/Officer protocol had commenced but completion of the revised document was delayed by Covid-19 and a subsequent delay pending the publication of the revised Councillors' Code of Conduct. A revised protocol was considered and approved by the Council in August 2022. The delay to the agreement of this document has been significant but there is a benefit to the new protocol having been agreed by the new Council following the local government elections.

### Effectiveness of the Council committees

136. As part of the 2021 internal audit programme the Council appointed the Chartered Institute of Internal Auditors to undertake a review of the effectiveness of the scrutiny applied by the Council's Governance, Risk and Best Value Committee.

137. The review's summary conclusions were included in a report dated July 2021:

*In regard to GRBV's responsibilities, as set out in its terms of reference, the Committee is fulfilling its core remit, particularly in relation to oversight of the internal and external audit processes, risk management and the operational performance of the Council. However, the current design of the arrangements for GRBV, does limit the effectiveness of the scrutiny it undertakes and the impact it can achieve.*

*GRBV is to some degree constrained by the overall design of the Council's scrutiny model and we have made some suggestions for consideration when this model is reviewed post the 2022 elections.*

*Nevertheless, there are actions that could be taken, independently in relation to GRBV, which would enhance the Committee's effectiveness. We have made a number of recommendations in this regard. Some of these actions, such as considering adding independent experts to the GRBV, could be taken in the short term before the May 2022 elections.*

138. A number of weaknesses were found, and these findings will be built into the review of the Council's political management arrangements for the new Council; scheduled to be reported in December 2022. Councillors from the committee and across the Council embraced the audit and saw it as a real opportunity to look at the strengths and weaknesses of its scrutiny and improve the committee structure.
139. Self-evaluation workshops have been carried out for all the executive committees and the Governance, Risk and Best Value Committee. This was a recommendation from the Governance, Risk and Best Value

Committee audit. The workshops considered the terms of reference for their committee, the balance of reporting, time spent at committee, the membership of the committee and training. The findings of each workshop were considered by the respective committees and these findings would go into the consideration of the political management arrangements following the elections. The workshops were a useful exercise and, although each workshop differed in its value, they allowed an opportunity for elected members to reflect and discuss the committee system and how it operated. Further feedback was also taken from a survey of members and exit interviews with those councillors standing down at the election.

## Corporate leadership team

140. The Council's corporate leadership team, managed by the Chief Executive, has experienced change over the last year:
- Executive Director of Education and Children's Services – an interim Director of Communities and Families was in post between May 2021 to December 2021. This post was filled by an Executive Director of Education and Children's Services in November 2021.
  - Executive Director of Corporate Services – following the departure of the Executive Director in February 2022, an interim post has been created and the Council is currently recruiting to this post.
  - Service Director – Housing and Homelessness

141. Further to this, the Chief Internal Auditor (Head of Internal Audit and Risk) post is currently vacant. The Council is actively recruiting to fill these posts.
142. A review of the officer governance structure and senior leadership team has commenced. This was paused until the political management arrangements were confirmed.

## Risk management

143. Well-developed risk management arrangements help councils to make effective decisions and secure better use of resources. The Council's GRBV committee is responsible for monitoring the effectiveness of the risk management arrangements in place with risk management responsibilities held at corporate, divisional and team level and leadership teams reviewing risks quarterly. Emerging risks are escalated to the Corporate Leadership Team (CLT) as appropriate.
144. A new enterprise risk management policy was agreed in November 2021. The policy sets out how risk management should be considered when making both strategic and operational decisions and delivering services; the Council's risk culture; the requirements for effective application of the operational risk management framework across Council services; risk management structures and responsibilities across the Three Lines model (including those of senior management); and ongoing risk management assurance arrangements. The policy is a robust policy and should support identification and realisation of the improvements and benefits associated with both planned and unexpected opportunities, whilst protecting the

Council. However, the success of the policy will be determined by its implementation across Council directorates, and it is still too early in its application and embedding across the organisation to judge its success. The risk framework is supported by a service director, and on an interim basis, the Head of Health and Safety has taken on the management of the risk team. There are two FTEs supporting the framework and enabling managers to take responsibility to ensure the consideration of risk is an integral part of their day to day business.

## Responding to the Covid-19 pandemic

145. The Council responded promptly and effectively in its political management arrangements to the Covid-19 pandemic.
146. During 2021/22, the impact of Covid-19 on political decision making was minimal. All meetings were re-established, and virtual and hybrid meeting arrangements were put in place to allow meetings to carry on as close to normal as possible. Meetings continued to be webcast and available to the public in the archive.
147. To reduce the impact on attendees of committees and elected members, changes were made to Standing Orders to manage the time taken at committee whilst still ensuring that effective scrutiny could take place. Hybrid meetings are set to continue in a post Covid environment and Standing Orders will be reviewed in 2022 to determine whether the changes implemented during the pandemic should continue.

148. The Council's Incident Management Team (CIMT) and directorate IMTs met frequently during the pandemic, operating flexibly to ensure the Council could react rapidly to any arising issues.
149. Three guiding principles were set out at the beginning of the response. These have been the framework for every decision taken:
- to protect the most vulnerable in the city;
  - to minimise the risks to colleagues; and
  - to continue to provide services in challenging circumstances.
150. The Chief Executive established measures to ensure that decision making was as transparent as possible and that critical decisions were taken only by officers where absolutely necessary. The following principles were applied:
- The Chief Executive would be the only officer to take decisions in response to the Covid-19 emergency using powers outlined in the Scheme of Delegation to Officers;
  - The Chief Executive would consult on all these decisions with the Leader and Deputy Leader;
  - Decisions would be considered and discussed at the Council's Incident Management Team;
  - If possible, Executive Directors would discuss matters at their directorate incident management teams before escalating to the CIMT;
  - Decisions would only be taken by the Chief Executive where urgent

and where they could not be considered in good time by the Leadership Advisory Panel;

- Decisions would be reported to the Leadership Advisory Panel for information; and
- When making decisions, the potential risk and impact of those decisions, whether existing controls are effective and what new measures or controls may be required should be considered. This process should be as efficient and streamlined as possible.

151. The Council has reduced both the number and frequency of its Covid-19 meetings from the peak in 2020-21, but the Council's Incident Management Team continues to meet weekly and other meetings have been stood back up depending on the changing situation of the pandemic.

## Internal Audit

152. The Council's internal audit service is an independent assurance function that provides an opinion on the Council's control environment. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit.
153. The Head of Internal Audit and Risk's Annual Opinion for the year ended 31 March 2022 stated that whilst some control weaknesses were identified in the design and / or effectiveness of the control environment and / or governance and risk management frameworks, they provide reasonable

assurance that risks are being managed, and the Council's objectives should be achieved. The Head of Internal Audit and Risk noted that this reflected an improvement on the 2020/21 position which was a limited 'red' (significant improvement required opinion) based on 80% plan completion due to the ongoing impacts of Covid-19. The Head of Internal Audit and Risk also noted there was significant progress with implementation of agreed management actions to address the risks associated with internal audit findings raised during 2021/22, reflecting significant focus from management and the impact of two Internal Audit secondments into the Place directorate and Health and Social Care Partnership, with the final (31 March 2022) position confirming that the proportion of overdue findings is at the lowest level across the last five years.

154. The opinion was based on 82% completion of the 2021/22 internal audit annual plan which was directly attributable to the impact of the pandemic across the Council, and the status of open internal audit findings as at 31 March 2022.
155. The annual opinion for 2021/22 occurred whilst the Council continued to operate in an ongoing Covid-19 resilience environment for a significant part of the financial year and also supported both the UK and Scottish Government's responses to the Ukraine crisis by supporting the welcome and accommodation of Ukrainian citizens in Edinburgh. Both of these challenges have continued to impact the Council's risk profile and the design and effectiveness of the Council's established control

environment and governance and risk management frameworks.

#### Internal audit external quality review

156. During 2021/22, the Chartered Institute of Internal Auditors (IIA) undertook an External Quality Assessment (EQA) of the Council's Internal Audit function, in line with the requirements of the Public Sector Internal Audit Standards (PSIAS). These standards require internal audit to have an external quality effectiveness review completed on a five-yearly basis. The EQA concluded that the Council's internal audit function generally conforms with the PSIAS, which set out the expected standards for internal auditing, including a code of ethics, core principles and international standards. Two recommendations were made to address partial conformance with the standards. Management responses and action dates have been agreed.
157. The EQA report also identified a series of continuous improvement opportunities and suggestions. These were not conformance issues but support the ongoing development of the Council's internal audit function and were in the following areas:
  - Engagement audit methodology
  - Closure of audit actions
  - Risk Resolution processes and responsibility for the acceptance of risk
  - Audit reporting
  - Monitoring of internal audit performance
  - Role of Head of Audit and Risk
158. The EQA report and internal audit's response to the recommendations and improvement actions were presented



to the Governance, Risk and Best Value Committee in October 2022.

159. Outcomes of the EQA and improvement actions will be included in Internal Audit's Quality Assurance and Improvement Programme and monitored quarterly. Progress updates on implementation of the recommendations and improvement opportunities will be reported quarterly to GRBV.
160. The structure of the Internal Audit function is currently being reviewed, following both the departure of the Head of Audit and Risk and the improvement actions identified by IIA.

## Following the public pound

161. The Council uses a number of arm's-length external organisations (ALEOs) to provide services on its behalf, including Transport for Edinburgh Limited and Edinburgh Leisure. While the ALEOs are responsible for the delivery of the services, the Council remains responsible for the public money it provides to the ALEOs and the quality of services the ALEOs provide. The Council needs to hold ALEOs to account for their use of public funds and should have sufficient governance arrangements in place to do so.
162. The Council is continuing to review how it works with its ALEOs, in particular examining the shareholder agreements and Service Level Agreements in place to ensure a greater degree of consistency, alignment with key outcomes and clarity of relationship. The lack of an ALEO framework is a Council recognised weakness that requires to be resolved and it is anticipated that specialist resource will be brought in to assist in this work in 2022/23.

## ALEO support / funding

163. All of the ALEOs undertake services that were greatly affected by Covid-19, for example leisure services, cultural venues and transport. Over the course of the pandemic, the Council has required to make additional payments to a number of its ALEOs as a result of lost income.
164. The Council has provided letters of comfort to a number of the Boards of its ALEOs to allow directors to conclude regarding the going concern of these companies.

## ALEO restructuring

165. To achieve greater integration of the public transport system, the Council considered options for the reform of its Transport ALEOs (Lothian Buses Limited, Transport for Edinburgh Limited and Edinburgh Trams Limited). A working group comprising Council officers and Non-Executive Directors (NEDs) from each of the Transport ALEOs was convened to consider the options available.
166. Their conclusions were to reconstitute Lothian Buses with an amended Memorandum and Articles of Association to be responsible for multi-modal public transport delivery with Edinburgh Trams operating as a subsidiary. The proposal required a new shareholder agreement to be drawn up with the minority shareholders of Lothian Buses respected, a new Board appointed and updated corporate documentation. Once this was in place Transport for Edinburgh would be wound down. The proposals were considered by the Transport and Environment Committee and approved but referred onto full Council at which the recommendations were approved. The Council is currently working

towards September 2023 for implementation.

## Project Forth

167. In September 2021, Lothian Pension Fund agreed in principle to merge Lothian Pension Fund with Falkirk Pension Fund, subject to further work including approvals by the City of Edinburgh Council and Falkirk Council, as administering authorities. The intention to merge was publicly announced on 24 May 2022.
168. The aim and business case behind Project Forth is that a merger will result in substantial cost savings, achieve economies of scale and provide a future proofed best in class governance model fit for the increasing legal and regulatory landscape of the Local Government Pension Scheme (LGPS).
169. The proposed structure agreed by the Lothian Pension Fund Pensions Committee was a joint venture between the City of Edinburgh Council and Falkirk Council, as administering authorities. This would be a company limited by guarantee holding nominal membership pro-rated to contributing assets.
170. Under the original timeline, the administering authorities were due to consider the proposal in February 2022. However, further due diligence was proposed by the City of Edinburgh Council, delaying the approval first to September and then to December 2022, at the earliest. The two Councils intend to align the timing of when the proposal is considered for approval.
171. Due diligence undertaken to date has not identified any fundamental issues with the proposed plans. However, further work is being undertaken over

the proposed structure and the impact on the Funds' VAT recovery. A revised proposal will be considered by the administering authorities when the full due diligence process has been completed.

## Whistleblowing investigation and Independent Inquiry

172. In October 2020, in response to a motion from an elected member on the Council's whistleblowing culture, the Policy and Sustainability Committee agreed that an independent assessment of council culture and relevant processes should be undertaken. Susanne Tanner QC was appointed as an independent chair of the investigation with support provided by Pinsent Masons.
173. The Report was presented to full Council in December 2021 and concluded that:
  - Despite considerable steps taken to improve organisational culture since 2014, there was not a universally positive, open, safe and supportive whistleblowing and organisational culture for the raising of and responding to concerns of wrongdoing within CEC.
  - While overall CEC's whistleblowing processes and practices were considered to embody good practice, there were areas in respect of which the whistleblowing processes and practices could be made more effective.
  - Most of those who responded to a survey undertaken as part of the investigation indicated that they would more likely than not make a whistleblowing disclosure if the

need arose. There were individuals however who would not, or were unlikely to make a whistleblowing disclosure. The reasons for this were a mixture of perceptions on how a whistleblowing disclosure would be handled and the impact of the lived experiences of others.

- Both Councillors and the most senior CEC managers generally felt empowered to respond to allegations of wrongdoing and concerns raised with them. Most officers in management roles who responded to the survey believed that they knew what to do if an employee raised a concern with them. However, it appeared that in practice some managers did not know how to respond to an employee raising a concern with them and that others did not feel empowered to respond to concerns of wrongdoing.
- All whistleblowing disclosures notified to Safecall (the Council's independent whistleblowing service provider) were found to be investigated, although the timeliness of the investigations conducted in response to whistleblowing disclosures needed to be improved. Steps also needed to be taken to monitor more closely the effectiveness of investigations conducted internally.
- The Inquiry did not identify any current or recent failures by CEC to respond to or to address concerns of wrongdoing. However, a concern about prejudicing other legal processes was a contributory factor in delays by CEC to conclude whistleblowing investigation reports. The occasional application of legal

professional privilege to investigations did create strains between the legal department and Councillors.

174. The Report made 50 recommendations to improve the Council's culture and relevant processes.
175. In addition to the whistleblowing culture investigation, the Council commissioned an independent inquiry into complaints about a former senior manager in Communities and Families who died in August 2020. A summary of the findings and recommendations from this inquiry was included in our 2020/21 Annual Report on the Council.
176. Reports from both the whistleblowing investigation and the independent inquiry were considered by the Council and additional budget was approved to develop and deliver a substantial programme of work to implement all the recommendations. Since the approval of this, work has been undertaken across five themes of work against which all the recommendations were mapped.
  - Policy review/development
  - Investigations
  - Leadership, training and development
  - Systems and processes
  - Redress scheme and other matters
177. Work on all themes is currently ongoing. The Redress Scheme which will pay compensation to those eligible was launched on 5 September 2022 and will remain open until March 2023. An update on progress against the

themes was provided to Members in August 2022.

### Learning the lessons from Scottish Borders Council

178. In February 2022 a Report was published by Andrew Webster QC into the handling of school assault allegations at Scottish Borders Council (SBC). To ensure that CEC's processes addressed the findings of this report and that lessons had been learned from the SBC experience, the Council's then Chief Social Work Officer and Head of Safe and Stronger Communities reviewed the findings against CEC's systems and processes. She concluded that no further significant changes were required to the Council's procedures beyond those already being taken forward following the Tanner report. She did recommend that the Council's guidance in respect of allegations of abuse made by staff be circulated to education managers and relevant staff within the Council. Independent legal advice has also been sought on relevant aspects.

# Value for money

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



## Auditor judgement



The Council implemented its Planning and Performance Framework during 2021/22. The Planning and Performance Framework includes a suite of key performance indicators aligned to the business plan. The performance indicators have been mapped against the National Performance Framework and seven best value themes.

The Council published an annual performance report and report on performance against the Local Government Benchmarking Framework (2020/21). The impact of the Covid-19 pandemic has been varied across Council services. 2021/22 saw the gradual decrease of restrictions and the report highlights how the Council has continued to adapt to the ongoing effects of Covid-19.

Further work is required to fully demonstrate compliance with the Accounts Commission Statutory Performance Information Direction; in particular demonstrating best value.

## The Council's response to the pandemic: Adaptation and Renewal

179. In May 2020 the Council, recognising the significant long-term impact and challenges caused by the pandemic, commenced a programme of work titled Adaptation and Renewal, focussed on post-Covid new ways of working. It aimed to set a clear long-term vision, feeding into the business plan, on how the city would recover while retaining the flexibility to adapt to the changing public health situation.
180. From the outset of the pandemic, the Council agreed three principles that would guide its decision-making process:
- To protect vulnerable residents;
  - To keep staff as safe as possible; and
  - To continue to deliver as many essential services as possible.
181. The Adaptation and Renewal Programme was established to guide the Council's operations and response to the pandemic. As the work was either completed or moved to business as usual within directorates, the programme was closed early in 2022, with the last report covering the remit of the programme being presented to and approved by the Policy and Sustainability Committee in February 2022.

## Performance management framework 2021/22

182. In February 2021 the Council approved a new Council Business Plan: Our Future Council, Our Future City which sets out the Council's

strategic priorities and how the aims set out in the Community Plan will be taken forward over the next three years.

183. The Business Plan sets out the three main priorities the Council will focus on in the coming years:
- Ending poverty by 2030;
  - Becoming a sustainable and net zero city; and
  - Wellbeing and Equalities.
184. The Business Plan describes the approach the Council will take to deliver its priorities in the form of 15 outcomes with actions. This plan stands as one part of a "golden thread" linking and guiding operations, through to the shared goals and commitments of the Edinburgh Partnership and towards the long-term ambitions for Edinburgh to be a fair, welcoming, pioneering, and thriving City, as outlined in the 2050 Edinburgh City Vision.
185. Following the approval by Council of its Business Plan, a new Planning and Performance Framework was developed. The Planning and Performance Framework includes a suite of key performance indicators aligned to the business plan. The performance indicators have been mapped against the National Performance Framework and seven best value themes.
186. The framework sets out the Council's approach to monitoring and reporting performance including service level arrangements, elected members' scrutiny of performance and public performance reporting arrangements:
187. The Planning and Performance Framework supports the use of

performance information including benchmarking data, such as the Local Government Benchmarking Framework (LGBF), to drive continuous improvement.

188. Performance scorecards and trend dashboards are aligned to service plans and monitored regularly at each level in the organisation.
189. On an annual basis, a review of its Directorate/Divisional Plans is undertaken to ensure that the Council is on track to deliver its outcomes and objectives.
190. This suite of measures (and targets) is kept under review as part of the Planning and Performance Framework annual cycle to ensure they remain fit for purpose.
191. The Council has also created a Data Dictionary which provides a description of each KPI, the source of the information, frequency and target rationale.
192. The Business Plan is being reviewed and updated. Thereafter a transition plan will be developed to align the planning and performance framework to the revised Business Plan including development of appropriate measures / KPIs and reporting / monitoring cycles.

### Elected members' scrutiny of performance

193. A Council performance report with both supporting narrative and trend analysis is submitted to the Policy and Sustainability Committee once every four months. This includes the annual performance report which is brought to the Policy and Sustainability Committee and full Council in June of each year. In addition, there is the publication of data of specific

performance indicators for elected member and public oversight.

### Public reporting of performance information

194. The Council has reviewed its website with a view to simplifying public access to performance data and ensuring timely publication of the performance information.

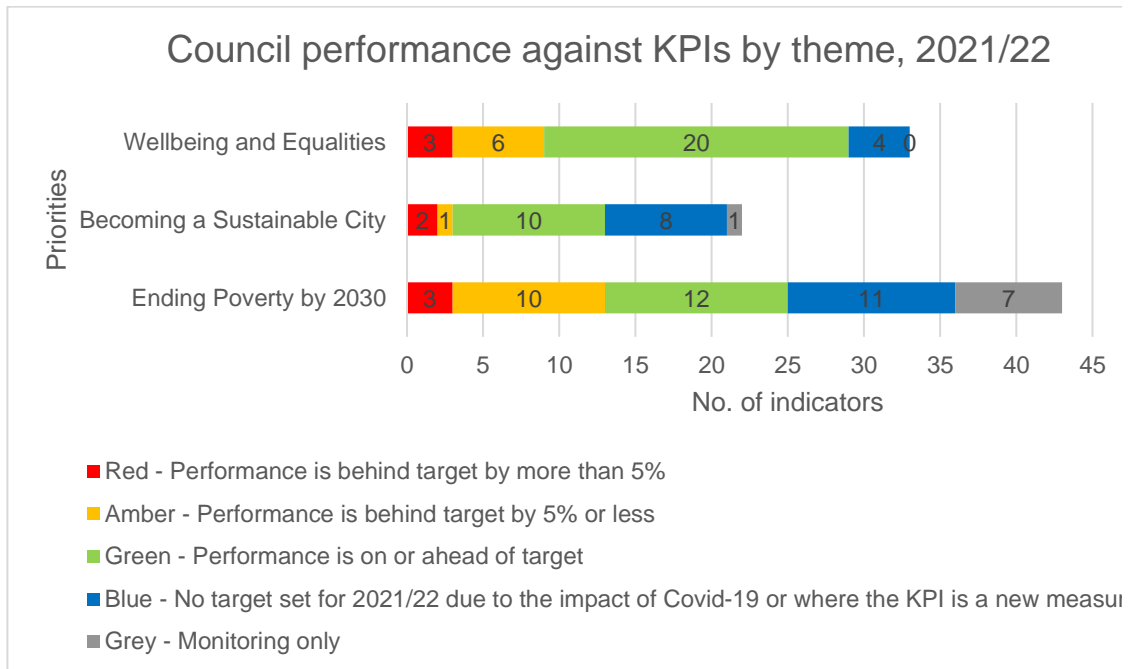
### Overview of performance in 2021/22

195. The Council's 2021/22 Annual Performance Report provides an overview of council performance against its three priorities and fifteen outcomes in the Business Plan.
196. The impact of the Covid-19 pandemic has been varied across Council services. 2021/22 saw the gradual decrease of restrictions and the report highlights how the Council has continued to adapt to the ongoing effects of Covid-19.
197. Where appropriate, targets for 2021/22 were set and the status of the Council's performance in relation to these targets reported. However, the impact of Covid-19 over the last year has resulted in some indicators requiring new baselines to be established before meaningful target setting can be done. There are also KPIs that are for monitoring purposes only, due to the Council not having full control of the indicators, but it may take action depending on performance in these areas.
198. 56 KPIs had targets set for 2021/22 and were assigned a red, amber or green status (RAG). 23 KPIs had no target set for 2021/22 and as such were assigned a blue status. Eight KPIs were for monitoring purposes

only, and these were assigned a grey status.

199. Further to this, some of the KPIs are also defined by the Council as “milestones”. In addition to having a RAG system for these milestones, the

Council has a milestone status system that details if the milestones are completed, in progress or delayed/ behind target. Four milestones are completed, three are in progress and four are delayed/ behind target.



Source: City of Edinburgh Council ‘Annual Performance 2021/22’ Report

200. The annual performance report highlights areas, across the three council priorities, where performance challenges remain and sets out how it is focussing on these and the next steps being put in place to address them.

- Ending Poverty by 2030 – the Council is performing on target with many of its KPIs. Most of the green KPIs relate to the outcomes of ‘More residents experience fair work and receive living wage’ and ‘Increased attainment for all and reducing the poverty-related attainment gap’. The red KPIs are for ‘A new city-wide approach to commissioned advice services is

agreed with partners’, ‘New long-term plan for delivery of a prevention-based Council service model approved and in implementation’ (both of which have been delayed) and ‘Number of affordable homes completed’.

- Becoming a Sustainable City – most of the KPIs are green or blue. The green KPIs are mostly in relation to the outcomes of ‘On track to deliver our 2030 net zero target’, ‘Develop key strategic sites and projects to meet the needs of a diverse and growing city’ and ‘The city has a well-connected and sustainable transport and active travel network’. The red KPIs are

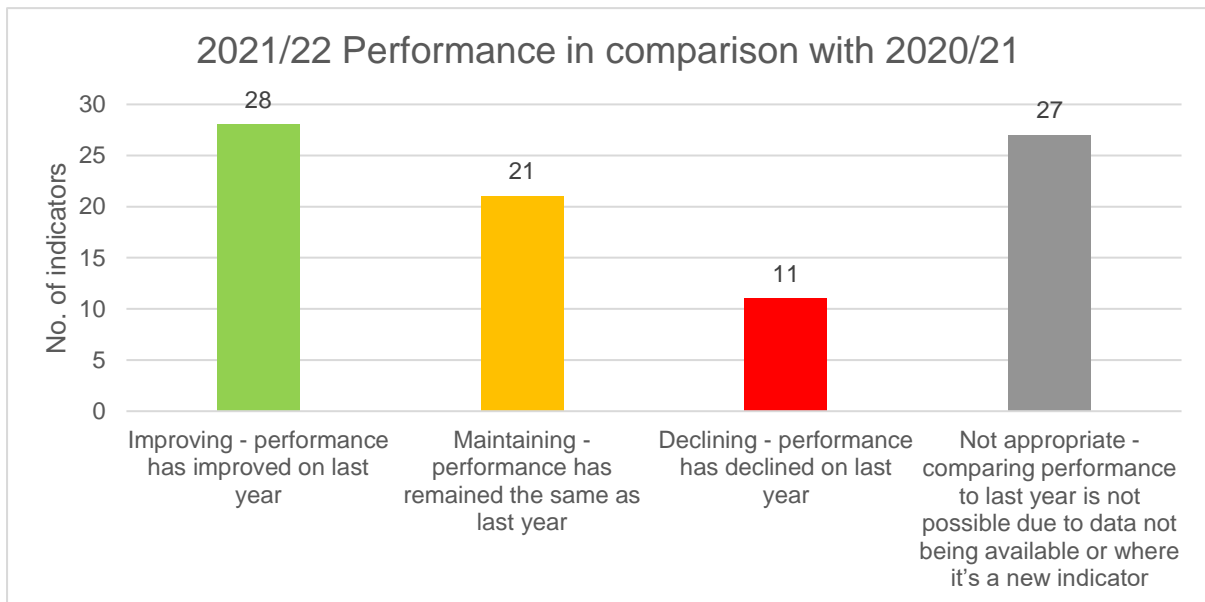


for 'Percentage of Consultation Advisory Panel (CAP) approved consultations with "you said, we did" published within three months of closing date' and 'Outline business case for the West Edinburgh Active Travel and Public infrastructure agreed'.

- Wellbeing and Equalities – the Council is making satisfactory progress. Most of the KPIs in this category are green. The red KPIs

are for 'Southwest pilot action plan finalised' which has been delayed, 'Litter monitoring system score' and 'Customer hub satisfaction'.

201. The Council's performance can also be compared to performance in 2020/21. Although most of the KPIs are new for this year, where measures were reported in previous years, performance data has been available for comparison.



Source: City of Edinburgh Council 'Annual Performance 2021/22' Report

### Local Government Benchmarking Framework (LGBF)

202. The Council's annual LGBF report (2020/21) was reported to the Policy and Sustainability Committee in June 2022. As this information is based on 2020/21 it is the first LGBF report to show the impact of Covid-19.

203. The LGBF shows the performance of four cities (Edinburgh, Aberdeen, Dundee and Glasgow) compared to the national average for 88 indicators.

204. The LGBF shows that Edinburgh is ranking in the top two quartiles for 59% of the indicators, which is above the national average. Edinburgh is also ranking better than Aberdeen, Dundee and Glasgow, by having the highest number of indicators above the Scottish average (52) and the fewest number of indicators in the bottom quartile (10).

205. Edinburgh has also improved its ranking in 43 of the indicators and maintained its ranking in 12 of the

indicators, resulting in a decline in performance for 33 of the indicators.

206. Indicators in the bottom quartile (ranking 25-32):

- “Children Looked After” in a Community Setting per Child per Week
- % of the highest paid 5% of employees who are women
- Asset Management - % of accommodation that is suitable for its current use
- % of adults who agree they are supported to live as independently as possible
- Net cost of street cleaning per 1,000 population
- Cleanliness Score (% Acceptable)
- Cost of maintenance per kilometre of roads
- Cost of Environmental Health per 1,000 population
- % of adults satisfied with refuse collection services (3 year average)
- No of business gateway start-ups per 10,000 population

## Statutory Performance Information

207. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission’s best value audit responsibilities. In turn, councils have their own responsibilities, under their best value duty, to report performance to the public. The Accounts Commission issued a

revised Statutory Performance Information Direction (‘2018 Direction’) in December 2018, which applied for the first time in 2019/20 and continues to apply in 2021/22. The 2018 Direction requires a council to report its:

- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- own assessment and independent audit assessments of how it is performing against its duty of best value and how it plans to improve these assessments
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

208. The information reported in the Council’s 2021/22 Annual Performance Report and the 2020/21 Local Government Benchmarking Framework Report is the Council’s response to meeting the requirements of the 2018 Statutory Performance Direction.

209. In developing its Planning and Performance Framework, the Council mapped its 15 Business Plan outcomes to the 7 best value themes. This was presented to members in a performance update report during the year. We noted however that an overall assessment and conclusion as to how the Council is performing against its duty of best value, based on its performance against the business plan outcomes, was not included in the 2021/22 annual performance report.

210. The Accounts Commission has published its Statutory Performance Direction for periods ending 31 March 2023 to 31 March 2025. We would encourage the Council to review the Direction to ensure it is meeting all requirements through its Planning and Performance Framework.

**Action plan point 5**

# Best Value

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

A Best Value review was undertaken on the City of Edinburgh Council in 2020. The Best Value Assurance Report (BVAR) includes recommendations to help the Council address the improvement areas identified during the audit.

We have considered progress made by the Council in implementing the recommendations made in the BVAR.

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## Auditor judgement



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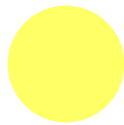
Progress continues to be made against all of the recommendations. Agreed approaches to address the recommendations and many of the overarching strategies have been confirmed. Detailed work continues to support these agreed approaches.

## Best Value Assurance report follow-up

211. The Best Value Assurance Report was submitted to the Council’s Policy and Sustainability Committee, Governance Risk and Best Value Committee and full Council in December 2020. Members noted the findings and provided feedback on priority areas for improvement. They also noted that the improvement actions arising from the report would be addressed in the Council’s refreshed Business Plan and specifically requested further consideration of genuine local community empowerment. The Council Business Plan: Our Future Council, Our Future City was published on 27 January 2021.
212. The Chief Executive put into place an improvement plan for all the areas of improvement outlined in the Best Value Audit report. As outlined above,

the Business Plan has been created to ensure strategic priorities are aligned to a set of key priorities. Changes have been made to ensure the Council is working to the business plan, including senior management structural changes and work will continue to align work streams and governance with the Business Plan and the priorities within.

213. In assessing the Council’s progress on implementing the recommendations included in the Best Value Assurance Report we have considered both the pace and depth of improvement.
214. The recommendations have been categorised under the key areas of focus for the Best Value audit and an overall auditor judgement applied. The definitions for our judgements are as set out in the Executive Summary.

<b>1. Council vision and strategic direction</b>		<b>Overall auditor judgement:</b>	
<b>Action</b>	<b>Status</b>	<b>Audit observation</b>	
<i>As part of its Adaptation and Renewal Programme, the council should quickly amalgamate its Business Plan and Change Strategy, to provide clearer priorities and direction for the Council.</i>	<b>Complete</b>	As noted in 2020/21, the Business Plan provides strategic direction. The Business Plan is a well-developed document setting out how the Council will achieve its priorities.  The Business Plan is currently being reviewed and updated.	

**1. Council vision and strategic direction**

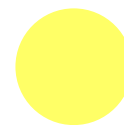
**Overall auditor judgement:**



Action	Status	Audit observation
<p><i>To help them carry out their best value responsibilities, elected members should take advantage of the learning and development opportunities provided by the Council.</i></p>	<b>Ongoing</b>	<p>As noted in the Governance and Transparency section of this report - Elected member training and induction programme took place during May 2022 and June 2022 and development of the ongoing programme 2022/23 is now being programmed. An evaluation of the programme to date will take place.</p> <p>All elected members also have access to mylearning hub where all materials are stored and members can use this to continually enhance their personal learning and development.</p>
<p><i>In order to make community engagement an integral part of service improvement and delivery, the Council should support community groups to complete asset transfers</i></p>	<b>Ongoing</b>	<p>A further two community asset transfers have been concluded, bringing the total number of completed transfers to six since the introduction of the Community Empowerment (Scotland) Act 2015.</p> <p>In addition, a further two transfers have been agreed to by the Council and legal work is ongoing to bring them to a successful conclusion.</p> <p>After a hiatus during lockdown, community groups have resumed CAT activity and are preparing requests. Two stage 2 applications are being processed, six groups are preparing detailed business plans for consideration and a further seven live cases are being discussed with applicants. The Council continues to receive initial enquiries on a regular basis, with 24 considered over the last reporting year.</p>

**2. Performance and outcomes, including public performance reporting**

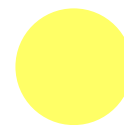
**Overall auditor judgement:**



Action	Status	Audit observation
<p><i>The Council should further improve its performance reporting by making better use of performance measures and targets, particularly to demonstrate the impact of improvement work</i></p>	<p><b>Ongoing</b></p>	<p>As noted in the Value for Money section of this report – the Council implemented its Planning and Performance Framework during 2021/22. The Planning and Performance Framework includes a suite of key performance indicators aligned to the business plan. The performance indicators have been mapped against the National Performance Framework and seven best value themes.</p> <p>Where appropriate, targets for 2021/22 were set and the status of the Council’s performance in relation to these targets reported. However, the impact of Covid-19 over the last year has resulted in some indicators requiring new baselines to be established before meaningful target setting can be done. There are also KPIs that are for monitoring purposes only, due to the Council not having full control of the indicators, but it may take action depending on performance in these areas.</p> <p>The Business Plan is being reviewed and updated. Thereafter a transition plan will be developed to align the planning and performance framework to the revised Business Plan including development of appropriate measures / KPIs and reporting / monitoring cycles.</p>

**2. Performance and outcomes, including public performance reporting**

**Overall auditor judgement:**

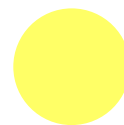


Action	Status	Audit observation
<p><i>The Council should further improve its performance reporting by publishing easily accessible, up-to-date performance information on its website.</i></p>	<p><b>Ongoing</b></p>	<p>As noted in the Value for Money section of this report – An annual performance report and LGBF report was presented to Committee in the summer of 2022.</p> <p>The Council has reviewed and updated the Performance and Data section of its website to simplify public access to performance data and ensure performance and data reports are collated under a single section. The webpage includes all performance reports to Committees and the content will be expanded to include a quarterly performance update report and a range of data analytic reports, for example, Edinburgh by Numbers, SIMD, Locality profiles and the Annual Complaints reports.</p>



**3. Effective use of resources**

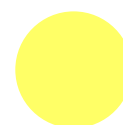
**Overall auditor judgement:**



Action	Status	Audit observation
<p><i>As part of its Adaptation and Renewal Programme, the Council should prepare sustainable medium and long-term financial plans, and detailed workforce plans, to support its strategic priorities.</i></p>	<p><b>Ongoing</b></p>	<p>The Adaptation and Renewal Programme was ‘closed’ in 2022; with either the actions completed or carried out as business as usual.</p> <p>As noted in the Financial Sustainability section of this report – a medium-term financial framework is in place.</p> <p>A dedicated project lead has been appointed to progress the development of the Council’s medium term financial plan.</p> <p>The development of a medium-term financial plan which aligns to the Council’s business plan and identifies options to address savings requirements over the term of the plan is critical to the Council demonstrating and achieving financial sustainability.</p> <p>The Council agreed a new People Strategy in April 2021, supporting the new Business Plan and aligned to the key priorities. The Plan sets out what employees should expect from the Council as their employer and what the Council expects from its workforce.</p> <p>The People Strategy describes the Council’s strategic workforce agenda. The Council’s Strategic Workforce Plan 2021-2024 (also approved in April 2021) describes further the specific actions to be taken to address the gaps between the current workforce and the future workforce needed to meet the priorities of the Business Plan.</p>

**4. Partnership working and community engagement**

**Overall auditor judgement:**



Action	Status	Audit observation
<p><i>In order to make community engagement an integral part of service improvement and delivery, the Council should embed the lessons from effective community engagement activity and clearly communicate the results of, and the Council's response to, community consultation.</i></p>	<b>Ongoing</b>	<p>The Council agreed a new Consultation Policy in April 2021, recognising the need to strengthen community engagement but also introduce more robust controls to manage significant consultations.</p> <p>The first review of the Consultation Policy has begun, involving stakeholders and colleagues. This will be reported to Committee this year (2022).</p>
<p><i>The Council should work with the Edinburgh Partnership Board to implement its new governance arrangements, effectively involve community representatives and deliver improved outcomes for communities.</i></p>	<b>Ongoing</b>	<p>The Council and community councils continue to implement the actions identified in the collaborative framework. Development of the partnership element of the work is ongoing with progress to be reported to the Edinburgh Partnership Board, following meetings with the EACC. The EACC is planned to submit a report to the partnership in June to take forward the collaborative working. This however was deferred on their request. A report on the engagement programme for the Edinburgh Partnership Empowerment Strategy will be presented to the Board.</p> <p>A progress report on the framework was approved by the Culture and Communities Committee on 1 February 2022 and was considered by GRBV at the meeting on 8 March 2022.</p> <p>Work on the Edinburgh Partnership Empowerment Plan is ongoing.</p>

**4. Partnership working and community engagement**

**Overall auditor judgement:**



**Action**

**Status**

**Audit observation**

*The Council should work with the Edinburgh Partnership Board to produce progress reports with clear targets, accountable leads and links between the actions taken and the impact on performance.*

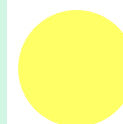
**Ongoing**

The Edinburgh Partnership Board approved the revised Local Outcome Improvement Plan (LOIP) at its meeting in March 2022. This is now subject to partner sign off through internal governance arrangements.

The revised LOIP will be considered by the Culture and Communities Committee this year (2022).

**5. Continuous improvement**

**Overall auditor judgement:**



**Action**

**Status**

**Audit observation**

*The Council should implement a strategic approach to self-evaluation and continuous improvement. This should include better demonstrating how it responds to feedback and scrutiny findings.*

**Ongoing**

The recommendation for continuous improvement is embedded in the planning and performance framework. Commencing in March 2022, Service Teams carried out a review of the year 1 Annual Plans and Performance. This has informed the development of 2022/23 Annual Plans at Directorate, Divisional and Service Team levels.

The Council is currently reviewing the EFQM (excellence model) methodology and toolsets for self-evaluation.

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## Appendix 1: Respective responsibilities of the Council and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of both the Council and the auditor and are detailed below.

### Council responsibilities

The Council is required to make arrangements for the proper administration of financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Service Director: Finance and Procurement has been designated as that officer.

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

Area	Council responsibilities
<b>Corporate governance</b>	<p>The Council is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
<b>Financial statements</b>	<p>The Council has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures;</li> <li>• maintaining proper accounting records; and</li> <li>• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of the Council.</li> </ul> <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate</p>

Area	Council responsibilities
	<p>disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p><b>Standards of conduct for prevention and detection of fraud and error</b></p>	<p>The Council is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p><b>Financial position</b></p>	<p>The Council is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• Plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Best value</b></p>	<p>The Council has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

## Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Controller of Audit when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider scope of public audit.

### Wider scope of audit

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

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

## Best Value

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

Our work in respect of the Council's best value arrangements has been integrated into our audit approach, including our follow up on the Council's Best Value Assurance Report and work on the wider scope dimensions.

## Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we have reported below matters to bring to your attention in relation to our integrity, objectivity and independence.

An employee of Azets was appointed as one of the 63 councillors of City of Edinburgh Council on 5 May 2022. The individual ceased to be employed by Azets on 24 May 2022. The employee was a part time member of the administrative team that had no involvement in the audit business conducted by Azets Audit Services and was either on leave or on non-working days for a total of 10 of the 15 working days between the election result and ceasing to be an employee of the firm.

Whilst the individual is no longer employed by the firm, this constitutes an inadvertent breach of the requirements of the FRC Ethical Standard for a short period of time, which prohibits the appointment of a member of staff of a firm (or networked firm) to a governance position at an audit client.

The point of appointment as a councillor was after the year end under audit (31 March 2022). Based on our assessment of the breach, including the nature of the individual's position at Azets, the period of overlap prior to employment ceasing, the timing of appointment being after the period end under audit, and the subsequent action taken, it was concluded that this situation has not compromised our professional judgement or integrity and as such we believe that an objective, reasonable and informed third party in possession of these facts would conclude that our integrity and objectivity has not been impaired and accordingly we remain independent for the purposes of the March 2022 audit.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

### Audit and non-audit services

The total fees charged to the Group for the provision of services in 2021/22 (with prior year comparators) is as follows:

	Current year £	Prior year £
Audit of City of Edinburgh Council (Auditor remuneration)	354,930	333,550
Audit of components (as audited by Azets)	204,750	153,889
<b>Total audit</b>	<b>559,680</b>	<b>487,439</b>
Non-audit services – Council	9,600	-
Non-audit services – wider Group	58,380	34,000
<b>Total fees</b>	<b>627,660</b>	<b>521,439</b>

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have detailed in the table below the non-audit services provided to both the Council and the wider group, the threats to our independence and the safeguards we have put in place to mitigate these threats.



Non-audit service	Service provided to	Type of threat	Safeguard
Tax and accounting advice in relation to the reorganisation of the Transport ALEO's	Council	Self-review Management decisions	Work is undertaken by a team independent from the audit engagement team. There is no contingent element. The work does not involve carrying out a management role.
VAT advice on energy-efficiency related housing works	Council	Self-review Management decisions	Work is undertaken by a team independent from the audit engagement team. There is no contingent element. The work does not involve carrying out a management role.
Corporation tax compliance services	Wider group	Self-review	Corporation tax compliance services are provided by a separate tax team.
Tax advisory services	Wider group	Self-review Management decisions	Tax advisory services are provided by a separate tax team.
Preparation of financial statements	Wider group	Self-review Management decisions	All adjustments to the financial statements are agreed with those charged with governance. In addition to this, a 2 <sup>nd</sup> manager review of the financial statements is performed by an audit manager not involved in the audit of the financial statements.

## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at SPT since appointment can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

## Appendix 2: Action plan

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

### Action plan grading structure

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

Rating	Assessment rationale
<b>Critical</b>	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.
<b>High</b>	An issue that results in a severe impact to the achievement of objectives in the area audited.
<b>Medium</b>	An issue that results in a moderate impact to the achievement of objectives in the area audited.
<b>Low</b>	An issue that results in a small impact to the achievement of objectives in the area audited.
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Current year action plan

### 1. Assets Under Construction Procedures

Medium

<b>Observation</b>	We noted £9.2million of assets under construction that should have been recognised as completions in 2021/22 under the appropriate asset category.
<b>Implication</b>	The depreciation charge and value of an asset will be misstated if the asset register does not accurately reflect the date an asset was brought into use.
<b>Recommendation</b>	The Council should ensure that a review for completed assets is undertaken as part of the accounts preparation process to ensure the correct treatment is applied.
<b>Management response</b>	<p>A review of items classified as assets under construction will be undertaken prior to the year-end, informed by discussion of the current status of these with the responsible service manager and Estates. This review, the results of which will be documented in a newly created working paper, will in turn inform the appropriate accounting treatment. In cases of material change, consideration will also be given to any need for revaluation.</p> <p><b>Responsible officer:</b> Senior Accountant, Capital Team, Corporate Finance</p> <p><b>Implementation date:</b> March 2023</p>

### 2. Inconsistency between Council's Asset Register and Valuer's records

Medium

<b>Observation</b>	Differences were identified between the brought forward value provided by the valuer and those recorded in the Council's asset register for assets which were not subject to revaluation in 2021/22.
<b>Implication</b>	There is a risk that the results of the valuations are not correctly accounted for in the annual accounts.
<b>Recommendation</b>	The Council should ensure that reconciliations are performed between the records held by the valuers and the Council's asset register.
<b>Management response</b>	<p>An additional column will be added to the Estates register to reflect additions for non-revalued assets.</p> <p><b>Responsible officer:</b> Senior Accountant, Capital Team, Corporate Finance</p> <p><b>Implementation date:</b> March 2023</p>

### 3. Component Accounting

Medium

<b>Observation</b>	The Council applies component accounting to land and buildings. The Council's accounting policies reflect that the building component of an asset is separated into further components primarily to those with a carrying value of over £5million. We identified one instance where an asset with a carrying value of over £5million was not componentised.
<b>Implication</b>	There is a risk that the depreciation charge will be misstated if the asset register does not accurately reflect details of componentised assets.
<b>Recommendation</b>	We would encourage the Council to develop procedures to ensure all assets are reviewed as part of the accounts preparation to identify all assets which meet the componentisation threshold.
<b>Management response</b>	<p>Going forward, a check will be incorporated within the relevant supporting accounting working paper.</p> <p><b>Responsible officer:</b> Senior Accountant, Capital Team, Corporate Finance</p> <p><b>Implementation date:</b> March 2023</p>

#### 4. Medium term financial plans

High

<b>Observation</b>	<p>The Council continues to face significant financial pressures resulting from increased demand for services, inflation, legislative reform and increased citizen expectations, as well as the continuing financial impacts of the pandemic.</p> <p>Current projections indicate a need to deliver at least £70million of recurring savings in 2023/24, increasing to £153million over the five year period to 2026/27. Work is underway to develop potential options to address this gap with reference to the priorities set out in the Council's business plan.</p>
<b>Implication</b>	<p>There is a risk the Council achieving financial sustainability over the medium-term.</p>
<b>Recommendation</b>	<p>The Council should ensure a medium-term financial plan is developed, which aligns to the Council's business plan, and identifies options to address savings requirements over the term of the plan.</p>
<b>Management response</b>	<p>Work is continuing to develop the Council's Medium-Term Financial Plan (MTFP) to deliver a programme of strategic and structural change to address the four-year (medium-term) financial challenge and, more immediately, agree a set of proposals to set a balanced budget for 2023/24. A detailed update will be reported to the Finance and Resources Committee on 10 November 2022 with a further report in January providing additional options that will balance the budget in 2023/24.</p> <p>It is envisaged that the plan presented to the meeting will comprise a set of costed proposals contributing towards addressing the 2023/24 budget gap and outline proposed major change projects that will primarily deliver in years 2 to 4 (i.e. 2024/25 to 2026/27) and, in due course, contribute towards subsequent years' savings requirements. Given the extent of these requirements, however, members will need to make increasingly difficult choices about the Council's priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income.</p> <p><b>Responsible officers:</b> Service Director: Head of Finance and Chief Executive</p> <p><b>Implementation date:</b> February 2023 (for 2023/24 budget), annually thereafter</p>

## 5. Statutory Performance Information

Medium

<p><b>Observation</b></p>	<p>In developing its Planning and Performance Framework, the Council mapped its 15 Business Plan outcomes to the 7 best value themes. This was presented members in a performance update report during the year. We noted however that an overall assessment and conclusion as to how the Council is performing against its duty of best value, based on its performance against the business plan outcomes, was not included in the 2021/22 annual performance report.</p> <p>The Accounts Commission has published its Statutory Performance Direction for periods ending 31 March 2023 to 31 March 2025.</p>
<p><b>Implication</b></p>	<p>There is a risk that the Council does not fully comply with the Direction.</p>
<p><b>Recommendation</b></p>	<p>We would encourage the Council to review the Direction to ensure it is meeting all requirements through its Planning and Performance Framework.</p>
<p><b>Management response</b></p>	<p>The outcomes in the business plan have been mapped against the statutory direction. However, we will more explicitly state our compliance with the Directions in our performance reporting going forward. Furthermore, we will ensure that the Directions are considered as part of the work to refresh our Business Plan and the associated Planning and Performance Framework.</p> <p><b>Responsible officer:</b> Change and Delivery Manager (Data, Performance and Business Planning)</p> <p><b>Implementation date:</b> February 2023</p>

## Appendix 3: Follow up of prior year recommendations

We have followed up on progress in implementing recommendations raised in the prior year/s which were reported as either new or ongoing in 2020/21. The table below summarises progress made by the Council in implementing these recommendations.

		Year recommendation raised				
Rating		2016/17	2017/18	2018/19	2019/20	2020/21
<b>No. of recommendations 'ongoing' at end of 2020/21 audit</b>		1	3	3	2	6
<b>Progress during 2021/22:</b>						
<b>Ongoing</b>	<b>High</b>	1	3	2	-	1
	<b>Medium</b>	-	-	-	-	3
<b>Closed</b>	<b>High</b>	-	-	-	-	-
	<b>Medium</b>	-	-	(1)	(2 <sup>2</sup> )	(2)
<b>No. of recommendations 'ongoing' at end of 2021/22 audit</b>		1	3	2	0	4

<sup>2</sup> These actions were classified as 'superseded by Best Value recommendations' in 2020/21 and therefore have been categorised as 'closed'.



## Actions outstanding or in progress from previous years

Recommendation	Audit observation
<p><b>Communication with the valuer (initially raised in 2020/21)</b></p> <p>A more collaborative approach should be taken to the valuation exercise to ensure valuations are based on complete information, are only obtained when both the Finance team and the valuer deem it necessary, and the valuer's expertise is used to inform all key estimates where appropriate.</p> <p><b>Medium</b></p>	<p><b>Ongoing</b></p> <p>While, during 2021/22, we observed progress in implementing this recommendation, we did note that in preparation of the annual accounts, draft HRA values were used by the accounting team who were not aware of subsequent updates to the information prepared by the valuer.</p>
<p><b>Impairment of assets under construction (initially raised in 2020/21)</b></p> <p>The Council should ensure their assessment of impairment adequately considers events and changes in circumstance that may indicate an impairment to assets under construction. This includes, but is not limited to, evidence of obsolescence, physical damage or a change in the way that asset is expected to be used by the Council.</p> <p><b>Medium</b></p>	<p><b>Closed</b></p> <p>Refer to our observations under the Annual Accounts section of this report (significant risk 4: asset valuations). Based on audit work performed concluded recommendation has been implemented.</p>
<p><b>Provision for doubtful debts (initially raised in 2020/21)</b></p> <p>The Council should reflect on any significant changes in recovery rates of sundry debtors and housing rent arrears when calculating its provision for doubtful debts and adjust the percentages provided for as appropriate.</p> <p><b>Medium</b></p>	<p><b>Closed</b></p> <p>Refer to our observations under the Annual Accounts section of this report (significant risk 6: provisions for doubtful debts). Based on audit work performed concluded recommendation has been implemented.</p>

Recommendation	Audit observation
<p><b>Common Good accounting estimates (initially raised in 2020/21)</b></p> <p>The Council should review processes to ensure that Common Good expenditure is complete and estimates are based on complete and relevant information.</p> <p><b>Medium</b></p>	<p><b>Ongoing</b></p> <p>Refer to our observations under the Annual Accounts section of this report (Common Good income and expenditure section). While we gained reasonable assurance that expenditure was materially appropriate, we identified areas for improvements. An audit adjustment was made to the Common Good Fund financial statements to reflect expenditure on parks and other green spaces which were not included in management's estimate.</p>
<p><b>Payroll reconciliations (initially raised in 2020/21)</b></p> <p>The Council should undertake a year-end reconciliation of employee expenses to the payroll system.</p> <p><b>Medium</b></p>	<p><b>Ongoing</b></p> <p>Year end reconciliation was performed. However as noted in the Annual Accounts and Financial Management section of this report we did identify areas for scope for improvement in the Council's payroll processes and controls. Our findings have been reported to management.</p>

Recommendation	Audit observation
<p><b>Implementation of BVAR recommendations (initially raised in 2020/21)</b></p> <p>The Council should:</p> <ol style="list-style-type: none"> <li>1. Develop detailed savings plans to address the significant funding gaps identified in the medium-term financial plan.</li> <li>2. Develop detailed workforce plans for service teams to support the strategic workforce plan.</li> <li>3. Develop annual service plans for directorates and teams that support the delivery of key performance targets. Targets should be set for all KPIs agreed within the new Planning and Performance Framework.</li> <li>4. Continue to progress approved Community Asset Transfer requests as a matter of priority.</li> <li>5. Progress the framework drawn up for collaboration with community councils and ensure this delivers the real involvement of community representatives in delivering community outcomes.</li> </ol> <p>Specific timescales should be documented over implementation of these actions.</p> <p><b>High</b></p>	<p><b>Ongoing</b></p> <p>Refer to our observations under the Best Value section of this report. Progress continues to be made against all of the recommendations. Agreed approaches to address the recommendations and many of the overarching strategies have been confirmed. Detailed work continues to support these agreed approaches.</p>
<p><b>Elected member and officer protocol (initially raised in 2018/19)</b></p> <p>Councillors and the senior leadership team should review the current protocols to ensure these are still appropriate and that both members and officers can comply fully with their responsibilities.</p> <p><b>Medium</b></p>	<p><b>Closed</b></p> <p>Refer to our observations under the Governance and Transparency section of this report. A revised protocol was considered and approved by the Council in August 2022.</p>

Recommendation	Audit observation
<p><b>Implementation of audit recommendations (initially raised in 2018/19)</b></p> <p>In August 2019 internal audit reported that 47 internal audit findings (those overdue where management action had not been actioned or evidenced) were outstanding. Of these 26 were more than one year old. 118 management actions were also identified as overdue. There were high rated findings in both overdue management actions and internal audit findings.</p> <p>Whilst we are satisfied that audit is seen as an important element of the internal control framework by senior management and Councillors there needs to be a greater prioritisation of addressing issues raised by internal audit across the Council.</p> <p><b>High</b></p>	<p><b>Ongoing</b></p> <p>Refer to our observations under the Governance and Transparency section of this report (Internal Audit). The Head of Internal Audit and Risk noted there was significant progress with implementation of agreed management actions to address the risks associated with internal audit findings raised during 2021/22, with the final (31 March 2022) position confirming that the proportion of overdue findings is at the lowest level across the last five years.</p>
<p><b>Service performance (initially raised in 2018/19)</b></p> <p>Whilst there has been some improvement in some of the Councils key indicators we are disappointed to note that there is a continuation of areas of poor performance within Adult Social Care Services, Environmental Services and Homelessness.</p> <p>Significant improvements are required, including the pace of change in implementing such improvements.</p> <p><b>High</b></p>	<p><b>Ongoing</b></p> <p>Refer to our observations under the Value for Money section of this report. The Council implemented its Planning and Performance Framework in 2021/22 and while not explicitly publicly reporting on such service performance we would encourage the Council to continue to monitor service performance.</p>

Recommendation	Audit observation
<p><b>Common good asset register (initially raised in 2017/18)</b></p> <p>The Council, in preparing the 2018/19 common good fund annual accounts should review the accounting policies for property, plant and equipment and heritage assets to ensure that:</p> <ul style="list-style-type: none"> <li>• The assets are classified correctly;</li> <li>• The appropriate valuation basis has been applied; and</li> <li>• Depreciation is applied dependent on the accounting policy and classification of the asset.</li> </ul> <p><b>High</b></p>	<p><b>Ongoing</b></p> <p>Refer to our observations under the Annual Accounts section of this report (Common Good income and expenditure section). The Council continues to refine its common good asset registers and the accounting for such assets.</p>
<p><b>Financial sustainability – health and social care (initially raised in 2017/18)</b></p> <p>The EIJB continues to face financial pressures. The EIJB’s financial plan in 2019/20, despite a challenging efficiencies programme and the release of unallocated funds, remained unbalanced by £7.1million as at 31 August 2019. The financial and service performance of the EIJB remains a high risk issue and the Council needs to work together with the EIJB and NHS Lothian to reach an agreed financial settlement.</p> <p><b>High</b></p>	<p><b>Ongoing</b></p> <p>This action is being progressed by the Edinburgh Integration Joint Board (EIJB) with tripartite efforts with the Council and NHS Lothian.</p>

Recommendation	Audit observation
<p><b>Health and Social Care performance (initially raised in 2017/18)</b></p> <p>Whilst there has been some improvement in performance, it remains too early to conclude whether this can be sustained. The approval of a new Strategic Plan should provide a framework for delivering real improvement however there is a danger that this is compromised by the significant financial challenges faced by the IJB in reaching a balance position.</p> <p><b>High</b></p>	<p><b>Ongoing</b></p> <p>This action is being progressed by the Edinburgh Integration Joint Board (EIJB).</p>
<p><b>Delayed discharges: (initially raised in 2016/17)</b></p> <p>Edinburgh has regularly had the highest number of delayed discharges of any Integration Authority in Scotland.</p> <p>We recommend that improving performance in this area remains a priority.</p> <p><b>High</b></p>	<p><b>Ongoing</b></p> <p>This action is being progressed jointly by the Edinburgh Integration Joint Board (EIJB), Council and NHS Lothian.</p> <p>The EIJB is part of the Scottish Government's national Discharge without Delay programme, aimed of reducing lengths of patient stay and preventing discharges becoming delayed.</p>

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# 2021/22

# AUDITED ANNUAL ACCOUNTS





# The City of Edinburgh Council

## Annual Accounts

Year to 31 March 2022

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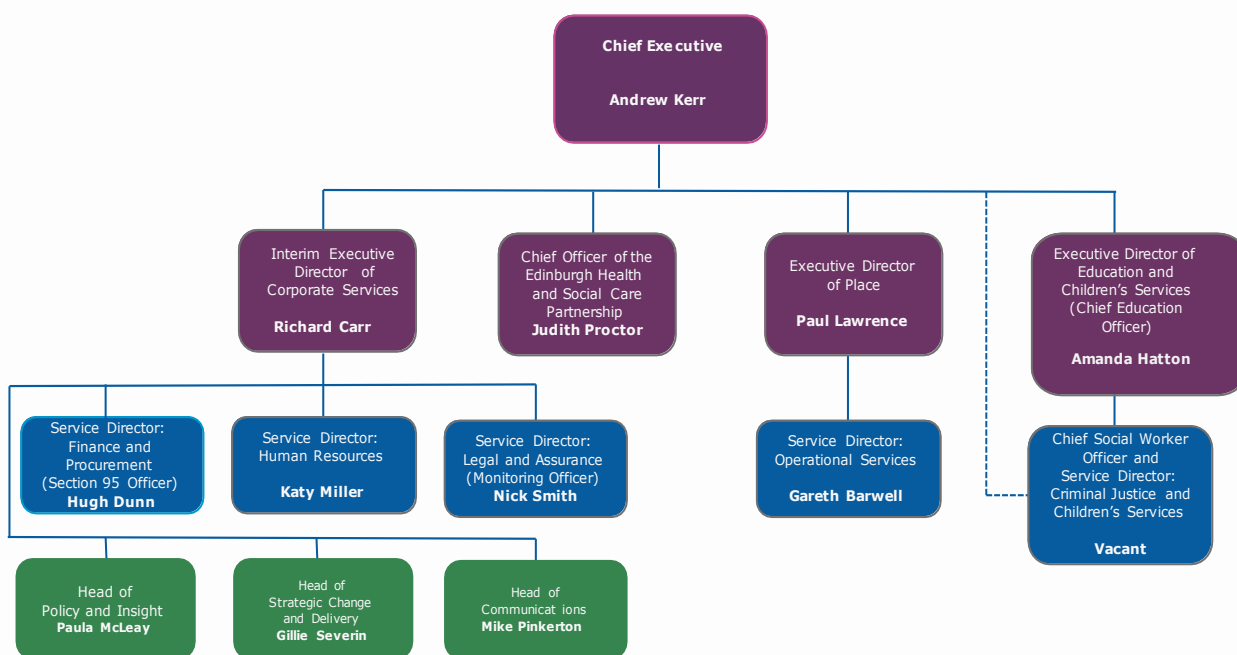
# MANAGEMENT COMMENTARY

## Introduction

The Audited Annual Accounts present the financial position and performance of the Council, together with the wider Council Group, for the year to 31 March 2022. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 using the Council's management structure as a reporting basis, the same as in the previous year.

The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary current frontline functions being the provision of education to school-age children within the city, social care services, economic development, a range of community-based services such as roads maintenance, street lighting and refuse collection and quality of life functions such as libraries, culture, recreation and parks. Services are delivered to some 530,000 citizens across the 102 square mile Council area. As of March 2022, the Council employed 15,085 FTE staff, compared to 14,898 FTE as of March 2021.

The structure of the Council continues to evolve but the Corporate Leadership Team (CLT) organisational chart and tables below indicate the position at the date the accounts were approved.



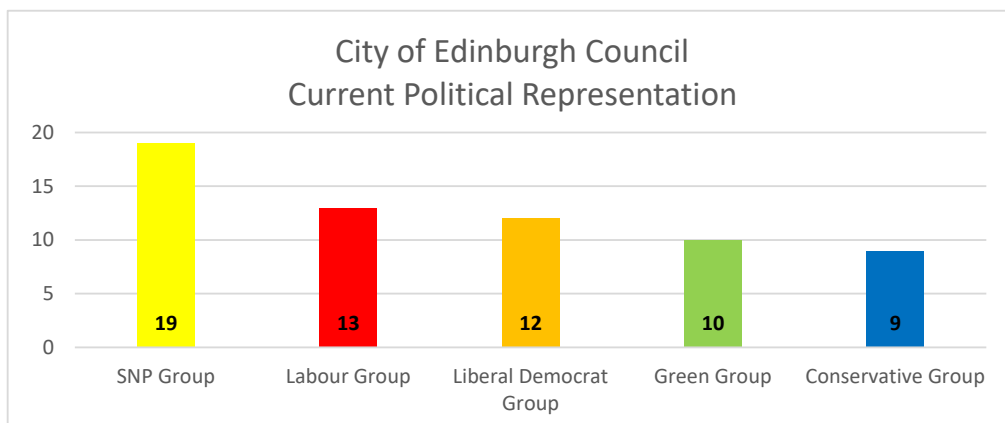
Corporate Services	Health and Social Care	Place
Customer and Digital Services	Edinburgh Integration Joint Board	Environment (inc. waste and parks)
Finance and Procurement	Older people's services	Transport (inc. parking)
Legal and Assurance	Learning and Physical disabilities	Roads, bridges and flood prevention
Human Resources	Mental Health	Housing and Regulatory Services
Strategy and Communications	Substance Misuse	Planning and building standards
	<b>Education and Children's Services</b>	Culture, Museums and Galleries
	Schools and Lifelong Learning	Property and Facilities Management
	Children's social work	Libraries and Sports
	Community education	Homelessness services
	Early Years	
	Community Justice	

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

## MANAGEMENT COMMENTARY

There was a Local Government Election on 5 May 2022 which resulted in a change in political representation for the Council, with a new minority Labour administration formed.

The Council currently has **63 Councillors** representing 17 wards within the city.



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

Details of the senior councillors' remuneration and committee roles, for those in office during the financial year, are disclosed in the Remuneration Report from page 131 of these financial statements.

### The Council's role during the pandemic

During 2021/22 the Council continued to respond to the Covid-19 global pandemic, working hard to keep services running and deliver vital help to those citizens and businesses who needed it most, whilst adhering to all Scottish Government guidelines on the reopening of services.

The Council Incident Management Team (CIMT) and Directorate Incident Management Teams (with escalation to CIMT) have provided a clear, easy to understand and effective governance structure for organising services during the emergency, operating flexibly to ensure the Council could react rapidly to any arising issues.

Due to the loosening of public health restrictions, CIMT decided in March 2022, to shift its focus from Covid-19 to Ukraine, when Ukrainian refugees began to arrive in Edinburgh.

### Demographic Trends

Edinburgh continues to see significant population growth, with a 12.3% increase in the ten years to 2020, compared to a national rise of 3.9% over the same period. The main driver of this growth continues to be net overseas migration. Analysis of population trends suggests that the total number of residents will increase by 57,000 people by 2043, with a 72% increase in those aged 75 and over. It is also projected that by 2031 the number of pupils in our primary and secondary schools will increase by 4%. This growth will place further demands on a range of frontline services and as a result, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils, at-risk children, older people and those with physical and/or learning disabilities.

### City of Edinburgh Council's Corporate Strategy and Vision

In 2021, the Council approved **a new Business Plan** which sets out the Council's priorities and how the aims set out in the **Community Plan** would be taken forward.

The Business Plan covers a three-year period and provides an overarching focus for the Council in terms of its priorities and the delivery of its aims. It provides an opportunity to deliver a future organisation to meet the changing needs of citizens.

The Business Plan sets out the three main priorities the Council will focus on in the coming years:

1. Ending poverty and preventing adverse outcomes such as homelessness and unemployment;
2. Becoming a net zero city; and
3. Ensuring wellbeing and equalities are enhanced for all.

The Business Plan describes the approach being taken by the Council to deliver its priorities in the form of 15 outcomes with 55 actions. This plan stands as one part of a golden thread linking and guiding operations through to the shared goals and commitments of the Edinburgh Partnership and towards the long term ambitions for Edinburgh to be a fair, welcoming, pioneering, and thriving city, as outlined in the 2050 Edinburgh City Vision.

The Business Plan also meets the Accounts Commission's Best Value Report recommendations on aligning the Council's strategic direction.

# MANAGEMENT COMMENTARY

The 15 outcomes of the Business Plans are as follows:

## Ending poverty

- 1 Progressing towards ending poverty in Edinburgh by 2030 by meeting the targets set by the Edinburgh Poverty Commission
- 2 On track to deliver new prevention service models
- 3 More residents experience fair work and receive the living wage
- 4 Intervene before the point of crisis to prevent homelessness
- 5 Ongoing delivery of our 20,000 affordable homes programme
- 6 Increasing attainment for all and reducing the poverty-related attainment gap
- 7 Edinburgh's economy recovers from recession and supports businesses to thrive

## Sustainability

- 8 Delivering our 2030 net zero target
- 9 Citizens are engaged and empowered to respond to the climate emergency
- 10 Develop key strategic sites and projects to meet the needs of a diverse and growing city
- 11 The city has a well-connected and sustainable transport and active travel network

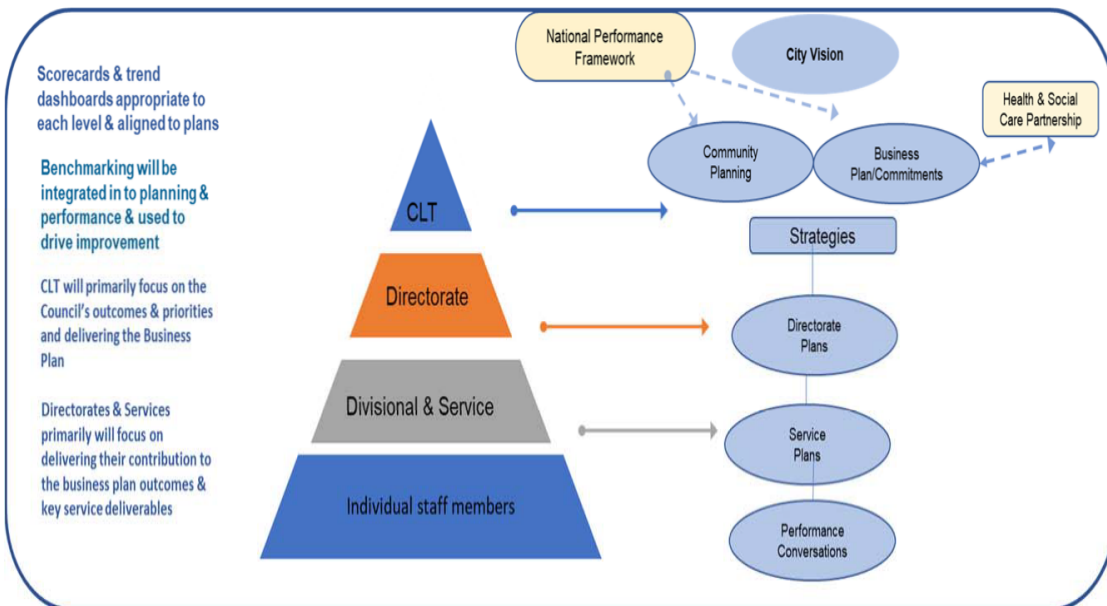
## Wellbeing

- 12 People can access the support they need in the place they live and work
- 13 Improved safety and wellbeing for vulnerable citizens
- 14 Core services are maintained or improved
- 15 Make better use of the Council estate and resources to meet our strategic priorities

The Business Plan forms the central part of the strategic Planning and Performance Framework and sits within the wider ecosystem of strategic planning for the Council as shown in the diagram below.

The framework has been designed to ensure that our priorities and outcomes are translated into clear actions and performance measures which are appropriately monitored, actioned and delivered. It will be underpinned by the "Plan, Do, Check, Act/Review" continuous improvement model and delivered through a robust annual cycle.

The approach embeds a "golden thread" between the three-year Council Business Plan, strategies, annual Directorate/ Divisional plans and colleague annual performance conversations, ensuring a clear understanding of our key deliverables across all our services.



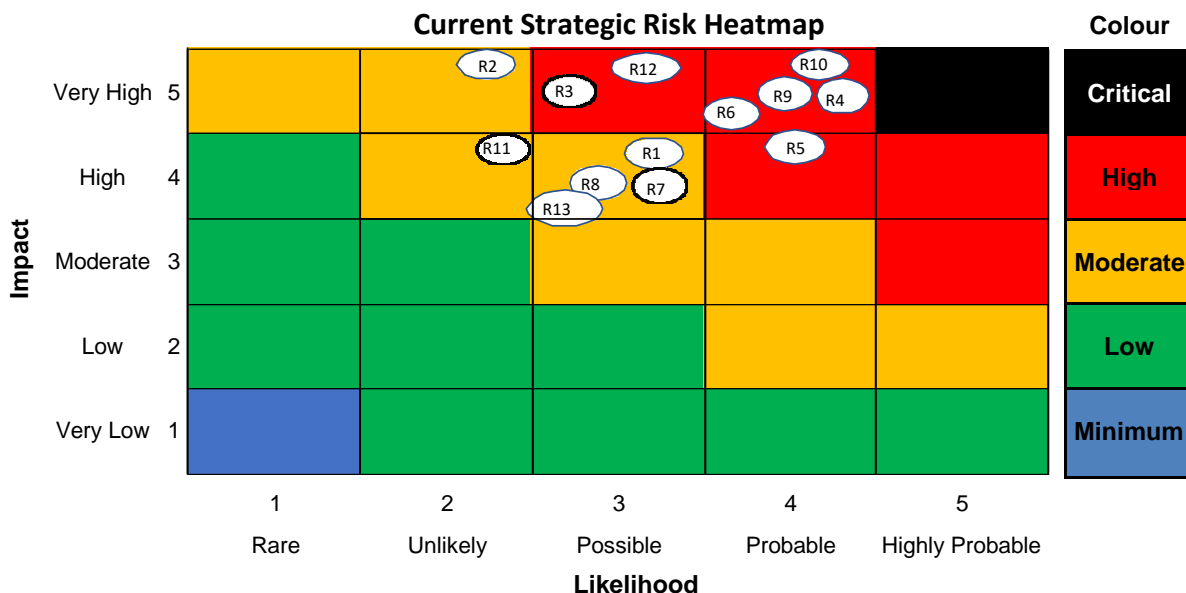
## Risks and Uncertainty

The Corporate Leadership Team's (CLT) highest-prioritised risks as reported to the Governance, Risk and Best Value Committee (GRBV) on 26 October 2021 are outlined below, along with the key controls in place to mitigate them.

In response to the COVID-19 pandemic, the Council developed a detailed risk management plan that identifies and tracks key risks, along with associated mitigating actions. These have been discussed at risk forum meetings with cross-Directorate representation, and at meetings of the CIMT.

# MANAGEMENT COMMENTARY

## Risks and Uncertainty - continued



R1	Strategic Delivery	R8	Governance and Decision Making
R2	Financial and Budget Management	R9	Service Delivery
R3	Programme and Project Delivery	R10	Workforce
R4	Health and Safety (including Public Safety)	R11	Regulatory and Legislative Compliance
R5	Resilience	R12	Reputational
R6	Supplier, Contractor and Partnership Management	R13	Fraud and Serious Organised Crime
R7	Technology and Information		

Details of the mitigating actions that are in progress in respect of each of these risks, is included in **Appendix 2** of the risk report.

The Council's most significant current risks are Workforce; Health and Safety (including Public Safety); Service Delivery; and Supplier, Contractor and Partnership Management, as described below:

R4	Health and Safety (including Public Safety)	Employees and / or citizens (including those in the Council's care) suffer unnecessary injury and / or harm
R6	Supplier, Contractor, and Partnership Management	Inability to effectively manage the Council's most significant supplier and partnership relationships
R9	Service Delivery	Inability to deliver quality services that meet citizen needs effectively and in line with statutory requirements
R10	Workforce	Insufficient resources to support delivery of quality services that meet citizen needs effectively and in line with statutory requirements

CLT and Directorate risk committees take place quarterly. Appropriate risk management arrangements were established to support identification; assessment; recording; and management of Covid-19 risks faced by the Council. The Covid-19 Risk Management Plan (RMP) was reviewed and discussed monthly by the Council's Incident Management Team (CIMT). Covid-19 risks and controls were discussed, and actions tracked at all CIMT meetings as circumstances and Government guidance changes.

The Council's **Enterprise Risk Management Policy** is reviewed and approved annually by the Policy and Sustainability Committee.

Once approved by the Committee, the Policy is shared and communicated across the Council, with the refreshed version published on the policy register maintained on the Council's website. The last review was carried out in September 2022.

The Council's **Risk Appetite Statement**, covering its attitude to service delivery, infrastructure, compliance and financial risks, was approved at the meeting of the Policy and Sustainability Committee on 30 November 2021.

### Other Risks, Challenges and Uncertainties

On 25 May 2022, the Accounts Commission published its annual **Local Government in Scotland Overview** with the following key messages:

- Councils in Scotland have had a very difficult year, with the ongoing response to the pandemic, the challenges being faced in recovering services, dealing with increased demand and backlogs, and meeting community needs and expectations.
- Councils are operating in a difficult and uncertain strategic context and face longer-term financial pressures, a lack of certainty and flexibility over long-term funding, and the prospect of major service reforms.

## MANAGEMENT COMMENTARY

### Other Risks, Challenges and Uncertainties - continued

- Pressure on the local government workforce continues. Councils are continuing to experience relatively high absence levels. Impacts on staff wellbeing and skills shortages, particularly in front-line workers, have also been noted.
- The impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but not all services are back at pre-pandemic levels so those most in need of support are still being affected.
- The early response showed what could be achieved by working closely with communities and the voluntary sector. This momentum may be lost if communities and the voluntary sector are not involved in shaping recovery.
- Improvements are needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements.

A report considering any specific local implication of the national report will be considered by Members later in the year.

On 1 December 2020, in response to the Poverty Commission's final report, the City of Edinburgh Council became the first UK local authority to set a target date for ending poverty by agreeing the proposals set out in the **End Poverty in Edinburgh Delivery Plan 2020-30**.

The Edinburgh Partnership has also published a **paper** setting out how partners will collectively work towards the aim of ending poverty in the city by 2030.

The first **annual report** of how Edinburgh is progressing in its aim details significant positive developments that are taking place in the Capital.

### Performance Overview

The latest in-year **performance update report** was considered by the Policy and Sustainability Committee on 22 February 2022. This provides information to enable Elected Members to scrutinise performance in a structured way, following the approach set out in the Planning and Performance Framework (PPF) which was approved on 10 June 2021. The report also provides an update on progress with the implementation of the PPF.

The final **Adaptation and Renewal Programme** update report, outlining the Council's on-going response to the pandemic, was considered by the Policy and Sustainability Committee on 22 February 2022, including a Covid-19 Response Dashboard detailing Edinburgh case numbers, vaccinations, Public Health and Safety, vulnerable groups and economic indicators. The programme was developed in response to the pandemic and has now been closed.

Edinburgh specific performance data has also been provided through a range of other channels, including the **Capital Residents Survey** which took place between 12 October and 2 December 2020. The survey was jointly funded with NHS Lothian and focused on resident experience of services during Covid-19 and areas of mutual interest to both organisations, such as alternative service delivery mechanisms. Since March 2020, when the UK first went into lockdown, 80% of Edinburgh residents said they were satisfied with the services provided by the Council.

### Council Performance and Best Value

The Council's **2021/22 Annual Performance Report** was considered by the Policy and Sustainability Committee on 30 August 2022. This report includes an analysis of the comparative indicators comprising the 2020/21 Local Government Benchmarking Framework (LGBF) and an overview of council performance against the priorities and outcomes in the Business Plan.

The Council's **2020/21 Annual Audit Report** concluded that the Council had appropriate arrangements in place for managing its financial position during 2020/21, with a surplus outturn position achieved after additional transfers to reserves from the receipt of Covid-19 funding late in 2020/21.

It was noted that the Council's three-year revenue budget strategy and 10-year capital budget strategy required to be updated given the significant cost impact of Covid-19 on council services and income levels over the short and medium term, and the medium-term framework identifies significant funding gaps facing the Council in future years.

It was acknowledged that Covid-19 continued to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Despite the impact of Covid-19, it was found that there had been improvement in some of the Council's key indicators, however, there was a continuation of areas of poor performance within Adult Social Care Services, Environmental Services and Homelessness.

The Council's **Best Value Assurance Report** (BVAR) was considered by the Accounts Commission on 12 November 2020. The Accounts Commission accepted the Controller of Audit's report and endorsed his recommendations. The final report was published by the Accounts Commission on 26 November 2020.

The BVAR for the City of Edinburgh Council focused on five key areas: the Council's vision and strategic direction; performance and outcomes including public performance reporting; effective use of resources; partnership working and community engagement; and continuous improvement.

Actions were agreed at the Edinburgh Partnership Board on 23 March 2021, in response to the partnership working and empowerment findings of the Council Best Value Assurance Audit.

An **update on progress** made to date, in response to the Best Value Assurance Audit Report recommendations was reported to Policy and Strategy Committee on 29 March 2022. The update report was referred to Governance Risk and Best Value Committee for consideration on 14 June 2022.

## MANAGEMENT COMMENTARY

### Performance Overview - continued

#### Comparative Performance

Under Section (1) (1) (a) of the Local Government Act 1992, the Accounts Commission has a statutory power to define the performance and outcome information that councils must publish locally in the following financial year with a view to facilitating comparison over time within, and across, authorities, including their effectiveness in working with partners and communities. Councils also require to assess how they are performing against the duty of best value, including actions taken in response to audit recommendations for improvement.

#### Financial Performance

##### Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 22. This statement has been prepared as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement (page 19).

An Expenditure and Funding Analysis has been provided to reconcile adjustments between the Council's financial performance under the funding position and the surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis can be found in Note 5 and the Expenditure and Income Analysed by Nature in Note 6.

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below. This basis of presentation is the main one adopted for reporting purposes as it is consistent with both budget-setting and in-year monitoring and also best aligned to the Council's statutory responsibilities.

	<b>Revised Budget 2021/22 £000</b>	<b>Actual 2021/22 £000</b>	<b>(Under) / Over Spend £000</b>
<b>General Fund services</b>	<b>1,035,426</b>	<b>1,030,378</b>	<b>(5,048)</b>
<b>Non-service specific areas</b>			
Loans charges / interest on revenue balances	85,438	76,773	(8,665)
Other non-service specific costs	25,748	12,664	(13,084)
Council Tax Reduction Scheme*	26,605	26,124	(481)
Net Cost of Benefits	(127)	(349)	(222)
Dividend and other interest received	(445)	81	526
<b>Non-service specific areas total</b>	<b>137,219</b>	<b>115,293</b>	<b>(21,926)</b>
<b>Movements in Reserves</b>			
Net contribution to / (from) earmarked funds	(19,211)	6,157	25,368
Contribution to / (from) Capital Fund	(26)	(26)	0
<b>Movements in Reserves total</b>	<b>(19,237)</b>	<b>6,131</b>	<b>25,368</b>
<b>Sources of funding</b>			
General Revenue Grant	(653,272)	(653,272)	0
Distribution from Non-Domestic Rate pool	(188,796)	(188,796)	0
Council Tax **	(311,340)	(313,611)	(2,271)
<b>Sources of funding total</b>	<b>(1,153,408)</b>	<b>(1,155,679)</b>	<b>(2,271)</b>
<b>Transfer (to) / from earmarked reserves</b>	<b>0</b>	<b>(3,877)</b>	<b>(3,877)</b>

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

\*uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £0.481m were transferred to an earmarked reserve.

\*\* gross Council Tax (excluding Council Tax Reduction Scheme)



# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Revenue - General Fund - continued

On 18 February 2021, the Council set a **balanced budget** for 2021/22 but with the delivery of approved savings and the prompt identification and management of underlying or emerging pressures key to maintaining financial stability in the year. In total, the approved budget was predicated on the delivery of some £31.087m of directorate-specific and corporate savings.

### Covid-19 Financial Impact

While the financial effects of the pandemic lessened somewhat relative to the previous year, these impacts continued to be significant in 2021/22. The net cost to the Council during the year, including exposure through its Arm's-Length External Organisations (ALEOs), was some £25.5m. The largest single contributors were a reduction in parking income, net of enforcement costs, of £6.8m, the loss of the Lothian Buses dividend of £6m, additional homelessness expenditure of £5.2m and further support for Edinburgh Leisure of £5m.

Given the scale of these impacts, elected members continued to consider regular financial monitoring reports during the year and through a combination of savings in both service areas and corporate budgets as indicated on page 7, an underspend of £3.9m was achieved. This position was also delivered without the planned level of drawdown from reserves, providing an additional contingency against the on-going expenditure and income impacts of the pandemic.

Looking forward, in order to enhance the Council's resilience against these longer-lasting implications, the 2022/23 budget set aside a further £25m, alongside sums to address other new liabilities such as an increase in employer's National Insurance rates effective from April 2022. Following the receipt of additional funding as part of the Scottish Budget's Parliamentary consideration, the budget also included £10m of additional investment in the Council's key priorities.

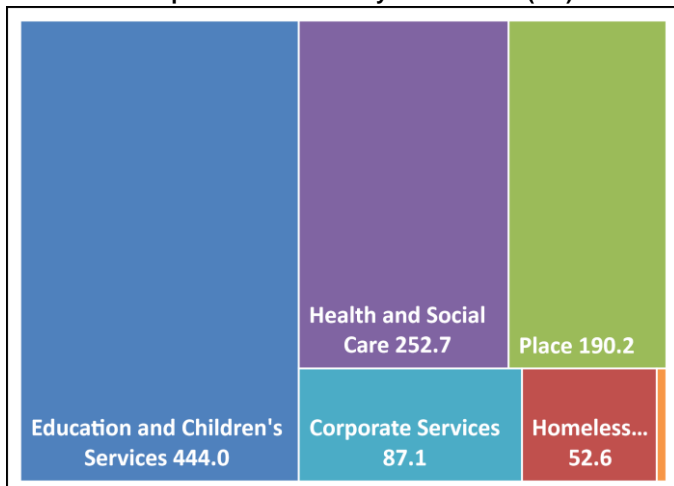
In overall terms, 89% of approved savings were delivered during the year. This marked a continuing improvement on the equivalent figures for 2020/21 (82%), 2019/20 (77%) and 2018/19 (60%).

### Principal Sources of Funding - General Fund

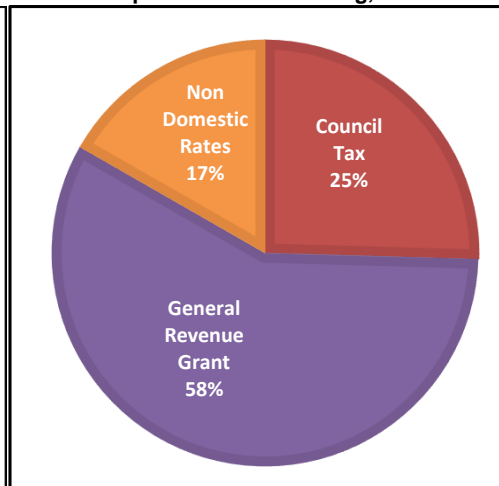
The principal sources of funding used by the Council during the year were:

	<b>£000</b>
Council Tax, net of Council Tax Reduction Scheme (CTRS) <i>(property-related tax from households)</i>	287,487
General Revenue Grant <i>(Government revenue grant funding based on city's relative needs assessment)</i>	653,272
Distribution from Non-Domestic Rates pool <i>(property-related tax primarily from businesses)</i>	188,796
<b>Total</b>	<b>1,129,555</b>

General Fund expenditure 2021/22 by service area (£m)\*



Principal sources of funding, 2021/22



\* - The orange-shaded box on the expenditure diagram represents the Council's requisition for the Lothian Valuation Joint Board of £3.8m.

Following the onset of the pandemic and recognising significant in-year relief granted to affected businesses, the Scottish Government revised the relative balance of funding between General Revenue Grant and Non-Domestic Rates and thus the proportions are significantly different from pre-Covid years.

## MANAGEMENT COMMENTARY

### Financial Performance - continued

#### Reserves

##### General Fund

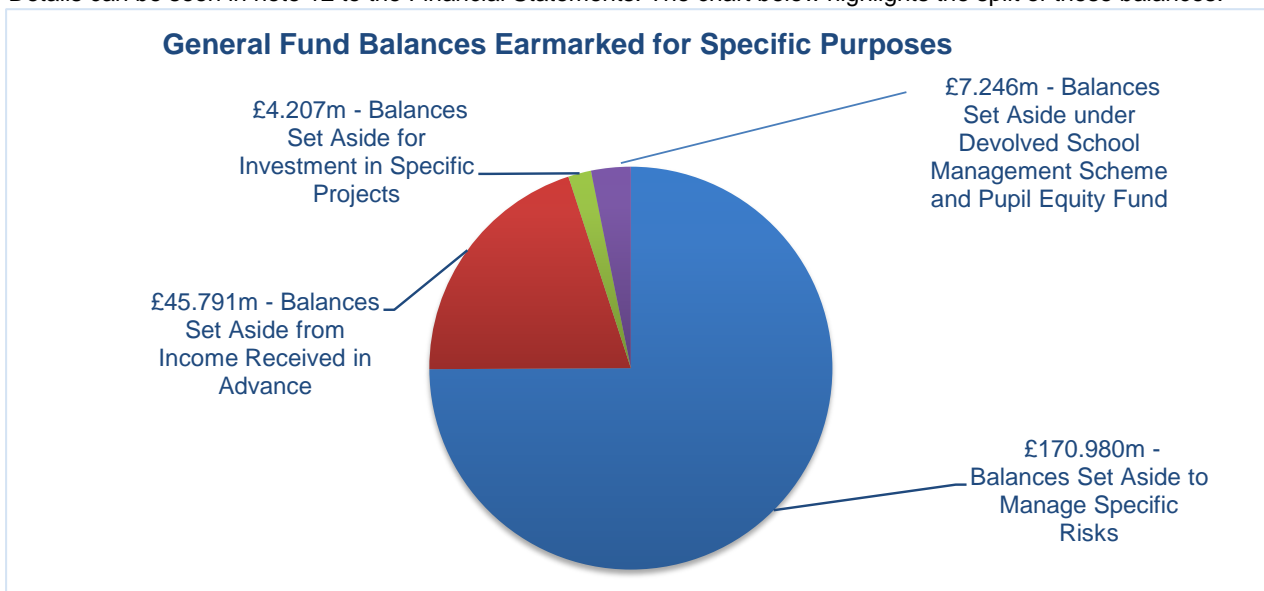
The Council's General Fund reserves comprise two elements:

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

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

The **latest review** was in February 2022, as part of the 2022/23 budget-setting process. The unallocated General Fund balance at 31 March 2022 was £28.981m, which equates to 2.51% of the annual budgeted net expenditure.

In addition, the Council has a further £228.224m (2020/21 £196.008m) of balances earmarked for specific purposes. Details can be seen in note 12 to the Financial Statements. The chart below highlights the split of these balances.



These balances are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium-term future. Examples include monies earmarked for staff release costs, dilapidations and other related contractual commitments and the insurance fund. The sums shown above include £71.179m of non-service specific COVID-related funding received or earmarked in-year to be applied against expenditure and income losses in future years;
- Balances set aside from income received in advance are primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof. The sums above include £15.159m of service-specific COVID-related funding carried forward to be offset against expenditure in 2022/23;
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years, such as Spend to Save. These savings are used, initially, to replenish the earmarked balances; and
- Balances held under the Devolved School Management scheme (DSM) and Pupil Equity Fund (PEF), which permits balances on individual school budgets to be carried forward to the following financial year and academic years.

As part of the 2020/21 budget-setting process there was a realignment and reprioritisation of these sums based on the risks the Council faces. In addition to increasing the size of the Council's unallocated reserve to a level closer to that of other Scottish local authorities, a £16m dedicated reserve was created to provide an additional contingency against the on-going financial impacts of the pandemic. This reserve, when combined with additional COVID-related grant funding received late in 2020/21, allowed the Council to increase from £18m to £39m the level of provision made for these impacts in 2021/22, as well as increasing the corresponding sum in 2022/23 whilst still addressing the majority of that year's residual funding gap. Receipt of these sums also allowed the Council to defer use of the planned loans fund repayment financial flexibility.

#### Other Reserves

The Council holds other usable reserves; these are the Capital Grants Unapplied Account with a balance of £46.994m, the Capital Fund with a balance of £42.550m and the Renewal and Repairs Fund with a balance of £50.407m, including £3.885m of monies for schools prepaid under PPP arrangements. These sums are used to support capital investment across the Council's property estate.

## MANAGEMENT COMMENTARY

### Financial Performance - continued

#### Financial Ratios

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

<b>Council Tax</b>	<b>2021/22</b>	<b>2020/21</b>	<b>Notes on interpretation of ratios</b>
In-year collection rate	96.77%	95.96%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of sums billed relating to previous financial years. The collection rate is stated on a line-by-line basis, adjusted for the impact of water-only debt in the joint collection of Council Tax and water charges. The indicator shows that the in-year collection levels increased slightly but remains marginally below the level achieved in 2019/20.
Council Tax income as a percentage of overall funding	25.45%	24.48%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS) support. While Council Tax levels were frozen in 2021/22, the prior year was proportionally less due to the provision of significant additional (mainly COVID-related) funding during that year.
<b>Debt and Borrowing - Prudence</b>			<b>Notes on interpretation of ratios</b>
Capital Financing Requirement	£1,902.9m	£1,749.0m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets and shows an increase of around 9% during the year. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 37 to the Financial Statements.
External debt levels	£1,736.1m	£1,594.5m	External debt levels include long-term commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure.  External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
<b>Debt and Borrowing - Affordability</b>			<b>Notes on interpretation of ratios</b>
Financing costs to net revenue stream - General Fund	6.80%	6.83%	These ratios show the proportion of total revenue funding that is used to meet financing costs.
Financing costs to net revenue stream - HRA	32.04%	32.92%	
Impact of capital investment on Council Tax	-0.73%	-8.23%	These ratios show incremental impact of financing costs, the increase or (decrease) in financing costs from the previous financial year, as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA. The ratios for 2020/21 reflected the outcome of the Council's Loans Fund review.
Impact of capital investment on house rents	-0.32%	-4.59%	

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Treasury Management Strategy

The **Annual Treasury Management Strategy 2022/23** was approved on 17 March 2022. The key points are:

- the Council had borrowed £497m over the last three years;
- the Council's total capital expenditure is forecast to be £2.495 billion between 2021/22 and 2025/26;
- the Council's underlying need to borrow at 31 March 2026 is forecast to be £2.391 billion;
- the opportunity to mitigate future interest rate risk with alternatives to the Public Works Loan Board (PWLB) will continue to be sought and the risk locked out where appropriate; and
- the Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year.

### Capital Strategy

The **Sustainable Capital Strategy 2022-32 - Annual Report** was approved at Full Council on 17 March 2022. The report provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services and is linked to a number of other key plans and policies such as the Annual Treasury Strategy, the Capital Investment Programme and HRA Budget Strategy.

The Capital Budget Strategy has been reviewed in light of COVID-19 and the Council's priorities and Council Business Plan.

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

The 2021/22 outturn position for capital expenditure is summarised below:

	<b>Budget 2021/22 £000</b>	<b>Actual 2021/22 £000</b>	<b>(Slippage) / Acceleration £000</b>
Capital expenditure			
General Fund services	438,020	402,151	(35,869)
Housing Revenue Account	<u>103,987</u>	<u>64,850</u>	<u>(39,137)</u>
Total capital expenditure	<u>542,007</u>	<u>467,001</u>	<u>(75,006)</u>
Capital receipts and other contributions			
- General Fund services	(74,180)	(71,426)	2,754
- Housing Revenue Account	(42,443)	(9,526)	32,917
Government and other grants			
- General Fund services	(109,363)	(110,285)	(922)
- Housing Revenue Account	<u>(11,859)</u>	<u>(19,959)</u>	<u>(8,100)</u>
Total capital income	<u>(237,845)</u>	<u>(211,196)</u>	<u>26,649</u>
Balance to be funded through borrowing			
- General Fund services	254,477	220,440	(34,037)
- Housing Revenue Account	<u>49,685</u>	<u>35,365</u>	<u>(14,320)</u>
Total advances from loans fund	<u>304,162</u>	<u>255,805</u>	<u>(48,357)</u>

Expenditure on General Fund services slipped in total by £35.869m. The majority of slippage was caused by COVID-19 related delays, including the construction lockdown and restrictions on internal works. Within Place, the main slippage was from On-Lending for the provision of mid-market homes (£13.862m) which is offset by a delay in the need to borrow. Within Communities and Families, the main slippage was on construction of learning estates, such as Rising School Rolls projects and Maybury Primary School.

Expenditure on Housing Revenue Account slipped in total by £39.137m, primarily as a result of the acquisition of Liberton Hospital for £12m not completing in the financial year. HRA capital income also slipped significantly, mainly from the capital funded from current revenue not being used in year. This resulted in a net requirement of £35.365m in loans fund advances.

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Capital Expenditure

The Council received £40.039m of general capital grant during 2021/22. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £467.001m. Major capital projects undertaken during the year included:

- Creation and expansion of educational properties - £95.726m;
- Trams to Newhaven project - £68.486m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £64.850m;
- Roads, carriageways and other transport infrastructure - £64.213m;
- St James GAM redevelopment investment - £59.550m;
- Social housing through the housing development fund - £52.418m;
- Asset Management Works at operational properties - £23.236m; and
- Providing funding for homes for mid-market rent from the Housing Revenue Account through the Edinburgh Living Mid-Market Rent LLP - £4.167m.

### Housing Revenue Account

The Council has a statutory obligation to maintain a housing revenue account (HRA) which records all income and expenditure for the management of, and investment in, Council homes. The HRA is entirely self-financing and receives no funding from the general Council budget. All expenditure is funded through the tenants' rent, related service charges, and interests gained through HRA assets.

The Council approved the Housing Revenue Account Budget Strategy 2021 – 2031 on 18 February 2021 and the outline 10-year HRA capital programme “subject to agreement that there be no rent rise in 2021/22”. It set out an ambitious strategy to deliver £2.8 billion investment over ten years to deliver Council commitments on affordable housing and net zero carbon. The Council also agreed to accelerate £1.860m investment to improve internal common stairwells and to increase resources for the Mixed Tenure Improvement Service (MTIS).

The HRA revenue account secured income of £106.7 million in 2021/22. This represents an over recovery of income against budget of £1.033m. However, when looking solely at income from dwelling rent, this element under-recovered by £2.048m. This was mainly due to issues with recovering rent payments (£0.714m) and lost rent on void properties (£1.328m). These issues relate to the ongoing impact of Covid-19.

The 2021/22 capital programme budget was revised from £87.386m to £103.987m to take account of the Council's decision to accelerate investment to improve internal common stairwell and to increase resources for MTIS, as well as, the reprofiling of slippage from 2020/21. The year end capital programme outturn for 2021/22 was £64.850 million; slippage of £39.137 million. Almost 30% of the slippage was due to the delay in concluding the land acquisition of Liberton Hospital, with the purchase now expected to complete before the end of the 2022 calendar year. Other slippage was due to delays in projects under construction through the impacts of material shortages and Covid-19 measures extending the duration of the programme.

The Council Housebuilding Programme delivered over 280 new homes in 2021/22 at Bingham, Parkview, Pennywell and North Sighthill. This included 157 social rented homes, 78 mid-market rented homes that were purchased by Edinburgh Living LLP and 47 homes for market sale. The delivery pipeline for new homes remains strong. For new social and mid-market rented homes only, there were over 770 new homes on site and under construction in March 2022, and a further 2,200 homes in design and pre-construction stage.

Several improvement projects have made significant progress during 2021/22, including projects in multi-storey blocks, e.g. external and internal fabric improvement work in May and Gunnet Court, re-roofing and stack lanes replacement in Fidra Court and a variety of health and safety upgrade works in six Moredun high rise blocks. The door entry installation/upgrade programme continues. Engagement with owners in 300 minority-owned stairs started in 2021/22; work will progress throughout 2022 subject to owners' agreement.

The Mixed Tenure Improvement Service (MTIS) pilot in Murrayburn/Dumbryden consists of 10 phases over 3 years. Phases 1 to 4 involve 500 homes in 66 blocks and commenced in 2021/22. Works on site at Phase 1 started in October 2021 following Scheme Decisions and will complete in 2022/23.

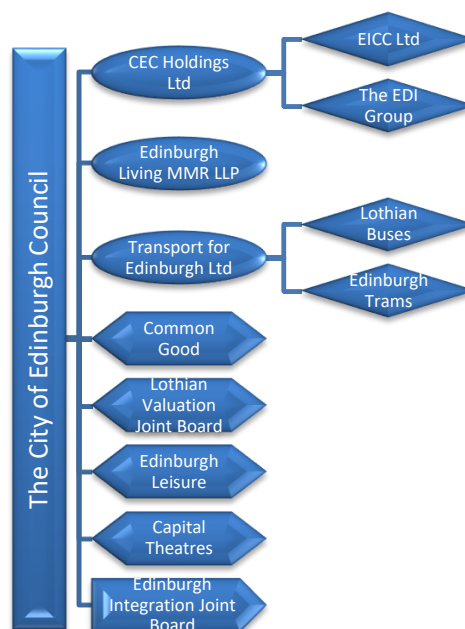
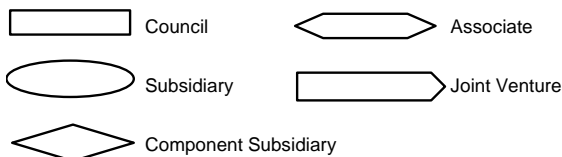
# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Group Accounts

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared, which consolidate the financial interests the Council has in subsidiaries, associates and joint ventures, where the interest is considered material. Note 9 details the interests the Council holds and further financial details about the entities. The adjacent chart shows the components in the structure of the Group. Information on the Common Good can be found on page 114.

Key:



### CEC Holdings Ltd

#### EDI Group Ltd (subsidiary of CEC Holdings Ltd)

The EDI Group was established in 1988 by The City of Edinburgh Council to carry out the development of Edinburgh Park, now regarded as one of the principal business parks in Europe. In early 2017, the Council conducted a review of its approach to the use of surplus land and its interactions with the property market and concluded that the default position will be that the land or buildings are used to deliver affordable housing, meaning that EDI has no future pipeline of projects. As a result, in the longer term the Council decided it should not have an arm's length development company. The Council therefore instructed the directors to begin a process of closure, with the majority of land transferring to the Council and all staff leaving by October 2018, with the company's activities now overseen by Council officers under the governance of a scheme of delegation and service level agreement. The company will continue to trade into 2022 and beyond until such time as all projects currently being undertaken by EDI have either concluded or have been transferred to the Council.

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

EICC Ltd operates a prime conference venue in the centre of Edinburgh. The Centre was built in 1995 and since that time has welcomed 1.5 million delegates from more than 120 countries, generating £720m of economic impact for the city region.

At the outset of 2021, the Centre anticipated a challenging and uncertain financial year due to the continued presence of coronavirus and government restrictions. The Company had anticipated an operating deficit of £1.2m based on the level of contracted bookings that had been secured for the year including the NHS; the continued restrictions in place and the expectation that these restrictions could remain in place for large parts of the year.

In the first half of 2021 the Conference Centre secured a large contract with NHS Lothian to use the Conference Centre as a covid mass vaccination centre between January and July, which was later extended to September. The contract was a success and the company was pleased to be part of the solution in the country's vaccination rollout whilst allowing the Centre to be operational in a covid secure manner.

Although it was a very challenging year, it allowed a dynamic environment to be created due to constantly changing situations. Live events were able to recommence in May, albeit on a reduced scale, and international events resumed in September. Unfortunately, the emergence of the Omicron variant in December resulted in the reintroduction of restrictions and the cancellation or postponement of some events.

At this point the centre re-opened for the second time as a mass vaccination centre as the NHS embarked on the roll out of the booster vaccination programme. The cumulative effect of the company's activities had a significant impact on the Company's revenues for the year which amounted to £6.616m. This was a significant increase on the previous year's figure of £3.188m.

In April 2022, the contract for the EICC Hotel and Hotel School was signed. The Council and EICC have developed a business case for the Council to enter into a lease on a new 349-bedroom hotel being developed at Haymarket Edinburgh by Quartermile Developments Limited for The Prudential Assurance Company Limited. The hotel will then be sub-leased to EICC to operate under a Franchise Agreement with the hotel brand Hyatt, as well as operating a hotel school based in the hotel in partnership with Edinburgh College.

#### Edinburgh Living MMR LLP

Edinburgh Living MMR LLP was established as a housing delivery partnership to address housing needs in Edinburgh. The initiative is a partnership between The Council and Scottish Futures Trust. The partnership delivers homes for mid-market rent to let to households in housing need.

Edinburgh Living bought its first homes in January 2019 and owned 344 homes across eight sites in the city by the end of 2021.

## MANAGEMENT COMMENTARY

### Financial Performance - Group Accounts - continued

#### Transport for Edinburgh Ltd

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

The Group retained a substantial share of the local public transport market in Edinburgh and the Lothians. Revenue has increased by 9.5% from the previous year to £157.3m which was in line with expectations following the Covid-19 pandemic. Although the Group continued to work pro-actively in seeking to address the impact of the varying Covid-19 restrictions on travel, the effect on transport patronage and the resulting revenue streams continued to be significant despite cumulative support for Edinburgh Trams alone of up to £18m by March 2022. Services have been adjusted to ensure the needs of essential and key workers are met, but this delivery of these services is loss inducing.

Work is underway to identify an organisational structure that will deliver closer integration of the Council's public transport companies in order to ensure optimal delivery against Council policies and objectives. A corresponding programme of reform is being developed, with the principal recommendations to be presented to the Transport and Environment Committee once complete.

#### Lothian Valuation Joint Board (LVJB)

The Board reported expenditure of £6.0m for 2021/22, which was within the approved budget. Due mainly to underspends in employees, property, transport and supplies costs and the use of Scottish Government funding, a contribution of £0.218m was made to reserves. The reserve will be retained by the Board to support Transformation Programme costs in future years.

#### Edinburgh Leisure

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

For Edinburgh Leisure, 2021/22 was about recovering from the impact of the Covid-19 pandemic. The charity reported an underlying surplus on unrestricted funds of £1.846m which has been directly attributable to the external cash support received, rather than any strong trading performance of the charity. The cash support, including £5m of additional support from the City of Edinburgh Council has enabled the charity to continue successfully as well as bolster its reserves.

Edinburgh Leisure continued to work with the Council and other stakeholders on a range of projects during the year, including the Active Communities Programme which supports around 10,000 people a year to get active to improve their health and wellbeing. The programme includes initiatives such as activities for people with additional support needs, Female only/BME swimming and Open all Hours which offers teenagers the chance to get active, make friends and have fun on Friday evenings for free.

#### Capital Theatres

The Covid 19 pandemic meant that all Capital Theatre buildings remained closed at the beginning of 2021/22. In accordance with the Scottish Government's Covid 19 Roadmap, the theatres venues reopened with restrictions in June 2021 hosting a number of productions including Zog, A Night of Laurel & Hardy, Grease and the Scottish Opera show of Falstaff.

As restrictions eased, audience numbers increased and the outlook was promising with the return of the Christmas panto and ballet. However, heavier restrictions on audience capacity were introduced as a result of the Omicron Variant which meant all shows were closed except The Enormous Christmas Turnip in The Studio.

During these turbulent times, support has continued from the City of Edinburgh Council, the Scottish Government, Creative Scotland and the National Lottery Heritage Fund, indicating that Capital Theatres plays a crucial role in Edinburgh and Scotland.

With the reopening of the venues, a hybrid model was successful with in person and virtual events taking place side by side including the re-introduction of in person sessions for young people via the In Our Year programme and a variety of online and in person events celebrating World Alzheimer's Month.

#### Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board (EIJB) was formally delegated the functions and resources of the Council's Health and Social Care Service and NHS Lothian's Community Health Partnership, with effect from 1 April 2016. At that time an assessment was undertaken on the relationship of the Council with the Edinburgh Integration Joint Board and on the basis of level of control, being fifty percent Board representation, and wider materiality levels, this Joint Venture has been consolidated into the Group accounts for the year to 31 March 2022, see note 9.4.

The Edinburgh Integration Joint Board agreed its strategic plan for 2019-22 in August 2019. The Board is now engaged in the next planning cycle, building on our strategic ambitions through an innovation and sustainability lens. A comprehensive programme of redesign and transformation was designed to deliver the vision set out in the strategic plan, focussed on four key areas: redefining the Edinburgh Pact, embracing the three conversations approach, adopting the principle of home first and working in tandem with other core strategies such as Carers, Thrive Edinburgh (mental health) and the Primary Care Improvement Plan.

For the year to 31 March 2022, the EIJB is reporting a surplus of £56.7m in the annual accounts, reflecting additional funding made available by the Scottish Government to support the impact of the pandemic in future years. All funding received during the year but not yet spent has been transferred to reserves, bringing total reserves to £82.2m. The vast majority of these reserves is earmarked for specific purposes, with the balance of £3.1m being held in general reserve.

# MANAGEMENT COMMENTARY

## Financial Performance - Group Accounts - continued

### Group Summary

Net assets for 2021/22 include a combined group pension liability of £155.131m (2020/21 £701.122m), as shown in note 41.9. This reflects the inclusion of pension liabilities relating to the Council, other employees (including subsidiary companies) and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. It should be noted that this is a snapshot of the position at 31 March 2022. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

### COVID-19

#### Council and its Group's role and response

The Council continued to provide vital pandemic-related support to communities and businesses during 2021/22. Five Council Resilience Centres were created in March 2020 from which we continued to deliver essential frontline services requiring face-to-face contact, including housing, homelessness, welfare and benefits advice.

Rough sleeping in the city was reduced to fewer than 15 people sleeping on our streets each night, representing a significant drop given that, prior to the pandemic, there were on average between 80 and 120 people sleeping rough each night in Edinburgh.

The Council also awarded over £4 million of support to those in crisis and made over £12.6m of free school meal, school clothing and pandemic hardship payments. We distributed over 14,000 food parcels to families and children referred by schools and early years providers. This was in addition to free school meal payments for eligible school children which also continued throughout the holiday periods.

Over £7m in financial support was also distributed to Edinburgh residents including those who lost work, have significant health issues or were struggling to afford life's essentials. The Council's Advice Shop assisted more than 4,500 people to obtain information and advice regarding benefits and debt matters.

We delivered a welfare contact service for self-isolating households. At peak periods, over 2,000 calls were being made each week and residents were given support or signposted to the relevant Council services or partner agencies. The Council also administered the Self-Isolation Grant process which had approved over 8,000 applications, giving out over £4 million of essential financial support, by March 2022.

Our refuse collectors continued to pick up more than 420,000 bins a week and in the last year have collected 173,020 tonnes of waste. We were able to do this by using both our own fleet and hired vehicles so that two operatives could travel in the lorry cab with a car following behind for a third.

Despite managing over 10,000 Covid-19 cases from the start of the 2021/22 academic session alone, all 89 primary and 23 secondary schools remained open, facilitated by recruitment of additional teachers and pupil support assistants and improved digital access, working towards distributing over 40,000 devices to students and staff. We've helped approximately 19,000 local businesses to secure grant funding, paying out more than £260m in Coronavirus business support grants since March 2020 across both Edinburgh and Midlothian. We've also supported almost 4,000 businesses through the Edinburgh Business Gateway services.

#### Immediate and on-going financial impacts

The Council continues to face significant financial challenges resulting from increased demand for services, inflation, legislative reform and increased citizen expectations, as well as the continuing financial impacts of the pandemic. These factors are set against a backdrop of core grant funding (accounting for around three quarters of the Council's overall income) that is not keeping pace.

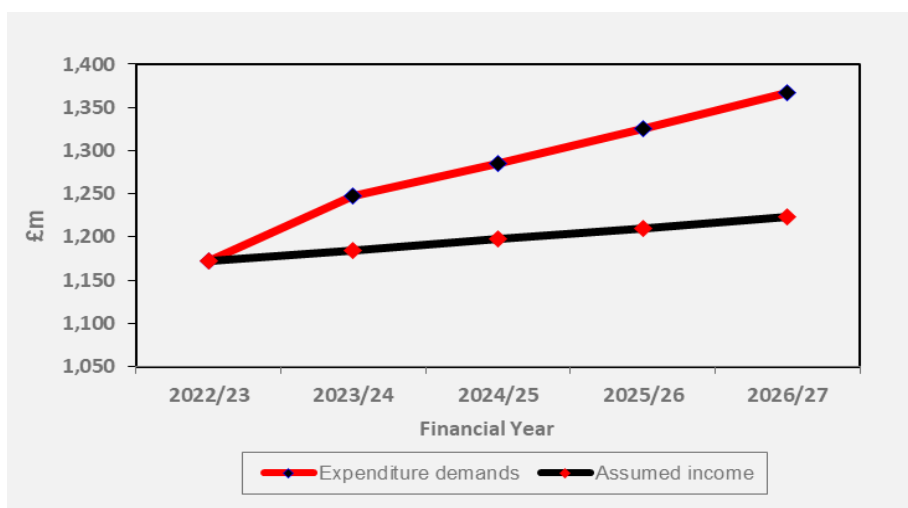
A series of assessments of the financial position has been reported to elected members. The **most recent** of these was considered by the Finance and Resources Committee on 8 September 2022.



## MANAGEMENT COMMENTARY

### Immediate and on-going financial impacts - continued

While the Council has approved a balanced budget for 2022/23, we face significant financial challenges going forward. Current projections indicate a need to deliver at least £70.4m of recurring savings in 2023/24, increasing to £152.9m over the five-year period to 2026/27 as shown in the chart below:



The urgent need to initiate a structured medium to longer-term savings programme was highlighted in both the Council's Best Value Assurance Report and the external auditor's report for 2020/21. In recognising this urgency, Directorates have been asked to develop potential options, captured by means of a standard template detailing service and performance impacts, risks and dependencies, with reference to the priorities set out in the Council's business plan. These proposals will be subject to a process of co-design between the incoming administration and officers. Given the extent of the challenge noted above, members will likely need to make increasingly difficult choices about the Council's priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income.

### CIPFA Financial Management Code (FM Code)

CIPFA's Financial Management Code (FM Code) was published in October 2019 and is designed to support good practice and assist councils in demonstrating their financial sustainability and resilience by setting out expected standards of financial management. 2020/21 was a "shadow" year for adoption of the Code and 2021/22 marks the first full year of implementation.

The Council's Section 95 Officer's initial assessment, carried out with reference to the 2021/22 budget process and involving interviews with a range of key stakeholders including service directors, elected members and colleagues within partner services, highlighted a number of recent improvements contributing positively to the Council's financial resilience and stability, including:

- (i) realigning and reprioritising the Council's reserves to enable the creation of a £16m COVID-specific contingency whilst also increasing the level of the unallocated general reserve to £25m;
- (ii) incorporating within the budget framework explicit provision for underlying service pressures and anticipated shortfalls in savings delivery, all based on detailed discussion with members of the Corporate Leadership Team;
- (iii) reflecting within the budget framework, insofar as is practicable at this stage given the on-going nature of the pandemic, increased provision for its continuing impacts, particularly for losses of income; and
- (iv) providing dedicated investment in prevention-related resource which, if used effectively, should make a contribution towards future years' savings requirements, as well as improving outcomes for service users.

Improvements then introduced for the 2022/23 process included the following:

- (i) finalisation of financial management guidance and communication to the Wider Leadership Team;
- (ii) development of a fully-funded 2022/32 capital investment programme (albeit with full funding strategies for large-scale initiatives such as the City Plan, City Centre Transformation Plan and City Mobility Plan still to be developed);
- (iii) earlier publication of the schedule of proposed fees and charges for 2022/23; and
- (iv) further recognition of underlying service pressures and estimated recurring COVID-related impacts within the budget framework, alongside review of other key assumptions.

These steps build on a number of aspects already in place that are conducive to enhancing the Council's longer-term financial sustainability including (i) regular reviews, reported to both Council Leadership Team (CLT) and elected members, of revenue and capital budget planning assumptions, (ii) close working between the CLT and the Coalition Budget Core Group and (iii) development of updated, detailed and consistently-applied guidance for Finance staff used to assess savings implementation plans and mitigation of service budget pressures.

## MANAGEMENT COMMENTARY

### Immediate and on-going financial impacts - continued

The **Sustainable Capital Budget Strategy 2022 - 2032** details the priorities for Council capital investment, in alignment with the Business Plan, over the medium to long-term, and sets out a plan on how they could be funded. The Capital Budget Strategy is expected to come under significant financial pressure as a result of higher tender prices, caused by external factors including COVID-19 and Brexit. Currently, this is most notable in the scarcity and cost pressures in various key construction materials, i.e. steel and timber, which is leading to slippage on delivery of projects. Delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget, to comply with the terms of the Prudential Code. The strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will require to be funded primarily from external funding, unless significant realignment of existing budgets is undertaken. The wider financial implications of City Plan 2030 infrastructure requirements are also likely to have a further impact on the 2022-32 Capital Budget Strategy.

### Changing for the future

Delivery of the '**Our Future Work**' strategy includes a programme of work which is currently underway, enabling colleagues to return to buildings across the Council estate from June 2022. A focus group undertaken with frontline colleagues helped to establish what flexible working means for them. The strategy was built on colleague feedback and sets out a vision for a modern Council which makes full use of hybrid and flexible working.

### Adaptation and Renewal Programme

In recognising the need for a fundamental re-assessment of service operating models as the city emerges from the pandemic, an **Adaptation and Renewal programme** was established, co-ordinating all aspects of the Council and city's response. The programme was developed in response to the pandemic and has now been closed.

### Change Strategy and Business Plan

A Best Value Assurance Audit was carried out by a team from Audit Scotland and the Council's external auditor, Azets. The resulting **Best Value Assurance Report (BVAR)** was published by the Accounts Commission on 26 November 2020.

As recommended in the report, the Council amalgamated its Change Strategy into its **Business Plan**. The other recommended improvement actions included in the BVAR were also addressed in the Business Plan. The report highlighted a number of key achievements and areas for the Council to improve since the 2016 Best Value Audit, and reflects on this as mixed progress.

The key achievements include:

- The Council's ambitious plans for the City. Specifically, referencing the Council's Sustainability Programme, approach to tackling poverty, major housing and community regeneration projects in Fountainbridge, Meadowbank and at Granton Waterfront; retail, hospitality and cultural developments, such as the St James Quarter; and extending the tram network;
- The Council's long track record of maintaining revenue expenditure within budget;
- Aspects of leadership and service performance. Specifically, referencing improved performance across many KPIs – schools and education, waste and cleansing and time taken to process benefit and grant claims; and
- Improvements in asset management, procurement and risk management.

The report also notes areas where further progress is required:

- Alignment of strategic priorities;
- Implementation of effective community planning governance arrangements, the pace of change within the CPP and community empowerment;
- The Council's approach to self-assessment, continuous improvement and public performance reporting; and
- Long-term financial planning and workforce planning.

ANDREW KERR  
Chief Executive  
Date:

RICHARD CARR  
Interim Executive Director of Corporate Services  
Date:

CAMMY DAY  
Council Leader  
Date:

# STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

## The Authority's Responsibilities

The Authority is required:

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

I confirm that these Annual Accounts were approved for signature by the Finance and Resources Committee at its meeting on 10 November 2022.

CAMMY DAY  
Council Leader

Date

## The Section 95 Officer's responsibilities

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

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

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

The Section 95 Officer has also:

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

## Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2022.

HUGH DUNN, CPFA  
Service Director: Finance and Procurement  
Section 95 Officer

Date:

## MOVEMENT IN RESERVES STATEMENT

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

<b>Council 2021/22</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account Balance</b>	<b>Renewal and Repairs Fund</b>	<b>Capital Grants Unapplied Account</b>	<b>Capital Fund</b>	<b>Total Usable Reserves</b>	<b>Total Unusable Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 31 March 2021	221,033	0	41,162	47,949	49,731	359,875	2,955,309	3,315,184
<b>Movement during 2021/22</b>								
Total Comprehensive Income and Expenditure	(265,136)	9,657	0	0	0	(255,479)	1,084,189	828,710
Adjustments to Usable Reserves permitted by accounting standards	38,372	20,520	0	0	0	58,892	(58,892)	0
Adjustments between accounting basis and funding basis under regulations (Note 11)	263,524	(21,522)	0	(955)	(7,181)	233,866	(233,866)	0
<b>Net increase / (decrease) before transfers to statutory reserves</b>	<b>36,760</b>	<b>8,655</b>	<b>0</b>	<b>(955)</b>	<b>(7,181)</b>	<b>37,279</b>	<b>791,431</b>	<b>828,710</b>
Transfer (to) / from other statutory reserves (Note 12.3)	(588)	(8,655)	9,245	0	0	2	(2)	0
Increase / (decrease) in year	36,172	0	9,245	(955)	(7,181)	37,281	791,429	828,710
<b>Balance at 31 March 2022</b>	<b>257,205</b>	<b>0</b>	<b>50,407</b>	<b>46,994</b>	<b>42,550</b>	<b>397,156</b>	<b>3,746,738</b>	<b>4,143,894</b>

<b>Group - 2021/22</b>	<b>Total Usable Reserves</b>	<b>Total Unusable Reserves</b>	<b>Council Total Reserves</b>	<b>Group Reserves</b>	<b>Minority Interest</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 31 March 2021	359,875	2,955,309	3,315,184	156,121	11,187	3,482,492
<b>Movement during 2021/22</b>						
Total Comprehensive Income and Expenditure	(255,479)	1,084,189	828,710	100,121	0	928,831
Adjustments to Usable Reserves permitted by accounting standards	58,892	(58,892)	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	233,866	(233,866)	0	0	0	0
<b>Net increase / (decrease) before transfers to statutory reserves</b>	<b>37,279</b>	<b>791,431</b>	<b>828,710</b>	<b>100,121</b>	<b>0</b>	<b>928,831</b>
Transfer (to) / from other statutory reserves	2	(2)	0	0	0	0
Minority interest and other consolidation adjustments	0	0	0	(32,007)	4,374	(27,633)
Increase / (decrease) in year	37,281	791,429	828,710	68,114	4,374	901,198
<b>Balance at 31 March 2022</b>	<b>397,156</b>	<b>3,746,738</b>	<b>4,143,894</b>	<b>224,235</b>	<b>15,561</b>	<b>4,383,690</b>

## MOVEMENT IN RESERVES STATEMENT

Re-stated Council	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Grants Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>2020/21 Comparative Data</b>								
Balance at 31 March 2020	121,346	0	29,748	28,452	48,934	228,480	2,653,457	2,881,937
<b>Movement during 2020/21</b>								
Total Comprehensive Income and Expenditure	62,860	8,674	0	0	0	71,534	361,713	433,247
Adjustments to Usable Reserves permitted by accounting standards	32,090	17,922	0	0	0	50,012	(50,012)	0
Adjustments between accounting basis and funding basis under regulations (Note 11)	5,647	(16,092)	0	19,497	797	9,849	(9,849)	0
<b>Net increase / (decrease) before transfers to statutory reserves</b>	100,597	10,504	0	19,497	797	131,395	301,852	433,247
Transfer (to) / from other statutory reserves (Note 12.3)	(910)	(10,504)	11,414	0	0	0	(0)	0
Increase / (decrease) in year	99,687	0	11,414	19,497	797	131,395	301,852	433,247
<b>Balance at 31 March 2021</b>	<b>221,033</b>	<b>0</b>	<b>41,162</b>	<b>47,949</b>	<b>49,731</b>	<b>359,875</b>	<b>2,955,309</b>	<b>3,315,184</b>

Group - 2020/21	Total Usable Reserves £000	Total Unusable Reserves £000	Council Total Reserves £000	Group Reserves £000	Minority Interest £000	Total Reserves £000
Balance at 31 March 2020	228,480	2,653,457	2,881,937	186,050	14,944	3,082,931
<b>Movement during 2020/21</b>						
Total Comprehensive Income and Expenditure	71,534	361,713	433,247	(33,589)	0	399,658
Adjustments to Usable Reserves permitted by accounting standards	50,012	(50,012)	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	9,849	(9,849)	0	0	0	0
<b>Net increase / (decrease) before transfers to statutory reserves</b>	131,395	301,852	433,247	(33,589)	0	399,658
Transfer (to) / from other statutory reserves	0	(0)	0	0	0	0
Minority interest and other consolidation adjustments	0	0	0	3,660	(3,757)	(97)
Increase / (decrease) in year	131,395	301,852	433,247	(29,929)	(3,757)	399,561
<b>Balance at 31 March 2021</b>	<b>359,875</b>	<b>2,955,309</b>	<b>3,315,184</b>	<b>156,121</b>	<b>11,187</b>	<b>3,482,493</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2022

Re-stated 2020/21 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	<b>SERVICES</b>				
461,227	Education and Children's Services		552,363	(89,538)	462,825
168,679	Place *		699,395	(210,488)	488,907
(1,888)	Housing Revenue Account		102,754	(106,367)	(3,613)
235,015	Health and Social Care		623,975	(357,641)	266,334
224,844	Corporate Services		116,301	(18,735)	97,566
0	Homelessness **		98,471	(45,406)	53,065
3,805	Lothian Valuation Joint Board		3,833	0	3,833
(1,474)	Net cost of benefits		165,970	(166,319)	(349)
16,719	Other non-service specific costs		15,415	(1,182)	14,233
24,628	Subsidiary Companies		180,781	(174,078)	6,703
1,131,555	<b>COST OF SERVICES</b>		<u>2,559,258</u>	<u>(1,169,754)</u>	1,389,504
(6,525)	Gains on disposal of non-current assets				(1,895)
84,365	Financing and Investment Income and Exp.	13.			83,749
(1,267,227)	Taxation and Non-Specific Grant Income	14.			(1,210,418)
(57,832)	<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>				260,940
(12,410)	Associates and Joint Ventures Accounted for on an Equity Basis				(29,297)
(325)	Taxation of Group entities	14.			3,392
<u>(70,567)</u>	<b>GROUP (SURPLUS) / DEFICIT</b>				<u>235,035</u>
(463,245)	Surplus on Revaluation of Non-Current Assets			(519,675)	
(399,005)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(287,525)	
500,620	Changes in Financial and Demographic Assumptions / Other Experience			(276,974)	
32,539	Other Unrealised (Gains) / Losses			<u>(79,692)</u>	
(329,091)	Other Comprehensive Income				(1,163,866)
<u>(399,658)</u>	<b>TOTAL COMPREHENSIVE INCOME</b>				<u>(928,831)</u>

\* Property and Facilities was reported to Corporate Service in the prior year, now in Place

\*\* Homelessness was reported to Education and Children's Services in the prior year.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2022

Re-stated 2020/21		Notes	Gross Expend. £000	Income £000	Net Expend. £000
£000	<b>SERVICES</b>				
461,227	Education and Children's Services		552,363	(89,538)	462,825
168,679	Place *		699,395	(210,488)	488,907
(1,888)	Housing Revenue Account		102,754	(106,367)	(3,613)
235,015	Health and Social Care		623,975	(357,641)	266,334
224,844	Corporate Services		116,301	(18,735)	97,566
0	Homelessness **		98,471	(45,406)	53,065
3,805	Lothian Valuation Joint Board		3,833	0	3,833
(1,474)	Net cost of benefits		165,970	(166,319)	(349)
27,642	Other non-service specific costs		15,415	(4,105)	11,310
<u>1,117,850</u>	<b>COST OF SERVICES</b>		<u>2,378,477</u>	<u>(998,599)</u>	1,379,878
(6,499)	Gains on disposal of non-current assets				(1,045)
84,342	Financing and Investment Income and Exp.	13.			87,064
<u>(1,267,227)</u>	Taxation and Non-Specific Grant Income	14.			<u>(1,210,418)</u>
(71,534)	<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>				255,479
(463,246)	Surplus on Revaluation of Non-Current Assets			(519,675)	
(399,005)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(287,525)	
500,620	Changes in Financial and Demographic Assumptions / Other Experience			(276,974)	
<u>(82)</u>	Other Unrealised (Gains) / Losses			<u>(15)</u>	
<u>(361,713)</u>	Other Comprehensive Income				<u>(1,084,189)</u>
<u>(433,247)</u>	<b>TOTAL COMPREHENSIVE INCOME</b>				<u>(828,710)</u>

### RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(433,247)	Total Comprehensive Income on the Council's Comprehensive Income and Expenditure Statement (CIES)	(828,710)
(10,841)	Subsidiary and associate transactions included in the Council's CIES	2,082
55,196	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(63,527)
<u>(10,766)</u>	Associates and Joint Ventures	<u>(38,676)</u>
<u>(399,658)</u>	Group total Comprehensive Income for the year	<u>(928,831)</u>

\* Property and Facilities was reported to Corporate Service in the prior year, now in Place

\*\* Homelessness was reported to Education and Children's Services in the prior year.

## BALANCE SHEET

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

Re-stated					
31 March 2021				31 March 2022	
Group	Council		Notes	Group	Council
£000	£000			£000	£000
296	296	Intangible Assets	17.	182	182
5,392,713	5,265,294	Property, Plant and Equipment	15.	5,886,489	5,753,118
65,631	19,239	Investment Properties	16.	87,650	19,996
31,391	31,391	Heritage Assets	18.	31,426	31,426
59	59	Assets Held for Sale	23.	59	59
23,743	0	Other Long-Term Assets (Pension)		88,072	0
1,854	21,455	Long-Term Investments	22.	1,855	21,455
41,055	0	Investments in Associates and Joint Ventures		75,665	0
156,406	190,594	Long-Term Debtors	20.	81,944	152,986
<b>5,713,148</b>	<b>5,528,328</b>	<b>Long-Term Assets</b>		<b>6,253,342</b>	<b>5,979,222</b>
31,571	31,571	Short-Term Investments	22.	77,105	77,105
6,135	6,135	Assets Held for Sale	23.	81	81
85,691	85,691	Financial Assets	42.	39,633	39,633
13,569	3,448	Inventories	19.	9,888	3,677
143,503	126,929	Short-Term Debtors	20.	235,855	220,105
195,977	165,558	Cash and Cash Equivalents	21.	183,225	144,579
<b>476,446</b>	<b>419,332</b>	<b>Current Assets</b>		<b>545,787</b>	<b>485,180</b>
(68,588)	(68,588)	Short-Term Borrowing	42.	(70,453)	(70,453)
(284,721)	(228,719)	Short-Term Creditors	24.	(274,445)	(223,102)
(12,446)	(7,380)	Provisions	25.	(10,237)	(8,342)
<b>(365,755)</b>	<b>(304,687)</b>	<b>Current Liabilities</b>		<b>(355,135)</b>	<b>(301,897)</b>
(1,303,005)	(1,303,005)	Long-Term Borrowing	42.	(1,453,032)	(1,453,032)
(297,867)	(288,615)	Other Long-Term Liabilities	39.1	(295,706)	(276,529)
(25,703)	(25,703)	Long-Term Provisions	25.	(23,081)	(23,081)
(247)	0	Deferred Tax		(22,516)	0
(39,964)	(39,964)	Deferred Liability	42.	(62,144)	(62,144)
(4,058)	0	Liabilities in Associates and Joint Ventures		0	0
(670,502)	(670,502)	Other Long-Term Liabilities (Pensions)	27.5	(203,825)	(203,825)
<b>(2,341,346)</b>	<b>(2,327,789)</b>	<b>Long-Term Liabilities</b>		<b>(2,060,304)</b>	<b>(2,018,611)</b>
<b>3,482,493</b>	<b>3,315,184</b>	<b>Net Assets</b>		<b>4,383,690</b>	<b>4,143,894</b>
3,060,033	2,955,309	<b>Unusable Reserves</b>	27.	3,868,809	3,746,738
422,460	359,875	<b>Usable Reserves</b>	12.	514,881	397,156
<b>3,482,493</b>	<b>3,315,184</b>	<b>Total Reserves</b>		<b>4,383,690</b>	<b>4,143,894</b>

The unaudited financial statements were issued on 24 June 2022.



## CASH FLOW STATEMENT

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

Re-stated				Year to 31 March 2022	
Year to 31 March 2021				Group	Council
Group	Council		Notes	£000	£000
£000	£000				
		<b>Operating Activities</b>			
(57,832)	(71,534)	(Surplus) / Deficit on the Provision of Services		260,940	255,479
(325)	0	Adjustment to (Surplus) / Deficit for Taxation of Group entities		3,392	0
(264,280)	(235,185)	Adjustments to (Surplus) / Deficit on the Provision of Services for non-cash		(525,461)	(494,535)
109,013	109,037	Adjustments for items included in the (Surplus) / Deficit on the Provision of Services that are investing or Financing		84,763	81,449
<u>(213,424)</u>	<u>(197,682)</u>	Net cash flows from operating activities	28.	<u>(176,366)</u>	<u>(157,607)</u>
		<b>Investing Activities</b>			
140,459	119,947	Net cash flows from investing activities	30.	312,148	277,555
		<b>Financing Activities</b>			
<u>(12,808)</u>	<u>(6,646)</u>	Net cash flows from financing activities	31.	<u>(123,030)</u>	<u>(98,969)</u>
<u>(85,773)</u>	<u>(84,381)</u>	<b>Net decrease / (increase) in cash and cash equivalents</b>		<u>12,752</u>	<u>20,979</u>
<u>(110,204)</u>	<u>(81,177)</u>	Cash and cash equivalents at 1 April		<u>(195,977)</u>	<u>(165,558)</u>
<u>(195,977)</u>	<u>(165,558)</u>	Cash and cash equivalents at 31 March	21.	<u>(183,225)</u>	<u>(144,579)</u>
<u>(85,773)</u>	<u>(84,381)</u>	<b>Net decrease / (increase) in cash and cash equivalents</b>		<u>12,752</u>	<u>20,979</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

The Annual Accounts summarise the authority's and the authority's group transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires that these accounts be prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and supported by International Financial Reporting Standards (IFRS).

### 1.1 Material Items

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

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

### 1.2 Recognition of Income and Expenditure

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

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

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

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

### 1.3 Value Added Tax

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

### 1.4 Overheads

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

### 1.5 Going Concern

The Council's Statement of Accounts for 2021/22 has been prepared on a going concern basis. The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2021/22), the Council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.6 Events after the balance sheet date

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

Two types of events can be identified:

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

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

### 1.7 Prior period adjustments, changes in accounting policies and estimates

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

### 1.8 Public Private Partnership - School Buildings, Maintenance and Other Facilities

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

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

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

- fair value of the services received during the year - debited to services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 8.968% (PPP1 scheme), 5.895% (PPP2 scheme), 8.197% (James Gillespie's High School), 4.36% (Queensferry High School) and 6.84% (Millerhill Residual Waste Facility) on the outstanding balance sheet liability - debited to 'financing and investment income and expenditure' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income and expenditure' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

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

### 1.9 Fair Value measurement - surplus assets and investment properties

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.9 Fair Value measurement - surplus assets and investment properties - continued

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

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

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

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

### 1.10 Property, Plant and Equipment

#### • Categories of Assets

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

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

#### • Recognition

Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis. Expenditure lower than £10,000 on individual assets is charged to revenue.

A change in accounting policy was approved at Finance and Resources Committee on 21 January 2021, enabling interest costs with qualifying assets to be capitalised to better match costs to income streams. A de minimis limit of £2m for interest costs has been approved.

#### • Measurement

Infrastructure, community assets and assets under construction are initially measured at historic cost, comprising their purchase price and any costs attributable to bringing the assets into use for their intended purpose.

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

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

#### • Components

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.10 Property, Plant and Equipment - continued

- **Depreciation**

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

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

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

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

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

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

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

- **Revaluations**

Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Operational Estate Manager. Changes in the market are monitored throughout the year and any property which has a material change during the year that impacts its value is revalued at the time of the change. This includes extensions, improvements, demolitions, new construction and property damage.

The Council has reviewed the potential for indexation of the Other, Land and Buildings within our asset base and it was deemed by our senior surveyors and external advisors that in their professional judgement, an indexation of 8.9% should be applied to build cost components of Other Land and Buildings that are not revalued in the year, to reflect the conditions in the external market.

- **De-recognition**

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

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

The Scottish Government issued a Statutory Override under section 12(2)(b) of the Local Government in Scotland Act 2003 to manage historic issues surrounding the derecognition of Infrastructure asset components, which had the potential for the gross cost of assets to be overstated, albeit that the Net Book Value was still materially correct. The Council has adopted the Statutory Overrides in full, but particularly relevant to derecognition is Override 2, which is detailed below:-

For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.10 Property, Plant and Equipment - continued

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

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

### 1.11 Revenue Expenditure Funded from Capital Under Statute

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

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

### 1.12 Group Account Consolidation

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

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned unless highlighted below.
- The following methods of consolidation have been used:
  - Subsidiaries - line-by-line basis;
  - Associates and Joint Ventures - equity method.
- Transport for Edinburgh Limited's, CEC Holdings Limited's and Edinburgh Living MMR LLP's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March) a review was undertaken to establish the potential impact of the different reporting periods and of the COVID-19 pandemic on the financial position of the companies. An adjustment has been made for the B Shares issue of Transport for Edinburgh, as a result of this review, but no other consolidation adjustments have been assessed as being required.
- Transport for Edinburgh Limited and CEC Holdings Limited have adopted Accounting Standard IFRS 16 Finance Leases for the year to 31 December 2021. The Council is not adopting this standard until 1 April 2022 and therefore consolidation adjustments have been made.
- Edinburgh Living MMR LLP accounts for government grants for acquisition of properties on a deferred income basis, which is not aligned to the Council's income recognition policy requirements. Adjustments have been made for this on consolidation.
- Inter-company transactions have been eliminated on consolidation.
- Group members' financial statements have been prepared on an accruals basis.

## 2. Accounting Standards that have been issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

The Code requires implementation from 1 April 2022 and there is therefore no impact on the 2021/22 financial statements.

- IFRS 16 Leases (early adoption in 2022/23)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IAS 37, IFRS 16, IAS 41)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16)

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Accounting Standards that have been issued but not yet adopted - continued

In 2022/2023, the Authority will apply IFRS 16 Leases as adopted by the Code of Accounting Practice. IFRS 16 will mean that the majority of leases where the Council act as lessee will come onto the balance sheet and lessor accounting is effectively unchanged.

The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2022. Leases for items of low value and leases that expire on or before 31 March 2023 are exempt from the new arrangements.

IFRS 16 will be applied retrospectively, but with the cumulative effect recognised at 1 April 2022. This means that right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in 2022/2023 and not by adjusting prior year figures.

As a lessee, the Authority has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under IFRS 16, the Authority recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Authority has decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

It is anticipated that the application of the Code's adaptation of IFRS16 will result in the following additions to the balance sheet:

- £42.7m Property, plant and equipment – land and buildings (right-of-use assets)
- £28.1m Non-current creditors (lease liabilities)
- £14.9m Current creditors (lease liabilities)

### 3. Judgements Made in Applying Accounting Policies

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

#### 3.1 Provision of School Buildings and Waste Facility

The Council has entered into Public Private Partnership (PPP) and Design, Build, Finance and Maintain (DBFM) agreements for provision of school buildings and waste facilities. For each of these contracts the Council has considered the tests under IFRIC12 and concluded these to be service concessions.

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) and the Design, Build, Finance and Maintain (DBFM) for James Gillespie's High School (JHGS) and Queensferry High School (QHS), for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1), Axiom Education Limited (PPP2), Hub South East Scotland (JGHS) and QHS DBFMCO Ltd (QHS).

The Council is deemed to control 80% of the services provided under the DBFM for Millerhill Residual Waste Facility (20% controlled by Midlothian Council).

The accounting policies for public private partnerships have been applied to these arrangements and the schools and waste facility (valued at net book value of £631.591m and £92.007m respectively at 31 March 2022) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

#### 3.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. The most significant of these companies in terms of the size of trading operations, shareholding and board representation and other factors have been assessed and where deemed material to the Council, are included in the Group Accounts. Full details of these interests are shown in note 9 to the Financial Statements.

#### 3.3 Materiality

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

Specific levels of materiality are considered appropriate for the Housing Revenue Account. The Housing Revenue Account has been assessed on 1% of gross expenditure.

Group	Council	HRA
£m	£m	£m
25.475	23.689	1.025

#### 3.4 Agency Arrangements

The Council is in receipt of funding which it administers on behalf of other bodies. The Council has assessed the nature of these transactions to determine if it is acting as a Principal or Agent in the process. Under the Code an Agent is acting as an intermediary, whereas a Principal is acting on its own behalf. Details of those arrangements which have been assessed as agency are disclosed in Note 33.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions				
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets. The Council have used data available on repairs and maintenance to improve the identification of impairments as part of the valuation process. A formal procedure has been put in place in accordance with that procedure and included within the Checklist for Asset Valuation Process. The valuation process also includes a material changes spreadsheet which includes both impairments from unexpected events, the scrutiny of the repairs and maintenance data and the condition score data, as well as changes from capital expenditure on assets, demolitions, etc. In addition, facilities management have now retendered their repairing contracts and have two new suppliers that cover the whole city between them. The works orders will now be raised through a new IT solution and it is anticipated that the repairing data will be easier to scrutinise in future as a result. The new contracts came into force on 1 October 2021. No estimations and assumptions about the estimated cost of dismantling, removing or restoring items of property, plant and equipment have been included in the Capital Expenditure in the Accounts. The Council has reviewed the potential for indexation of the Other, Land and Buildings within our asset base and it was deemed by our senior surveyors and external advisors that in their professional judgement, an indexation of 8.9% should be applied to build cost components of Other Land and Buildings that are not revalued in the year, to reflect the conditions in the external market. Council dwellings are valued using the Beacon Method under which the values of groups of similar properties are calculated by assessing the capital value of one of them (a beacon) then extrapolating the value across the rest of the group. The beacon discount factor is determined by comparing levels of private rent with social rent for each beacon property and calculating the average to apply across the whole portfolio to take account of the difference between private stock (the source of the comparable sales data) and social rented stock. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied in the 2021-22 revaluations is 38% with a 2.8% uplift (38% and 4.5% uplift previously).</p> <p>Per Accounting Policy 1.9, the building component of an asset is separated into further components primarily to those with a carrying value of over £5 million. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.</p> <p>We have also introduced a new system for calculating the remaining useful lives for each property rather than using an assumed useful life and are part way through the five-year programme to calculate them all. In any given financial year, we also calculate useful lives for each property we revalue. This is used as the basis for the useful life of the building component.</p> <p>The Council uses the table below as the basis for its standard apportionments of components;</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase and the carrying value would fall by £11.088m for each year that useful lives were reduced.</p> <p>If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £28.046m.</p> <p>If the assumption of £5m building carrying value increased to £10m then the number of assets included would decrease from 103 to 48.</p>				
<b>Standard Apportionments</b>		This table and the relevant splits will be reviewed annually by the valuer.				
Type	B - Structural		D - Finishes	F - Fittings	R – Non-Traditional Roof	S – Services
High School	38%		17%	3%	6%	36%
Primary School	38%		17%	3%	6%	36%
Care Home	36%		19%	4%	3%	38%
Sport Centre	39%		17%	4%	6%	34%
Waverley Court	43%		16%	2%	3%	36%
City Chambers	46%		16%	2%	0%	36%
Offices, Galleries and Other	44%		16%	2%	2%	36%
Millerhill Residual Waste	38%		16%	4%	5%	37%
<b>Estimated Useful Life</b>		<b>25 Years</b>	<b>15 Years</b>	<b>35 Years</b>	<b>20 Years</b>	



## NOTES TO THE FINANCIAL STATEMENTS

### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty - continued

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> <p>The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single Status Pension in 2016 has resulted in a recalculation of pension liabilities related to the estimated impact of Guaranteed minimum pension (GMP) indexation changes.</p> <p>A further recent ruling on GMP has been made, in relation to past transfers.</p> <p>Legislation requires the Local Government Pension Scheme (LGPS) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The costs management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities).</p> <p>The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities.</p> <p>The Walker and O'Brien cases, may impact LGPS benefits in the future, in respect of retrospective discrimination in spousal transfer of benefits for same sex couples.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>Note 41.6 provides further information on the Council's pension liability.</p> <p>The increased liability has been reflected in the pension liability as a past service cost.</p> <p>The Council's actuary has not included any allowance for this as they deem it unlikely to have a significant impact on the pension obligations of a typical Employer.</p> <p>The Council's actuary has included an estimate within the pension liability as a past service cost.</p> <p>The Council's actuary has not included an estimate of the impact of the Goodwin case in the valuation due to the uncertainty of the final outcome. The estimated impact on the Employer's future obligations may be around 0.13% higher, equating to approximately £5m.</p> <p>The Council's actuary has not included an estimated of the impact of these cases as they are unlikely to result in significant impact on the pension obligations.</p>
Arrears	<p>At 31 March, the Council had a balance of sundry debtors of £31.482m. A review of significant balances suggested that an impairment of doubtful debts of £6.938m (22.04%) was appropriate. In the current economic climate it is not certain that this will be sufficient.</p>	<p>If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.574m to be set aside as an allowance.</p>
House Rent Arrears	<p>At 31 March, the Council had a balance of housing rent arrears of £12.115m. A review of significant balances suggested that an impairment of doubtful debts of £10.779m (88.9%) was appropriate. In the current economic climate it is not certain that this will be sufficient.</p>	<p>There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from welfare reforms such as Universal Credit and the reduction in the benefits cap which will potentially impact on the level of rent arrears.</p>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the authority (i.e. government and other grants, rents, fees and charges, Council Tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 22.

2021/22	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Education and Children's Services Place	444,004	18,821	462,825
Housing Revenue Account	190,153	298,754	488,907
Health and Social Care	0	(3,613)	(3,613)
Corporate Services	252,662	13,672	266,334
Homelessness	87,136	10,430	97,566
Lothian Valuation Joint Board	52,590	475	53,065
	3,833	0	3,833
<b>Cost of Services</b>	<b>1,030,378</b>	<b>338,539</b>	<b>1,368,917</b>
<b>Other income and expenditure</b>			
Net cost of benefits	(349)	0	(349)
Other non-service specific costs	12,664	(1,354)	11,310
Net income and changes in relation to investment properties and changes in their fair value	0	(1,507)	(1,507)
Interest and investment income	81	(224)	(143)
Interest payable and similar charges ( <i>loan charges in management reporting</i> )	76,773	(2,198)	74,575
Net pension interest cost	0	14,232	14,232
Gains on disposal of assets	0	(1,045)	(1,045)
Gains on derecognition or revaluation of financial assets	0	(93)	(93)
Contribution from Capital Fund	(26)	26	0
Contribution to General Fund	6,157	(6,157)	0
Income from Council Tax	(287,487)	0	(287,487)
Government Grants	(653,272)	0	(653,272)
Distribution from NDR1 pool	(188,796)	0	(188,796)
Movement in donated assets	0	586	586
Capital grants and contributions	0	(81,449)	(81,449)
<b>(Surplus) / Deficit on the provision of services</b>	<b>(3,877)</b>	<b>259,356</b>	<b>255,479</b>
Opening General Fund and HRA Balance	221,033		
Contributions to / (from) reserves, including those within services ( <i>see notes 12.1 and 12.3 for detail</i> )	32,295		
Surplus on the provision of services	3,877		
Closing General Fund and HRA Balance at 31 March	257,205		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 19.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council - continued

2020/21 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	
Communities and Families Place	470,063	(8,836)	461,227
Housing Revenue Account	94,630	74,049	168,679
Health and Social Care	0	(1,888)	(1,888)
Resources and Chief Executive	228,156	6,859	235,015
Lothian Valuation Joint Board	188,465	36,379	224,844
	3,805	0	3,805
<b>Cost of Services</b>	<b>985,119</b>	<b>106,563</b>	<b>1,091,682</b>
<b>Other income and expenditure</b>			
Net cost of benefits	(127)	(1,347)	(1,474)
Other non-service specific costs	33,376	(5,734)	27,642
Net income and changes in relation to investment properties and changes in their fair value	0	(811)	(811)
Interest and investment income	(2,638)	(1,173)	(3,811)
Interest payable and similar charges ( <i>loan charges in management reporting</i> )	79,064	(2,353)	76,711
Net pension interest cost	0	12,410	12,410
Gains on disposal of assets	0	(6,499)	(6,499)
Gains on derecognition or revaluation of financial assets	0	(156)	(156)
Contribution from Capital Fund	(885)	885	0
Contribution from General Fund	56,362	(56,362)	0
Income from Council tax	(283,496)	0	(283,496)
Government Grants	(635,771)	0	(635,771)
Distribution from NDRI pool	(238,922)	0	(238,922)
Movement in donated assets	0	1,008	1,008
Capital grants and contributions	0	(110,047)	(110,047)
<b>Surplus on the provision of services</b>	<b>(7,918)</b>	<b>(63,616)</b>	<b>(71,534)</b>
Opening General Fund and HRA Balance	121,346		
Contributions to / (from) reserves, including those within services ( <i>see notes 12.1 and 12.3 for detail</i> )	91,769		
Deficit on the provision of services	7,918		
Closing General Fund and HRA Balance at 31 March	221,033		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 20.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council

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

##### Statement amounts

2021/22	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Education and Children's Services Place	(7,939)	28,082	(805)	19,338
Housing Revenue Account	317,108	18,638	(426)	335,320
Health and Social Care	3,542	2,429	(930)	5,041
Corporate Services	94	14,472	(471)	14,095
Homelessness	1,044	13,190	(271)	13,963
	0	1,325	(29)	1,296
<b>Cost of Services</b>	<b>313,849</b>	<b>78,136</b>	<b>(2,932)</b>	<b>389,053</b>
<b>Other income and expenditure</b>				
Net cost of benefits	0	0	0	0
Other non-service specific costs	(313)	5,454	6	5,147
Net income and changes in relation to investment properties and changes in their fair value	0	0	318	318
Interest and investment income	(209)	0	0	(209)
Interest payable and similar charges	(23,594)	0	(2,174)	(25,768)
Net pension interest cost	0	14,232	0	14,232
Gains on disposal of assets	(1,045)	0	0	(1,045)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(81,449)	0	0	(81,449)
Income from donated assets	586	0	0	586
<b>Total Adjustments</b>	<b>207,825</b>	<b>97,822</b>	<b>(4,782)</b>	<b>300,865</b>

Notes -

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council - continued

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

2021/22	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Education and Children's Services	19,338	(18)	(499)	18,821
Place	335,320	(19,630)	(16,936)	298,754
Housing Revenue Account	5,041	0	(8,654)	(3,613)
Health and Social Care	14,095	(423)	0	13,672
Corporate Services	13,963	1,825	(5,358)	10,430
Homelessness	1,296	0	(821)	475
<b>Cost of Services</b>	<b>389,053</b>	<b>(18,246)</b>	<b>(32,268)</b>	<b>338,539</b>
<b>Other income and expenditure</b>				
Net cost of benefits	0	0	0	0
Other non-service specific costs	5,147	(3,402)	(3,099)	(1,354)
Net income and changes in relation to investment properties and changes in their fair value	318	(1,825)	0	(1,507)
Interest and investment income	(209)	(4)	(11)	(224)
Interest payable and similar charges	(25,768)	23,570	0	(2,198)
Net pension interest cost	14,232	0	0	14,232
Gains on disposal of assets	(1,045)	0	0	(1,045)
Gains on derecognition or revaluation of financial assets	0	(93)	0	(93)
Use of reserves	0	0	(6,131)	(6,131)
Capital grants and contributions	(81,449)	0	0	(81,449)
Income from donated assets	586	0	0	586
<b>Total Adjustments</b>	<b>300,865</b>	<b>0</b>	<b>(41,509)</b>	<b>259,356</b>

Notes -

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council - continued

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

Re-stated

2020/21 Comparative Data	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	(10,943)	12,270	953	2,280
Housing Revenue Account	81,004	7,301	444	88,749
Health and Social Care	8,478	975	(838)	8,615
Resources and Chief Executive	111	6,661	525	7,297
	57,219	6,767	459	64,445
<b>Cost of Services</b>	<b>135,869</b>	<b>33,974</b>	<b>1,543</b>	<b>171,386</b>
<b>Other income and expenditure</b>				
Net cost of benefits	0	0	0	0
Other non-service specific costs	275	(1,031)	(11)	(767)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(13)	(13)
Interest and investment income	(1,164)	0	0	(1,164)
Interest payable and similar charges	(25,821)	0	(2,129)	(27,950)
Net pension interest cost	0	12,410	0	12,410
Gains on disposal of assets	(6,499)	0	0	(6,499)
Gains on derecognition or revaluation of financial assets	0	0	0	0
Capital grants and contributions	(110,047)	0	0	(110,047)
Income from donated assets	1,008	0	0	1,008
<b>Total Adjustments</b>	<b>(6,379)</b>	<b>45,353</b>	<b>(610)</b>	<b>38,364</b>

Notes -

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council - continued

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

Re-stated

	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
<b>2020/21 Comparative Data</b>				
Communities and Families Place	2,280	(26)	(11,090)	(8,836)
Housing Revenue Account	88,749	25	(14,725)	74,049
Health and Social Care	8,615	0	(10,503)	(1,888)
Resources and Chief Executive	7,297	(438)	0	6,859
	64,445	(18,666)	(9,400)	36,379
<b>Cost of Services</b>	<b>171,386</b>	<b>(19,105)</b>	<b>(45,718)</b>	<b>106,563</b>
<b>Other income and expenditure</b>				
Net cost of benefits	0	0	(1,347)	(1,347)
Other non-service specific costs	(767)	(5,529)	562	(5,734)
Net income and changes in relation to investment properties and changes in their fair value	(13)	(798)	0	(811)
Interest and investment income	(1,164)	(9)	0	(1,173)
Interest payable and similar charges	(27,950)	25,597	0	(2,353)
Net pension interest cost	12,410	0	0	12,410
Gains on disposal of assets	(6,499)	0	0	(6,499)
Gains on derecognition or revaluation of financial assets	0	(156)	0	(156)
Use of reserves	0	0	(55,477)	(55,477)
Capital grants and contributions	(110,047)	0	0	(110,047)
Income from donated assets	1,008	0	0	1,008
	38,364	0	(101,980)	(63,616)
<b>Total Adjustments</b>	<b>38,364</b>	<b>0</b>	<b>(101,980)</b>	<b>(63,616)</b>

Notes -

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

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council

#### 5.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2021/22 Expenditure	Education and Children's Services	Place	Housing Revenue Account	Health and Social Care
	£000	£000	£000	£000
Employee expenses	376,747	121,151	13,722	88,517
Other service expenses	172,804	296,319	45,411	295,003
Support service recharges	0	37	7,293	0
Interest payments	13	19,644	16,883	0
Debt repayments ( <i>HRA only</i> )	0	0	17,356	0
<b>Total Expenditure</b>	<b>549,564</b>	<b>437,151</b>	<b>100,665</b>	<b>383,520</b>
<b>Income</b>				
Revenues from external customers	(8,263)	(158,087)	(96,634)	(17,242)
Income from recharges for services	0	(4,163)	(208)	0
Government grants and other contribs.	(97,297)	(84,748)	(3,614)	(113,616)
Interest and investment income	0	0	(209)	0
<b>Total Income</b>	<b>(105,560)</b>	<b>(246,998)</b>	<b>(100,665)</b>	<b>(130,858)</b>
<b>Cost of Services</b>	<b>444,004</b>	<b>190,153</b>	<b>0</b>	<b>252,662</b>

Expenditure	Corporate Services	Homelessness	Lothian Valuation Joint Board	Council Total
	£000	£000	£000	£000
Employee expenses	57,458	7,703	0	665,298
Other service expenses	59,907	91,227	3,833	964,504
Support service recharges	(817)	0	0	6,513
Interest payments	0	0	0	36,540
Debt repayments ( <i>HRA only</i> )	0	0	0	17,356
<b>Total Expenditure</b>	<b>116,548</b>	<b>98,930</b>	<b>3,833</b>	<b>1,690,211</b>
<b>Income</b>				
Revenues from external customers	(5,310)	(45,668)	0	(331,204)
Income from recharges for services	(9,980)	0	0	(14,351)
Government grants and other contribs.	(14,122)	(672)	0	(314,069)
Interest and investment income	0	0	0	(209)
<b>Total Income</b>	<b>(29,412)</b>	<b>(46,340)</b>	<b>0</b>	<b>(659,833)</b>
<b>Cost of Services</b>	<b>87,136</b>	<b>52,590</b>	<b>3,833</b>	<b>1,030,378</b>

Expenditure	Subsidiaries	Associates and Joint Ventures	Group Total
	£000	£000	£000
Employee expenses	94,644	0	759,942
Other service expenses	108,024	0	1,072,528
Support service recharges	0	0	6,513
Depreciation, amortisation and impairment	(21,887)	0	(21,887)
Interest payments	0	0	36,540
Debt repayments ( <i>HRA only</i> )	0	0	17,356
Net expend from Associates and Joint Ventures	0	963	963
<b>Total Expenditure</b>	<b>180,781</b>	<b>963</b>	<b>1,871,955</b>
<b>Income</b>			
Revenues from external customers	(207,949)	0	(539,153)
Income from recharges for services	0	0	(14,351)
Government grants and other contribs.	33,871	0	(280,198)
Interest and investment income	0	0	(209)
Net income from Associates and Joint Ventures	0	(30,260)	(30,260)
<b>Total Income</b>	<b>(174,078)</b>	<b>(30,260)</b>	<b>(864,171)</b>
<b>Cost of Services</b>	<b>6,703</b>	<b>(29,297)</b>	<b>1,007,784</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 5. Expenditure and Funding Analysis - Council - continued

#### 5.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2020/21 Comparative Data	Communities	Place	Housing	Health and
	and Families		Revenue	Social Care
Expenditure	£000	£000	Account	£000
Employee expenses	362,517	86,561	11,220	88,029
Other service expenses	251,463	189,009	42,093	269,282
Support service recharges	0	18	6,893	0
Interest payments	21	0	17,414	0
Debt repayments ( <i>HRA only</i> )	0	0	17,130	0
<b>Total Expenditure</b>	<b>614,001</b>	<b>275,588</b>	<b>94,750</b>	<b>357,311</b>
<b>Income</b>				
Revenues from external customers	(56,187)	(111,913)	(91,461)	(17,925)
Income from recharges for services	0	(165)	(254)	0
Government grants and other contribs.	(87,751)	(68,880)	(1,871)	(111,230)
Interest and investment income	0	0	(1,164)	0
<b>Total Income</b>	<b>(143,938)</b>	<b>(180,958)</b>	<b>(94,750)</b>	<b>(129,155)</b>
<b>Cost of Services</b>	<b>470,063</b>	<b>94,630</b>	<b>0</b>	<b>228,156</b>

Expenditure	Resources	Lothian	Council Total
	and Chief	Valuation	
	Executive	Joint Board	
	£000	£000	£000
Employee expenses	83,544	0	631,871
Other service expenses	133,859	3,805	889,511
Support service recharges	-873	0	6,038
Interest payments	19,464	0	36,899
Debt repayments ( <i>HRA only</i> )	0	0	17,130
<b>Total Expenditure</b>	<b>235,994</b>	<b>3,805</b>	<b>1,581,449</b>
<b>Income</b>			
Revenues from external customers	(18,866)	0	(296,352)
Income from recharges for services	(9,249)	0	(9,668)
Government grants and other contribs.	(19,414)	0	(289,146)
Interest and investment income	0	0	(1,164)
<b>Total Income</b>	<b>(47,529)</b>	<b>0</b>	<b>(596,330)</b>
<b>Cost of Services</b>	<b>188,465</b>	<b>3,805</b>	<b>985,119</b>

Expenditure	Subsidiaries	Associates	Group Total
		and Joint	
	£000	Ventures	
	£000	£000	£000
Employee expenses	97,733	0	729,604
Other service expenses	43,677	0	933,188
Support service recharges	0	0	6,038
Depreciation, amortisation and impairment	24,111	0	24,111
Interest payments	0	0	36,899
Debt repayments ( <i>HRA only</i> )	0	0	17,130
Net expend from Associates and Joint Ventures	0	300	300
<b>Total Expenditure</b>	<b>165,521</b>	<b>300</b>	<b>1,747,270</b>
<b>Income</b>			
Revenues from external customers	(178,941)	0	(475,293)
Income from recharges for services	0	0	(9,668)
Government grants and other contribs.	38,048	0	(251,098)
Interest and investment income	0	0	(1,164)
Net income from Associates and Joint Ventures	0	(12,710)	(12,710)
<b>Total Income</b>	<b>(140,893)</b>	<b>(12,710)</b>	<b>(749,933)</b>
<b>Cost of Services</b>	<b>24,628</b>	<b>(12,410)</b>	<b>997,337</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Expenditure and Income Analysed by Nature Group

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

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Employee expenses	846,111	772,712
Other service expenses	1,358,445	1,254,853
Support service recharges	6,513	6,038
Depreciation, amortisation and impairment	351,582	216,039
Interest payments	166,037	167,044
Net Interest in the (profit) / loss of associates and joint ventures	<u>(29,297)</u>	<u>(12,410)</u>
<b>Total Expenditure</b>	<b><u>2,699,391</u></b>	<b><u>2,404,276</u></b>
<b>Income</b>		
Fees, charges and other service income	(910,810)	(876,968)
Gain on the disposal of assets	(1,896)	(6,525)
Movement on donated assets	586	1,008
Interest and investment income	(75,124)	(80,020)
Income from Council Tax and Non-Domestic Rates	(476,283)	(522,419)
Government grants and other contributions	(912,310)	(877,371)
Recognised capital income	<u>(88,519)</u>	<u>(112,548)</u>
<b>Total Income</b>	<b><u>(2,464,356)</u></b>	<b><u>(2,474,843)</u></b>
<b>Group (Surplus) / Deficit</b>	<b><u>235,035</u></b>	<b><u>(70,567)</u></b>

#### Council

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

	<b>2021/22</b>	<b>Re-stated 2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Employee expenses	751,467	674,979
Other service expenses	1,247,029	1,211,501
Support service recharges	6,513	6,038
Depreciation, amortisation and impairment	373,469	191,928
Interest payments	<u>153,743</u>	<u>154,369</u>
<b>Total Expenditure</b>	<b><u>2,532,221</u></b>	<b><u>2,238,815</u></b>
<b>Income</b>		
Fees, charges and other service income	(705,784)	(687,103)
(Gain) / Loss on the disposal of assets	(1,045)	(6,499)
Interest and investment income	(66,586)	(69,871)
Income from Council Tax and Non-Domestic Rates	(476,283)	(522,419)
Government grants and other contributions	(946,181)	(915,419)
Recognised capital income	(81,449)	(110,046)
Donated asset income	<u>586</u>	<u>1,008</u>
<b>Total Income</b>	<b><u>(2,276,742)</u></b>	<b><u>(2,310,349)</u></b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b><u>255,479</u></b>	<b><u>(71,534)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Material Items of Income and Expense

There has been material income and expense during this financial year related to the Covid 19 pandemic, further details of this are contained in the Management Commentary page 8.

### 8. Events After the Balance Sheet Date

There have been no material events to disclose after the Balance Sheet date.

### 9. Subsidiaries and Associates

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

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

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

<b>Subsidiaries:</b>	<b>Shareholding</b>	
• CEC Holdings Limited	100.00%	
• Transport for Edinburgh Limited	100.00%	
• Edinburgh Living MMR LLP	99.999%	
<b>Associates:</b>		
• Edinburgh Leisure	33.33%	Board representation
• Capital Theatres	33.33%	Board representation
• Lothian Valuation Joint Board	61.52%	Funding percentage
• Common Good	100.00%	
<b>Joint Venture</b>		
• Edinburgh Integration Joint Board	50.00%	Board representation

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

	<b>Shareholding</b>	
• Capital City Partnership Limited	100.00%	
• CEC Recovery Limited (formerly tie Limited)	100.00%	
• Marketing Edinburgh Limited	100.00%	
• Energy for Edinburgh Limited	100.00%	
• Edinburgh Living MR LLP	99.00%	(dormant to 31.12.21)
• Telford NHT LLP	> 75% controlling interest	

In January 2019 the Council bought out the developer's share in Telford NHT LLP and held majority control of this associate during the financial year, in conjunction with the Scottish Futures Trust. The properties held were sold on 4 May 2021, however the controlling interest has been retained.

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

Unless otherwise stated, the accounts of these bodies may be accessed, as they become available, through [the Council's website](#).

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Subsidiaries and Associates - continued

#### 9.1 Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure 2021/22	Authority £000	Minority Interest £000	Total £000
(Surplus) or Deficit on the Provision of Services	240,392	(5,356)	235,036
Other Comprehensive Income and Expenditure	(1,164,842)	975	(1,163,867)
	<u>(924,450)</u>	<u>(4,381)</u>	<u>(928,831)</u>
<b>Re-stated 2020/21</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
(Surplus) or Deficit on the Provision of Services	(75,831)	5,263	(70,568)
Other Comprehensive Income and Expenditure	(327,584)	(1,506)	(329,090)
	<u>(403,415)</u>	<u>3,757</u>	<u>(399,658)</u>

#### 9.2 Subsidiary Companies

- **CEC Holdings Limited**

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

The most recent audited results of the company are as follows:

	31.12.21 £000	31.12.20 £000
Net assets	14,977	13,837
Net (profit) / loss before taxation	(1,032)	4,941
Retained profit / (loss) carried forward	(55,073)	(56,107)

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

- **Transport for Edinburgh Limited**

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

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

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

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

The most recent audited results of the company are as follows:

<b>Transport for Edinburgh Limited (Consolidated Group)</b>	<b>31.12.21 £000</b>	<b>31.12.20 £000</b>
Net assets	132,032	70,310
Net loss before taxation	15,937	21,271
Retained earnings	4,858	(38,230)
Dividend paid in March 2022 and March 2021	0	0

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses Limited, Annandale Street, Edinburgh, EH7 4AZ.

- **Edinburgh Living MMR LLP**

The limited liability partnership (LLP) members are the City of Edinburgh Council and Scottish Futures Trust (SFT). The principal activities of the partnership are to acquire and manage homes for mid-market rent.

The most recent audited results of the partnership are as follows:

	31.12.21 £000	31.12.20 £000
Net assets	60,104	40,268
Net profit before taxation	(8,085)	(2,627)
Retained profit carried forward	1,157	142

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Subsidiaries and Associates - continued

#### 9.3 Associates

- **Edinburgh Leisure**

This is a non-profit-distributing company limited by guarantee and registered as a Charity. Each member has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up.

The principal activity of the company is the provision of recreation and leisure facilities.

The City of Edinburgh Council is represented on the company's Board of Directors and contributes a substantial sum to the company towards the cost of operating sport and leisure facilities.

The City of Edinburgh Council leases its sport and leisure centres to the company.

The most recent audited results of the company are as follows:	<b>31.03.22</b>	<b>31.03.21</b>
	<b>£000</b>	<b>£000</b>
Net assets / (liabilities)	6,995	892
Net operating (profit) / loss	1,578	(4,453)
Earnings / (Losses) carried forward	6,995	892

Although Edinburgh Leisure is included in the Group Accounts, as the nature of its activities is a core part of Council policy, the Council has no legal interest in the assets or liabilities of the company.

- **Capital Theatres**

This is a non-profit-distributing company limited by guarantee and registered as a Charity.

The City of Edinburgh Council is represented on the trust's board of directors and gives substantial financial assistance. The City of Edinburgh Council leases the King's Theatre and the Festival Theatre to the trust.

The most recent audited results of the company are as follows:	<b>31.03.22</b>	<b>31.03.21</b>
	<b>£000</b>	<b>£000</b>
Net assets	8,104	5,626
Net operational (profit) / loss	(2,412)	82
Fund balances carried forward	8,104	5,626

Although Capital Theatres is included in the Group Accounts, due to its activities being a core part of Council policy, the Council has no legal interest in the assets or liabilities of the company.

- **Lothian Valuation Joint Board**

The Lothian Valuation Joint Board provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils. Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for Council Tax within the areas of each constituent authority.

	<b>31.03.22</b>	<b>31.03.21</b>
	<b>£000</b>	<b>£000</b>
Deficit for the year	711	490
Net Assets / (Liabilities)	3,042	(6,620)
Usable reserves	1,450	1,231
Unusable reserves	1,592	(7,851)
Total reserves	<u>3,042</u>	<u>(6,620)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 9.4 Joint Ventures

### • Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board (EIJB) was established by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014.

The Board comprises 10 voting members, made up of five elected members appointed by the City of Edinburgh Council and five NHS non-executive directors appointed by NHS Lothian, along with a number of non voting members.

The expenditure incurred by the EIJB is covered in full by income received from the partner bodies, NHS Lothian and the City of Edinburgh Council. EIJB therefore commission services from the parent bodies based on the approved strategic plan.

The most recent audited results of the Board are as follows:

	<b>31.03.22</b>	<b>31.03.21</b>
	<b>£000</b>	<b>£000</b>
Gross expenditure	881,767	850,054
(Surplus) / Deficit for the year	(56,749)	(22,244)
Usable reserves	82,159	25,410

## 9.5 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

## 9.6 Shareholder Support to Council Companies

A number of companies within the group are currently dependent on the continued financial support of the Council. The companies are EICC Limited, a subsidiary of CEC Holdings Limited - (the Council owns 100% of the shares in CEC Holdings Limited), Transport for Edinburgh Ltd - (including Lothian Buses and Edinburgh Trams Ltd), Capital Theatres and Edinburgh Leisure.

## 9.7 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £191.469m (2020/21 £167.309m) representing the Council's share of the realisable surpluses or deficits in these companies.

## 10. Contingent Liabilities

Contingent Assets and Liabilities are not recognised in the accounting statements. Where there is probable inflow or outflow of economic benefits or service potential, these are disclosed in the notes to the financial statements.

There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

The work of the Scottish Child Abuse Inquiry, which began in 2015, is continuing under Lady Smith. Since early 2022, this has focussed on historic foster carer provision and the Council is contributing accordingly. As the Redress scheme for survivors of historical child abuse and the introduction of Qualified One-Way Costs Shifting (QOCS) have now both been introduced, there are increased avenues for survivors to seek compensation for alleged abuse which took place whilst in the care of an organisation. The Council's project team continues to support the inquiry, review historic records and respond to requests from the Inquiry for information. Local authorities across Scotland will be presented with claims, however the extent of the exposure remains unknown in 2022 as there is no time bar on the presentation of claims. The introduction of the Prescription (Scotland) Act 2018 may also have an impact on claims in coming years

The Inquiry has identified a number of Council operated or commissioned facilities which it wishes to review as part of its investigation. Separately, some civil litigation claims have been submitted to the City of Edinburgh Council, as successor authority to Lothian Regional Council. Where claims are ongoing, it is impossible to confirm the likely cost to the Council as reserves change regularly and accurate costs are only known when a claim is settled. The total cost to the Council will include any settlement amount, fees (both first and third party), which may be offset by the insurance coverage in force at the time of the alleged abuse. It is worth noting that discussions are due to take place to ensure an equitable distribution of legacy claims across all Lothian councils which will further impact the exposure to the Council.

The Council has finalised the details of a redress scheme for survivors who suffered physical and sexual abuse at the hands of a former Council employee. The total amounts paid out under this scheme will depend on the number of eligible claimants, nature of the claims being brought and the tariffs for each type of injury.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
<b>2021/22</b>			
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	298,316	16,146	0
Movements in the market value of investment properties	318	0	0
Amortisation and impairment of intangible assets	114	0	0
Capital grants and contributions applied	(61,335)	(20,114)	0
Capital funded from revenue	(15,043)	0	0
Donated assets	586	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	58,593	0	0
<b>Insertion of items not debited or credited to the CIES</b>			
Statutory provision for the financing of capital investment	(51,306)	(17,356)	0
Capital expenditure charged against General Fund and HRA balances	(58,593)	0	0
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	1,041	(2,086)	16,442
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(16,442)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(2,174)	(906)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	169,526	4,780	0
Employer's pension contributions and direct payments to pensioners payable in the year	(74,523)	(1,961)	0
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(1,996)	(25)	0
<b>Total Adjustments</b>	263,524	(21,522)	0

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2021/22	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	0	0	(314,462)
Movements in the market value of investment properties	0	0	(318)
Amortisation of intangible assets	0	0	(114)
Capital grants and contributions applied	2,506	0	78,943
Capital funded from revenue	0	0	15,043
Donated assets	0	0	(586)
Capital fund used to finance new capital expenditure	0	(7,150)	7,150
Revenue expenditure funded from capital under statute	0	0	(58,593)
<b>Insertion of items not debited or credited to the CIES</b>			
Statutory provision for the financing of capital investment	0	(31)	68,693
Capital expenditure charged against General Fund and HRA balances	0	0	58,593
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,461)	0	3,461
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	(15,397)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	16,442
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	3,080
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(174,306)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	76,484
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	2,021
<b>Total Adjustments</b>	<b>(955)</b>	<b>(7,181)</b>	<b>(233,866)</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2020/21 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	118,737	23,031	0
Movements in the market value of investment properties	(14)	0	0
Amortisation of intangible assets	148	0	0
Capital grants and contributions applied	(87,797)	(22,249)	0
Capital funded from revenue	(13,658)	0	0
Donated assets	1,008	0	0
Capital fund used to finance new capital expenditure	0	0	0
Revenue expenditure funded from capital under statute	51,107	0	0
<b>Insertion of items not debited or credited to the CIES</b>			
Statutory provision for the financing of capital investment	(50,778)	(17,130)	0
Capital expenditure charged against General Fund and HRA balances	(51,107)	0	0
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	(6,251)	(248)	27,388
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(27,388)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(2,129)	(906)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	115,521	3,063	0
Employer's pension contributions and direct payments to pensioners payable in the year	(71,511)	(1,721)	0
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	2,371	68	0
<b>Total Adjustments</b>	<b>5,647</b>	<b>(16,092)</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2020/21 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	0	0	(141,768)
Movements in the market value of investment properties	0	0	14
Amortisation of intangible assets	0	0	(148)
Capital grants and contributions applied	19,645	0	90,401
Capital funded from revenue	0	0	13,658
Donated assets	0	0	(1,008)
Capital fund used to finance new capital expenditure	0	2,000	(2,000)
Revenue expenditure funded from capital under statute	0	0	(51,107)
<b>Insertion of items not debited or credited to the CIES</b>			
Statutory provision for the financing of capital investment	0	(1,203)	69,111
Capital expenditure charged against General Fund and HRA balances	0	0	51,107
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	(148)	0	148
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(20,889)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,388
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	3,035
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(118,584)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	73,232
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(2,439)
<b>Total Adjustments</b>	<b>19,497</b>	<b>797</b>	<b>(9,849)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Usable Reserves

#### 12.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year.

	<b>Balance at 01.04.21 £000</b>	<b>Net Transfers Out 2021/22 £000</b>	<b>Net Transfers In 2021/22 £000</b>	<b>Balance at 31.03.22 £000</b>
<b>Group Reserves</b>				
<b>Subsidiaries</b>				
CEC Holdings Limited				
Revenue reserves	(56,030)	0	1,028	(55,002)
Capital grants unapplied account	1,213	(85)	0	1,128
Transport for Edinburgh Limited				
Revenue reserves	82,539	0	15,857	98,396
Minority interests	11,187	0	4,373	15,560
Edinburgh Living MMR LLP				
Revenue reserves	5,375	0	2,607	7,982
<b>Total Usable Reserves - Subsidiaries</b>	<b>44,284</b>	<b>(85)</b>	<b>23,865</b>	<b>68,064</b>
<b>Associates and Joint Ventures</b>				
Common Good Fund - Reserves	2,669	(12)	0	2,657
Edinburgh Leisure - Reserves	297	0	2,034	2,331
Capital Theatres - Reserves	1,875	0	826	2,701
Lothian Valuation Joint Board - Reserves	755	0	137	892
Edinburgh Integration Joint Board - Reserves	12,705	0	28,375	41,080
<b>Total Usable Reserves - Associates and Joint Ventures</b>	<b>18,301</b>	<b>(12)</b>	<b>31,372</b>	<b>49,661</b>
<b>Total Usable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>62,585</b>	<b>(97)</b>	<b>55,237</b>	<b>117,725</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Usable Reserves - continued

#### 12.1 Transfers to and from Usable Reserves - continued

<b>Re-stated</b>	<b>Balance</b>	<b>Net</b>	<b>Net</b>	<b>Balance</b>
<b>Group Reserves</b>	<b>at</b>	<b>Transfers</b>	<b>Transfers</b>	<b>at</b>
<b>Subsidiaries</b>	<b>01.04.20</b>	<b>Out</b>	<b>In</b>	<b>31.03.21</b>
	<b>£000</b>	<b>2020/21</b>	<b>2020/21</b>	<b>£000</b>
		<b>£000</b>	<b>£000</b>	
CEC Holdings Limited				
Revenue reserves	(49,323)	(6,707)	0	(56,030)
Capital grants unapplied account	1,305	(92)	0	1,213
Transport for Edinburgh				
Revenue reserves	119,653	(37,114)	0	82,539
Minority interests	14,944	(3,757)	0	11,187
Edinburgh Living MMR LLP				
Revenue reserves	2,898	0	2,477	5,375
<b>Total Usable Reserves - Subsidiaries</b>	<b>89,477</b>	<b>(47,670)</b>	<b>2,477</b>	<b>44,284</b>
<b>Associates and Joint Ventures</b>				
Common Good Fund - Reserves	2,665	0	4	2,669
Edinburgh Leisure - Reserves	(408)	0	705	297
Capital Theatres - Reserves	1,774	0	101	1,875
Lothian Valuation Joint Board - Reserves	724	0	31	755
Edinburgh Integration Joint Board - Reserves	1,583	0	11,122	12,705
<b>Total Usable Reserves - Associates and Joint Ventures</b>	<b>6,338</b>	<b>0</b>	<b>11,963</b>	<b>18,301</b>
<b>Total Usable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>95,815</b>	<b>(47,670)</b>	<b>14,440</b>	<b>62,585</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Usable Reserves - continued

#### 12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.21 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31.03.22 £000
<b>Council's Usable Reserves</b>				
<b>General Fund</b>				
<b>Balances Set Aside to Manage Financial Risks and for Specific Investment</b>				
Balances set aside for specific inv.	28,005	(1,289)	32,969	59,685
Council Priorities Fund	0	0	2,628	2,628
Contingency funding, Workforce Transformation	11,237	0	37	11,274
Dilapidations Fund	4,000	(43)	0	3,957
Insurance Funds*	19,580	(3,012)	5,690	22,258
Covid Funds	78,473	(11,867)	4,572	71,178
	<u>141,295</u>	<u>(16,211)</u>	<u>45,896</u>	<u>170,980</u>
<b>Balances Set Aside from Income Received in Advance</b>				
Licensing Income*	3,973	(66)	1,805	5,712
Revenue grants and contributions received in advance of planned expenditure	11,678	(5,206)	5,913	12,385
Council Tax Discount Fund*	6,063	0	5,242	11,305
Other earmarked balances	175	0	0	175
City Strategic Investment Fund	2,034	(1,124)	145	1,055
Covid advance funding	22,382	(14,284)	7,061	15,159
	<u>46,305</u>	<u>(20,680)</u>	<u>20,166</u>	<u>45,791</u>
<b>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</b>				
Energy Efficiency Fund	311	0	23	334
Spend to Save Fund and similar projects	3,409	(102)	566	3,873
	<u>3,720</u>	<u>(102)</u>	<u>589</u>	<u>4,207</u>
<b>Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund</b>				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)*	4,688	(4,688)	7,246	7,246
<b>Unallocated General Fund</b>	25,025	0	3,956	28,981
<b>Total General Fund</b>	<u>221,033</u>	<u>(41,681)</u>	<u>77,853</u>	<u>257,205</u>
<b>Housing Revenue Account Balance</b>	0	0	0	0
<b>Renewal and Repairs Fund</b>	41,162	(3,701)	12,946	50,407
<b>Capital Fund</b>	49,731	(7,226)	45	42,550
<b>Capital Receipts Reserve</b>	0	(16,442)	16,442	0
<b>Capital Grants Unapplied Account</b>	47,949	(3,461)	2,506	46,994
<b>Total Usable Reserves - Council</b>	<u>359,875</u>	<u>(72,511)</u>	<u>109,792</u>	<u>397,156</u>
<b>Total Usable Reserves - Group</b>	<u>422,460</u>	<u>(72,608)</u>	<u>165,029</u>	<u>514,881</u>

\* - mandatory earmarked General Fund balances

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Usable Reserves - continued

#### 12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.20 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31.03.21 £000
<b>General Fund</b>				
<b>Balances Set Aside to Manage Financial Risks and for Specific Investment</b>				
Balances set aside for specific inv.	44,690	(36,815)	20,130	28,005
Council Priorities Fund	757	(757)	0	0
Contingency funding, Workforce Transformation	13,589	(2,500)	148	11,237
Dilapidations Fund	3,228	(778)	1,550	4,000
Insurance Funds*	20,097	(1,572)	1,055	19,580
Covid Funds	0	0	78,473	78,473
	<u>82,361</u>	<u>(42,422)</u>	<u>101,356</u>	<u>141,295</u>
<b>Balances Set Aside from Income Received in Advance</b>				
Licensing Income*	2,982	0	991	3,973
Revenue grants and contributions received in advance of planned expenditure	6,801	(2,420)	7,297	11,678
Council Tax Discount Fund*	4,304	(520)	2,279	6,063
Other earmarked balances	204	(29)	0	175
City Strategic Investment Fund	2,795	(906)	145	2,034
Covid advance funding	0	0	22,382	22,382
	<u>17,086</u>	<u>(3,875)</u>	<u>33,094</u>	<u>46,305</u>
<b>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</b>				
Energy Efficiency Fund	295	(28)	44	311
Spend to Save Fund and similar projects	3,006	(148)	551	3,409
	<u>3,301</u>	<u>(176)</u>	<u>595</u>	<u>3,720</u>
<b>Balances Set Aside under Devolved School Management Scheme</b>				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)*	4,671	(4,671)	4,688	4,688
<b>Unallocated General Fund</b>	<u>13,927</u>	<u>0</u>	<u>11,098</u>	<u>25,025</u>
<b>Total General Fund</b>	<u>121,346</u>	<u>(51,144)</u>	<u>150,831</u>	<u>221,033</u>
<b>Housing Revenue Account Balance</b>	0	0	0	0
<b>Renewal and Repairs Fund</b>	29,748	(3,537)	14,951	41,162
<b>Capital Fund</b>	48,934	(1,203)	2,000	49,731
<b>Capital Receipts Reserve</b>	0	(27,388)	27,388	0
<b>Capital Grants Unapplied Account</b>	28,452	(148)	19,645	47,949
<b>Total Usable Reserves - Council</b>	<u>228,480</u>	<u>(83,420)</u>	<u>214,815</u>	<u>359,875</u>
<b>Total Usable Reserves - Group</b>	<u>324,295</u>	<u>(131,090)</u>	<u>229,255</u>	<u>422,460</u>

\* - mandatory earmarked General Fund balances

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Usable Reserves - continued

#### 12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £7.246m (2020/21 £4.688m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the Pupil Equity Fund.

#### 12.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

##### 2021/22

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(41,681)	0	(3,701)	(16,442)
Transfers in	77,853	0	12,946	16,442
Total movements in fund	<u>36,172</u>	<u>0</u>	<u>9,245</u>	<u>0</u>

Recognised in Comprehensive Income and Expenditure Statement

	36,760	8,655	0	0
Transfers to other earmarked reserves	(588)	(8,655)	9,245	0
Total movements in fund	<u>36,172</u>	<u>0</u>	<u>9,245</u>	<u>0</u>

	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(3,461)	(7,226)	(97)	<b>(72,608)</b>
Transfers in	2,506	45	55,237	<b>165,029</b>
Total movements in fund	<u>(955)</u>	<u>(7,181)</u>	<u>55,140</u>	<u><b>92,421</b></u>

Recognised in Comprehensive Income and Expenditure Statement

	(955)	(7,181)	71,903	<b>109,182</b>
Transfers to other earmarked reserves	0	0	0	<b>2</b>
Group account adjustments unusable reserves	0	0	(16,763)	<b>(16,763)</b>
Total movements in fund	<u>(955)</u>	<u>(7,181)</u>	<u>55,140</u>	<u><b>92,421</b></u>

##### 2020/21 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(51,144)	0	(3,537)	(27,388)
Transfers in	150,831	0	14,951	27,388
Total movements in fund	<u>99,687</u>	<u>0</u>	<u>11,414</u>	<u>0</u>

Recognised in Comprehensive Income and Expenditure Statement

	100,597	10,504	0	0
Transfers to other earmarked reserves	(910)	(10,504)	11,414	0
Total movements in fund	<u>99,687</u>	<u>0</u>	<u>11,414</u>	<u>0</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Usable Reserves - continued

#### 12.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2020/21 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(148)	(1,203)	(47,670)	(131,090)
Transfers in	19,645	2,000	14,440	229,255
Total movements in fund	<u>19,497</u>	<u>797</u>	<u>(33,230)</u>	<u>98,165</u>
Recognised in Comprehensive Income and Expenditure Statement	19,497	797	(33,440)	97,955
Transfers to other earmarked reserves	0	0	210	210
Total movements in fund	<u>19,497</u>	<u>797</u>	<u>(33,230)</u>	<u>98,165</u>

### 13. Financing and Investment Income and Expenditure

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	78,295	74,575	79,236	76,711
Interest cost on defined benefit obligation	87,741	79,168	87,808	77,658
Interest receivable and similar income	(156)	(143)	(3,394)	(3,812)
Interest income on plan assets	(73,460)	(64,936)	(75,815)	(65,248)
Net income in relation to investment properties and changes in their fair value	(8,578)	(1,507)	(3,314)	(811)
Net income in relation to financial assets derecognised or revalued	(93)	(93)	(156)	(156)
	<u>83,749</u>	<u>87,064</u>	<u>84,365</u>	<u>84,342</u>

### 14. Taxation and Non-Specific Grant Income

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(287,487)	(287,487)	(283,496)	(283,496)
Non-domestic rates	(188,796)	(188,796)	(238,922)	(238,922)
Non-ring fenced government grants	(653,272)	(653,272)	(635,771)	(635,771)
Capital grants and contributions	(81,449)	(81,449)	(110,046)	(110,046)
Movement on donated assets	586	586	1,008	1,008
Taxation expenses / (refund)	3,392	0	(325)	0
	<u>(1,207,026)</u>	<u>(1,210,418)</u>	<u>(1,267,552)</u>	<u>(1,267,227)</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment

#### 15.1 Depreciation

Depreciation is provided in the year of an asset's purchase. Assets in the course of construction are not depreciated until they are brought into use. Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Council dwellings	50 years
Buildings	Up to 120 years as advised by the valuer (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP - Millerhill Residual Waste Facility	30 years
PPP - Schools	40 years (PPP1 schools) and 35 years (PPP2 schools) 50 years (JGHS and QHS)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 30 years, to reflect estimated useful life 3 years to 15 years, Group Companies

#### 15.2 Capital Commitments

At 31 March 2022, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £204.614m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2021 were £250.801m.

	£000	Expected Completion Date
General Fund - Asset Management Works Programme	29,764	23/24
Trams to Newhaven	28,818	23/24
HRA - Whole House Retrofit and Fabric Works	27,388	23/24
HRA - Kitchen and Bathrooms	15,284	23/24
North Bridge Refurbishment	14,953	23/24
General Fund Other	13,651	23/24
City Centre West Edinburgh Link	12,443	22/23
Carriageway and Footways	12,268	23/24
Pennywell Town Centre	10,541	22/23
HRA - Rewiring	6,228	23/24
HRA - Other	8,111	23/24
Trinity HS Phase 1 (Bangholm)	5,266	22/23
HRA - Neighbourhood	3,497	23/24
HRA - Council Housebuilding Other	3,428	23/24
HRA - Western Villages	2,888	23/24
HRA - Secure Doors and CCTV	2,863	23/24
HRA - Health and Safety	2,806	23/24
Dumbryden Phase 2 and 3	2,567	23/24
St James Redevelopment Growth Accelerator Model	1,85	22/23
	<b>202,764</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.3 Movements on Balances - Group

##### Movements in 2021/22

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000
<b>Cost or Valuation</b>				
At 1 April 2021	1,655,147	2,736,872	352,796	7,619
Additions	32,221	62,218	26,685	135
Revaluation increases / (decreases) recognised in the Revaluation Reserve	44,784	268,924	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(179)	(158,800)	(2,296)	0
Derecognition - disposals	(3,455)	(85)	(24,813)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	14,967	53,930	0	0
At 31 March 2022	<u>1,743,485</u>	<u>2,963,059</u>	<u>352,372</u>	<u>7,754</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2021	42	(175,610)	(183,018)	0
Depreciation charge	(34,674)	(85,956)	(26,994)	0
Depreciation charge written out to Revaluation Reserve	34,433	156,087	0	0
Depreciation written out to the Surplus on the Provision of Services	228	15,192	0	0
Derecognition - disposals	75	0	23,364	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296	0
Depreciation on assets transferred to Held for Sale	0	0	0	0
At 31 March 2022	<u>104</u>	<u>(90,287)</u>	<u>(184,352)</u>	<u>0</u>
<b>Net book value</b>				
At 31 March 2022	<u>1,743,589</u>	<u>2,872,772</u>	<u>168,020</u>	<u>7,754</u>
At 31 March 2021	<u>1,655,189</u>	<u>2,561,262</u>	<u>169,778</u>	<u>7,619</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.3 Movements on Balances - Group Movements in 2021/22

	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
<b>Cost or Valuation</b>			
At 1 April 2021	15,819	185,810	4,954,063
Additions	329	84,514	206,102
Revaluation increases / (decreases) recognised in the Revaluation Reserve	67	0	313,775
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(342)	0	(161,617)
Derecognition - disposals	(373)	(3,906)	(32,632)
Derecognition - other	0	0	0
Assets reclassified (to) / from held for sale	0	0	0
Other increases / (decreases) in cost or valuation	0	(68,897)	0
At 31 March 2022	<u>15,500</u>	<u>197,521</u>	<u>5,279,691</u>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2021	0	0	(358,586)
Depreciation charge	0	0	(147,624)
Depreciation charge written out to Revaluation Reserve	0	0	190,520
Depreciation written out to the Surplus on the Provision of Services	0	0	15,420
Derecognition - disposals	0	0	23,439
Derecognition - other	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296
Depreciation on assets transferred to Held for Sale	0	0	0
At 31 March 2022	<u>0</u>	<u>0</u>	<u>(274,535)</u>
<b>Net book value</b>			
At 31 March 2022	<u>15,500</u>	<u>197,521</u>	<u>5,005,156</u>
At 31 March 2021	<u>15,819</u>	<u>185,810</u>	<u>4,595,477</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.4 Movements on Balances - Group Accounts 2020/21 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
<b>Cost or Valuation</b>				
At 1 April 2020	1,569,110	2,338,814	359,048	1,543,665
Additions	21,437	22,462	12,350	99,085
Revaluation increases / (decreases) recognised in the Revaluation Reserve	46,591	343,599	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(17)	(7,378)	0	0
Derecognition - disposals	(2,849)	(442)	(18,602)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	406	0	0
Other increases / (decreases) in cost or valuation	20,875	39,411	0	0
At 31 March 2021	<u>1,655,147</u>	<u>2,736,872</u>	<u>352,796</u>	<u>1,642,750</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2020	(9,012)	(151,526)	(172,255)	(771,663)
Depreciation charge	(31,651)	(71,695)	(27,970)	(73,851)
Depreciation charge written out to Revaluation Reserve	49,849	47,971	0	0
Depreciation written out to the Surplus on the Provision of Services	(9,219)	(360)	0	0
Derecognition - disposals	75	0	17,207	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2021	<u>42</u>	<u>(175,610)</u>	<u>(183,018)</u>	<u>(845,514)</u>
<b>Net book value</b>				
At 31 March 2021	<u><u>1,655,189</u></u>	<u><u>2,561,262</u></u>	<u><u>169,778</u></u>	<u><u>797,236</u></u>
At 31 March 2020	<u><u>1,560,098</u></u>	<u><u>2,187,288</u></u>	<u><u>186,793</u></u>	<u><u>772,002</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.4 Movements on Balances - Group 2020/21 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
<b>Cost or Valuation</b>				
At 1 April 2020	7,195	20	194,715	6,012,567
Additions	601	0	77,890	233,825
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(145)	0	225	390,270
Revaluation decreases recognised in the Surplus on the Provision of Services	(32)	0	(9,199)	(16,626)
Derecognition - disposals	0	0	(17,763)	(39,656)
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	15,799	225	16,430
Other increases / (decreases) in cost or valuation	0	0	(60,283)	3
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>185,810</u>	<u>6,596,813</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2020	0	0	0	(1,104,456)
Depreciation charge	0	0	0	(205,167)
Depreciation charge written out to Revaluation Reserve	0	0	0	97,820
Depreciation written out to the Surplus on the Provision of Services	0	0	0	(9,579)
Derecognition - disposals	0	0	0	17,282
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,204,100)</u>
<b>Net book value</b>				
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>185,810</u>	<u>5,392,713</u>
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>194,715</u>	<u>4,908,111</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.5 Movements on Balances - Council Movements in 2021/22

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000
<b>Cost or Valuation</b>				
At 1 April 2021	1,655,147	2,664,014	175,280	7,619
Additions	32,221	62,220	3,996	135
Revaluation increases / (decreases) recognised in the Revaluation Reserve	44,784	268,924	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(179)	(158,800)	(2,296)	0
Derecognition - disposals	(3,455)	(85)	(346)	0
Derecognition - other	0	0	0	0
Assets declassified (to) / from held for sale	0	0	0	0
Other increases / (decreases) in cost or valuation	14,967	53,930	0	0
At 31 March 2022	<u>1,743,485</u>	<u>2,890,203</u>	<u>176,634</u>	<u>7,754</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2021	42	(143,693)	(91,980)	0
Depreciation charge	(34,674)	(85,768)	(11,889)	0
Depreciation charge written out to Revaluation Reserve	34,433	156,087	0	0
Depreciation written out to the Surplus on the Provision of Services	228	15,192	0	0
Derecognition - disposals	75	0	346	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	2,296	0
Other increases / (decreases) in cost or valuation	0	0	0	0
At 31 March 2022	<u>104</u>	<u>(58,182)</u>	<u>(101,227)</u>	<u>0</u>
<b>Net book value</b>				
At 31 March 2022	<u>1,743,589</u>	<u>2,832,021</u>	<u>75,407</u>	<u>7,754</u>
At 31 March 2021	<u>1,655,189</u>	<u>2,520,321</u>	<u>83,300</u>	<u>7,619</u>

Included within Other Land and Buildings is £0.239m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.5 Movements on Balances - Council

##### Movements in 2021/22

<b>Cost or Valuation</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property Plant and Equipment £000</b>	<b>PPP and similar Assets £000</b>
At 1 April 2021	15,819	185,810	<b>4,703,689</b>	676,187
Additions	329	84,514	<b>183,415</b>	1,372
Revaluation increases / (decreases) recognised in the Revaluation Reserve	67	(7)	<b>313,768</b>	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(342)	0	<b>(161,617)</b>	61,572
Derecognition - disposals	(373)	(3,906)	<b>(8,165)</b>	0
Derecognition - other	0	0	<b>0</b>	0
Assets reclassified (to) / from held for sale	0	0	<b>0</b>	0
Other increases / (decreases) in cost or valuation	0	(68,897)	<b>0</b>	0
At 31 March 2022	<u>15,500</u>	<u>197,514</u>	<u><b>5,031,090</b></u>	<u>739,131</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2021	0	0	<b>(235,631)</b>	(27,447)
Depreciation charge	0	0	<b>(132,331)</b>	(15,481)
Depreciation charge written out to Revaluation Reserve	0	0	<b>190,520</b>	27,395
Depreciation written out to the Surplus on the Provision of Services	0	0	<b>15,420</b>	0
Derecognition - disposals	0	0	<b>421</b>	0
Derecognition - other	0	0	<b>0</b>	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	<b>2,296</b>	0
Other increases / (decreases) in cost or valuation	0	0	<b>0</b>	0
At 31 March 2022	<u>0</u>	<u>0</u>	<u><b>(159,305)</b></u>	<u>(15,533)</u>
<b>Net book value</b>				
At 31 March 2022	<u>15,500</u>	<u>197,514</u>	<u><b>4,871,785</b></u>	<u>723,598</u>
At 31 March 2021	<u>15,819</u>	<u>185,810</u>	<u><b>4,468,058</b></u>	<u>648,740</u>

The disclosure for PPP and similar assets is for information only. The costs and depreciation are included in 'Other Land and Buildings' and 'Assets Under Construction'.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.6 Movements on Balances - Council 2020/21 Comparative Data

<b>Cost or Valuation</b>	<b>Council Dwellings £000</b>	<b>Re-stated Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>
At 1 April 2020	1,569,110	2,265,909	169,398	1,536,995
Additions	21,437	22,433	6,301	99,085
Revaluation increases / (decreases) recognised in the Revaluation Reserve	46,591	343,599	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(17)	(7,378)	0	0
Derecognition - disposals	(2,849)	(362)	(419)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	402	0	0
Other increases / (decreases) in cost or valuation	20,875	39,411	0	0
At 31 March 2021	<u>1,655,147</u>	<u>2,664,014</u>	<u>175,280</u>	<u>1,636,080</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2020	(9,012)	(119,845)	(80,290)	(765,068)
Depreciation charge	(31,651)	(71,459)	(12,109)	(73,776)
Depreciation charge written out to Revaluation Reserve	49,849	47,971	0	0
Depreciation written out to the Surplus on the Provision of Services	(9,219)	(360)	0	0
Derecognition - disposals	75	0	419	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
At 31 March 2021	<u>42</u>	<u>(143,693)</u>	<u>(91,980)</u>	<u>(838,844)</u>
<b>Net book value</b>				
At 31 March 2021	<u>1,655,189</u>	<u>2,520,321</u>	<u>83,300</u>	<u>797,236</u>
At 31 March 2020	<u>1,560,098</u>	<u>2,146,064</u>	<u>89,108</u>	<u>771,927</u>

Included within Other Land and Buildings is £1.833m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.



## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.6 Movements on Balances - Council

##### 2020/21 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	Re-stated PPP and similar Assets £000
<b>Cost or Valuation</b>					
At 1 April 2020	7,195	20	194,715	<b>5,743,342</b>	634,123
Additions	601	0	77,890	<b>227,747</b>	1,574
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(145)	0	225	<b>390,270</b>	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(32)	0	(9,199)	<b>(16,626)</b>	40,153
Derecognition - disposals	0	0	(17,763)	<b>(21,393)</b>	0
Derecognition - other	0	0	0	<b>0</b>	0
Assets reclassified (to) / from held for sale	0	15,799	225	<b>16,426</b>	0
Other increases / (decreases) in cost or valuation	0	0	(60,283)	<b>3</b>	337
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>185,810</u>	<u><b>6,339,769</b></u>	<u>676,187</u>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2020	0	0	0	<b>(974,215)</b>	(21,839)
Depreciation charge	0	0	0	<b>(188,995)</b>	(14,264)
Depreciation charge written out to Revaluation Reserve	0	0	0	<b>97,820</b>	8,656
Depreciation written out to the Surplus on the Provision of Services	0	0	0	<b>(9,579)</b>	0
Derecognition - disposals	0	0	0	<b>494</b>	0
Derecognition - other	0	0	0	<b>0</b>	0
Impairment losses recognised in in the Surplus on the Provision of Services	0	0	0	<b>0</b>	0
At 31 March 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u><b>(1,074,475)</b></u>	<u>(27,447)</u>
<b>Net book value</b>					
At 31 March 2021	<u>7,619</u>	<u>15,819</u>	<u>185,810</u>	<u><b>5,265,294</b></u>	<u>648,740</u>
At 31 March 2020	<u>7,195</u>	<u>20</u>	<u>194,715</u>	<u><b>4,769,127</b></u>	<u>612,284</u>

The disclosure for PPP and similar assets is for information only. The costs and depreciation are included in 'Other Land and Buildings' and 'Assets Under Construction'.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.7 Infrastructure Assets

The Council has adopted the Statutory Overrides contained within the Local government finance circular 09/2022: statutory override - accounting for infrastructure assets ([www.gov.scot/publications/local-governmentfinance-circular-09-2022-statutory-overrideaccounting-for-infrastructure-assets/](http://www.gov.scot/publications/local-governmentfinance-circular-09-2022-statutory-overrideaccounting-for-infrastructure-assets/)) issued by the Scottish Government under section 12(2)(b) of the Local Government in Scotland Act 2003 in relation to Infrastructure assets. The overrides were put in place to manage historic issues surrounding the derecognition of Infrastructure asset components, which had the potential for the gross cost of assets to be overstated, albeit that the Net Book Value was still materially correct. The Statutory Overrides that the Council has adopted are detailed below: -

Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

<b>Movements in 2021/22</b>	<b>Group £000</b>	<b>Council £000</b>
<b>Net Book Value</b>		
At 1 April 2021	797,236	797,236
Additions	163,140	163,140
Depreciation	<u>(79,043)</u>	<u>(79,043)</u>
<b>At 31 March 2022</b>	<u>881,333</u>	<u>881,333</u>

<b>Reconciliation of Property, Plant and Equipment</b>	<b>2021/22</b>	
	<b>Group £000</b>	<b>Council £000</b>
Infrastructure Assets	881,333	881,333
Other Property, Plant and Equipment Assets	<u>5,005,156</u>	<u>4,871,785</u>
<b>Total Property Plant and Equipment</b>	<u>5,886,489</u>	<u>5,753,118</u>

#### 15.8 Council Dwellings, Other Land and Buildings and Investment Properties

The Council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out under the direction of the Council's Operational Estate Manager, L. Turner RICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Fixtures and fittings are included in the valuation of the buildings where appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.8 Council Dwellings, Other Land and Buildings and Investment Properties - continued

In 2019-20, the Valuation Certificate that accompanied the asset valuations contained a Material Valuation Uncertainty clause in line with RICS guidance. The RICS set up a Material Valuation Uncertainty Leaders Forum (UK) in response to the Covid 19 Pandemic. On 9 September 2020, the forum recommended a general "lifting" of material valuation uncertainty excluding assets valued with reference to trading potential. This recommendation was reaffirmed on 3 November 2020 and 5 January 2021. On 11 May 2021, the recommendation was amended to lift the exclusion of assets valued with reference to trading potential. In light of this, the forum has reduced the frequency of its meetings but continues to monitor markets and evidence and will convene at short notice if necessary. No new recommendation has been made so the recommendation of May 2021 still stands.

In line with the RICS recommendations, no material valuation uncertainty declaration is made for the asset valuations this year. The Valuation Certificate contains a statement to this effect in line with the RICS Covid 19 practice alert supplement "Impact of Covid 19 on Valuation" dated 6 November 2020.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were taken into account based on the actual condition of the property and its actual residual useful life. Where the Council has a planned replacement programme asset life is reviewed accordingly;
- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board; and
- Not all properties were inspected.

The following statement shows the progress of the Council's five-year rolling programme for the revaluation of property, plant and equipment.

<b>Council assets</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>
Carried at historical cost	492	232,862	176,634
Valued at fair value as at:			
31 March 2022	1,740,159	2,206,681	0
31 March 2021	2,249	79,952	0
31 March 2020	408	133,042	0
31 March 2019	177	114,687	0
31 March 2018	0	122,979	0
<b>Total cost or valuation</b>	<b>1,743,485</b>	<b>2,890,203</b>	<b>176,634</b>

<b>Council assets</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
Carried at historical cost	7,754	15,480	197,514	630,736
Valued at fair value as at:				
31 March 2022	0	0	0	3,946,840
31 March 2021	0	0	0	82,201
31 March 2020	0	0	0	133,450
31 March 2019	0	0	0	114,864
31 March 2018	0	20	0	122,999
<b>Total cost or valuation</b>	<b>7,754</b>	<b>15,500</b>	<b>197,514</b>	<b>5,031,090</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Property, Plant and Equipment - continued

#### 15.9 Surplus Assets and Investment Properties - Fair Value Disclosure

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2021
	£000	£000	£000	£000
Surplus assets	0	15,501	0	15,501
Investment properties - advertising hoardings	0	19,996	0	19,996
<b>Total cost or valuation</b>	<b>0</b>	<b>35,497</b>	<b>0</b>	<b>35,497</b>

- There were no transfers between levels during the year.
- The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in similar locations. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs is significant, leading to the properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's surplus assets, the assumption has been made that these would be disposed of for highest and best use consideration.
- The fair value for investment properties has been based on the market approach using current rent receivable with a capitalisation rate applied. The rate reflects the return that an investor would expect from the capital employed. There is evidence of lettings from the Council's property information systems which have been used to determine valuation parameters and the level of observable inputs is significant, leading to the investment properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### 16. Investment Properties

#### Policy

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value (the price that would be received for the asset in its highest and best use).

Any gains or losses arising from a change in the fair value of investment properties are recognised in the Comprehensive Income and Expenditure Statement for the period in which they arise.

Investment properties are revalued annually.

Investment properties held at fair value are not depreciated.

Investment properties are de-recognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the retirement or disposal of an investment property is recognised in the 'surplus or deficit on provision of services' within the Comprehensive Income and Expenditure Statement in the period of the retirement or disposal.

#### Note

#### 16.1 Income and Expenses on Investment Properties

Income of £1.825m (£0.798m 2020/21) and expense £Nil (£Nil 2020/21) have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Investment Properties - continued

#### 16.2 Movement in Fair Value - continued

The following table summarises the movement in the fair value of investment properties over the year.

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	65,631	19,239	47,221	19,225
Additions	15,266	1,075	15,894	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	6,753	(318)	2,516	14
	<u>65,631</u>	<u>19,239</u>	<u>47,221</u>	<u>19,225</u>
Value at 31 March	<u>87,650</u>	<u>19,996</u>	<u>65,631</u>	<u>19,239</u>

### 17. Intangible Assets

#### Policy

Intangible fixed assets represent software licences purchased by the Council.

Expenditure on the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis.

Intangible fixed assets are initially measured at cost. Software licences are depreciated over the period of the licence, commencing in the year of acquisition.

#### Note

The carrying value of intangible assets of the Group and the Council is £0.182m in 2021/22 (£0.296m in 2020/21).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.114m in 2021/22 (2020/21 £0.148m) was charged to Corporate Services.

### 18. Heritage Assets

#### Policy

Heritage assets comprise the following:

Monuments and statues	Civic regalia and artefacts
Archival collections	Libraries' special collections
Museum and gallery collections	

Intangible heritage assets represent three private vehicle registration plates.

It has not been practicable or possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore, the Council's Balance Sheet may hold elements of heritage assets that belong to other entities. Work is on-going to establish and maintain a common good register, in accordance with the Community Empowerment (Scotland) Act 2015.

Expenditure on the acquisition, creation or enhancement of heritage assets has been capitalised on an accruals basis.

Heritage asset valuations may be made by any method that is appropriate and relevant. Furthermore valuations need not be carried out by external valuers and there is no prescribed period between valuations.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Heritage Assets - continued

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation.

#### Reconciliation of the Carrying Value of Heritage Assets Note

##### Movements in 2021/22

	<b>Monuments and Statues £000</b>	<b>Civic Regalia and Artefacts £000</b>	<b>Archival Collections £000</b>
<b>Cost or Valuation</b>			
At 1 April 2021	929	2,047	6,797
Additions	35	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	0
At 31 March 2022	<u>964</u>	<u>2,047</u>	<u>6,797</u>
<b>Net book value</b>			
At 31 March 2022	<u>964</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2021	<u>929</u>	<u>2,047</u>	<u>6,797</u>
		<b>Museum and Gallery Collections £000</b>	<b>Total Heritage Assets £000</b>
<b>Cost or Valuation</b>			
At 1 April 2021	1,975	19,643	31,391
Additions	0	0	35
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	0
At 31 March 2022	<u>1,975</u>	<u>19,643</u>	<u>31,426</u>
<b>Net book value</b>			
At 31 March 2022	<u>1,975</u>	<u>19,643</u>	<u>31,426</u>
At 31 March 2021	<u>1,975</u>	<u>19,643</u>	<u>31,391</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Heritage Assets - continued

#### 18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2020/21 Comparative Data

<b>Cost or Valuation</b>	<b>Monuments and Statues £000</b>	<b>Civic Regalia and Artefacts £000</b>	<b>Archival Collections £000</b>
At 1 April 2020	1,615	2,047	6,797
Additions	672	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(1,358)	0	0
At 31 March 2021	<u>929</u>	<u>2,047</u>	<u>6,797</u>
<b>Net book value</b>			
At 31 March 2021	<u>929</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2020	<u>1,615</u>	<u>2,047</u>	<u>6,797</u>

<b>Cost or Valuation</b>	<b>Libraries' Special Collections £000</b>	<b>Museum and Gallery Collections £000</b>	<b>Total Heritage Assets £000</b>
At 1 April 2020	1,975	19,643	32,077
Additions	0	0	672
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	(1,358)
At 31 March 2021	<u>1,975</u>	<u>19,643</u>	<u>31,391</u>
<b>Net book value</b>			
At 31 March 2021	<u>1,975</u>	<u>19,643</u>	<u>31,391</u>
At 31 March 2020	<u>1,975</u>	<u>19,643</u>	<u>32,077</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Heritage Assets - continued

#### 18.2 Details of Heritage Assets

- Valuations on Monuments and Statues are carried out under the direction of the Council's Operational Estate Manager. Monuments and Statues are valued on a historic basis.
- Civic Regalia and artefacts include items such as the Lord Provost's Badge and Chain of Office and the Rosebery Jewel. The value of these assets is based on an insurance purposes valuation carried out in 1998.
- Archival collections include historical records which relate to the history of Edinburgh and its surrounding areas. The value of these assets is based on a current insurance purposes valuation based on restoration costs only. This valuation has not changed since 2008/09.
- Libraries' special collections include items such as rare book collections and pictures in Calotype. The value of these assets is based on an insurance purposes valuation carried out in 2007 with a minor proportions valuation being updated in 2014.
- Museums and Gallery collections include various collections held at a number of museums across Edinburgh. They include items held within the Social History, Applied Art, Writers' Museum, Childhood, City Art Centre and Picture Loan Scheme. The value of these assets is based on insurance purposes valuations carried out in 2003 along with a minor proportions valuation being updated in 2014. A small minority of the assets are based on insurance purposes valuations carried out in 1996.
- The valuations for heritage assets have all been carried out internally and although they are from earlier periods, they are considered the most appropriate and relevant. Carrying out valuations for the majority of collections held is very costly and time consuming so it is not practicable to obtain recent valuations at a cost which is commensurate with the benefits to users of the financial statements. The carrying amounts of these heritage assets will be reviewed with sufficient regularity in the future to ensure they are brought up to date and remain appropriate.
- The Council has three private vehicle registration plates which meet the definition of intangible heritage assets. These have not been recognised on the balance sheet due to lack of information on cost or current value. They are limited registration numbers that rarely become available for sale and therefore no relevant or appropriate current value can be placed on these. It is also almost certain they are below the materiality threshold for the Council.

### 19. Inventories

#### Policy

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories held for distribution at no charge or a nominal charge are measured at the lower of cost and current replacement cost.

Note	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	13,569	3,448	13,472	3,451
Purchases	75,030	14,699	60,675	13,901
Held by a third party	114	114	169	169
Recognised as an expense in the year	(74,720)	(14,538)	(60,745)	(14,071)
Stock written off	(4,105)	(46)	(2)	(2)
Balance at 31 March	<u>9,888</u>	<u>3,677</u>	<u>13,569</u>	<u>3,448</u>

The majority of the Council inventory transactions and balances relate to fuel and building materials, with catering supplies, community equipment and clothing making up the remainder. The Group inventory mainly relates to fuel and work in progress.



## NOTES TO THE FINANCIAL STATEMENTS

### 20. Debtors

#### 20.1 Long-term Debtors

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Council Tax	104,517	104,517	99,556	99,556
Trade Debtors	52,258	52,258	54,607	54,607
Other Debtors	61,143	132,185	132,300	166,488
Total long-term debtors before provision for impairment	217,918	288,960	286,463	320,651
Less: Provision for impairment	(135,974)	(135,974)	(130,057)	(130,057)
Total net long-term debtors	81,944	152,986	156,406	190,594

Long-term debtors include £9.567m (2020/21 £10.123m) for sums recoverable from Police Scotland. These sums relate to monies advanced to the former joint board for capital expenditure.

#### 20.2 Short-term Debtors

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Council Tax	118,413	118,413	120,691	120,691
Trade Debtors	44,326	42,333	50,923	47,266
Prepayments	9,496	7,530	7,534	4,470
Other Debtors	182,204	170,413	86,119	76,266
Total current debtors before provision for impairment	354,439	338,689	265,267	248,693
Less: Provision for impairment	(118,584)	(118,584)	(121,764)	(121,764)
Total net current debtors	235,855	220,105	143,503	126,929

#### 20.3 Provision for Impairment

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
<b>Long-term provision for impairment</b>				
Council Tax	(97,449)	(97,449)	(91,685)	(91,685)
Trade Debtors	(30,013)	(30,013)	(28,520)	(28,520)
Other Debtors	(8,512)	(8,512)	(9,852)	(9,852)
Total long-term provision for impairment	(135,974)	(135,974)	(130,057)	(130,057)
<b>Current provision for impairment</b>				
Council Tax	(108,082)	(108,082)	(108,562)	(108,562)
Trade Debtors	(9,334)	(9,334)	(12,621)	(12,621)
Other Debtors	(1,168)	(1,168)	(581)	(581)
Total current provision for impairment	(118,584)	(118,584)	(121,764)	(121,764)

### 21. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements. Investments maturing within three months of the balance sheet are deemed to be cash and cash equivalents.

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Cash held	352	352	352	352
Bank current accounts	24,531	(14,115)	8,244	(22,175)
Short-term deposits:				
With banks or building societies	56,129	56,129	112,212	112,212
With other local authorities	24,777	24,777	75,169	75,169
Treasury bills	21,288	21,288	0	0
Other	56,148	56,148	0	0
	183,225	144,579	195,977	165,558

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Investments

#### 22.1 Long-Term Investments

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Transport for Edinburgh	0	5,824	0	5,824
Tudor Trust	350	350	350	350
TIE	1	1	1	1
CEC Holdings	268	14,044	267	14,044
Telford NHT	1,236	1,236	1,236	1,236
	<u>1,855</u>	<u>21,455</u>	<u>1,854</u>	<u>21,455</u>

#### 22.2 Short-Term Investments

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Local Authority Loans	10,654	10,654	31,571	31,571
Other short-term investments	66,451	66,451	0	0
	<u>77,105</u>	<u>77,105</u>	<u>31,571</u>	<u>31,571</u>

### 23. Assets Held for Sale

#### Policy

Current assets held for sale are assets that the Council has identified as surplus to requirements, are being actively marketed and it is expected that the sale will be realised within twelve months of the Balance Sheet date.

Non-current assets held for sale are assets that the Council has identified as surplus to requirements, are being actively marketed, but it is not expected that the sale will be realised within twelve months of the Balance Sheet date.

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. Where the sale is expected to occur in more than twelve months, the cost is measured at present value.

Current and non-current assets held for sale are not depreciated.

#### Note

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
<b>23.1 Non-Current Assets - Held for Sale</b>				
Balance at 1 April	59	59	1,254	1,254
Additions	0	0	17	17
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets Declassified as held for sale	0	0	(1,212)	(1,212)
	<u>59</u>	<u>59</u>	<u>59</u>	<u>59</u>

#### 23.2 Current Assets - Held for Sale

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	6,135	6,135	21,139	21,139
Additions	1,645	1,645	210	210
Revaluation gains/(losses) recognised in the revaluation reserve	61	61	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets Sold	(7,760)	(7,760)	0	0
Assets declassified as held for sale	0	0	(15,214)	(15,214)
	<u>81</u>	<u>81</u>	<u>6,135</u>	<u>6,135</u>

## NOTES TO THE FINANCIAL STATEMENTS

24. Creditors	2021/22		Re-stated 2020/21	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(119,951)	(115,114)	(121,355)	(118,594)
Council Tax Creditors	(6,903)	(6,903)	(6,958)	(6,958)
Other Tax payable	(14,981)	(11,508)	(13,924)	(11,239)
Other Creditors	(108,389)	(76,629)	(118,563)	(78,067)
PPP Creditor (Note 39.1)	(11,379)	(11,379)	(11,924)	(11,924)
Finance Leases (non PPP - Note 38.1)	(12,842)	(1,569)	(11,997)	(1,937)
	<u>(274,445)</u>	<u>(223,102)</u>	<u>(284,721)</u>	<u>(228,719)</u>

### 25. Provisions Policy

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation. An assessment of long and short-term provisions has been made at the 31 March 2022 year end and provisions disclosed separately.

Note Long-Term	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	(25,703)	(25,703)	0	0
Transfers	3,569	3,569	(25,925)	(25,925)
Additional provisions made in year	(1,180)	(1,180)	(1,952)	(1,952)
Amounts used during the year	233	233	2,174	2,174
Unused amounts reversed during year	0	0	0	0
Balance at 31 March	<u>(23,081)</u>	<u>(23,081)</u>	<u>(25,703)</u>	<u>(25,703)</u>

Short-Term	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	(12,446)	(7,380)	(36,960)	(34,512)
Transfers	(3,569)	(3,569)	25,925	25,925
Additional provisions made in year	(2,010)	(1,188)	(7,398)	(3,805)
Amounts used during the year	4,070	77	2,445	1,470
Unused amounts reversed during year	3,718	3,718	3,542	3,542
Balance at 31 March	<u>(10,237)</u>	<u>(8,342)</u>	<u>(12,446)</u>	<u>(7,380)</u>

The Council provisions include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, contract arrangements, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects.

### 26. Reserves Policy

Reserves held on the Balance Sheet are classified as either usable or unusable reserves.

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax.

Unusable reserves cannot be applied to fund expenditure.

#### Usable Reserves

The Council operates the following usable reserves:

- Capital receipts reserve - this represents capital receipts available to finance capital expenditure in future years.
- Capital grants unapplied account - holds capital grants and contributions that have been received towards specific works that have yet to be completed.
- Capital fund - under Schedule 3 of the Local Government (Scotland) Act 1975, certain receipts derived from the sale of property may also be used to create a capital fund "to be used for defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans".
- Renewal and repairs fund - holds monies set aside for the renewal and repair of Council property and funds for PPP school lifecycle maintenance. This fund is operated under the terms of Schedule 3 to the Local Government (Scotland) Act 1975.
- General Fund - held to mitigate financial consequences of risks and other events impacting on the Council's resources. Monies within the General Fund can be earmarked for specific purposes.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Unusable Reserves

#### Note

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 19 to 20) and Note 12.

#### Policy

The Council operates the following unusable reserves:

- Revaluation reserve - holds unrealised gains arising since 1 April 2007 from holding non-current assets.
- Capital adjustment account - provides a mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.
- Financial instruments adjustment account - provides a mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.
- Available for sale financial assets - provides a mechanism to recognise the unrealised gains and losses on the revaluation of financial assets (such as investment bonds).
- Pensions reserve - represents the net monies which the Council requires to meet its pension liability, as calculated under IAS19, Employee Benefits. The Council operates a pensions reserve fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations
- Employee statutory adjustment account - represents the net monies which the Council requires to meet its short-term compensated absences for employees under IAS19.

#### 27.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2022 £000	31 March 2021 £000
Revaluation Reserve	2,625,380	2,169,894
Capital Adjustment Account	1,419,258	1,555,092
Financial Instruments Adjustment Account	(79,850)	(82,929)
Pensions Reserve	(203,825)	(670,502)
Employee Statutory Adjustment Account	(14,225)	(16,246)
Total Council Unusable Reserves	3,746,738	2,955,309
Subsidiaries, Associates and Joint Ventures	122,071	104,724
Total Group Unusable Reserves	<u>3,868,809</u>	<u>3,060,033</u>

#### 27.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are: revalued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2021/22 £000	Re-stated 2020/21 £000
Balance at 1 April	2,169,894	1,758,446
Upward revaluation of assets	816,830	522,576
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(297,155)	(59,330)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	519,675	463,246
Difference between fair value depreciation and historical cost depreciation	(58,892)	(50,012)
Accumulated gains on assets sold written off to the capital adjustment account	(5,297)	(1,786)
Balance at 31 March	<u>2,625,380</u>	<u>2,169,894</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Unusable Reserves - continued

#### 27.3 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council to finance the costs for acquisition, construction and enhancement of non-current assets. The account also holds accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Note 11 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2021/22 £000	Re-stated 2020/21 £000
Balance at 1 April	1,555,092	1,518,318
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(314,462)	(141,768)
Amortisation and impairment of intangible assets	(114)	(148)
Capital funded from revenue	15,043	13,658
Revenue exp. funded from capital under statute	(58,593)	(51,107)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(15,397)	(20,889)
	<u>(373,523)</u>	<u>(200,254)</u>
Adjusting amounts written out of the revaluation reserve	5,297	1,786
	<u>(368,226)</u>	<u>(198,468)</u>
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	16,441	27,388
Donated assets	(586)	(1,008)
Use of capital fund for new capital expenditure	7,150	(2,000)
Capital grants and contributions credited to the CIES that have been applied to capital financing	78,943	90,401
Application of grants from the capital grants unapplied account / capital fund	3,461	148
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	68,693	69,111
Capital expenditure charged against the General Fund and HRA balances	58,593	51,107
	<u>232,695</u>	<u>235,147</u>
Movements in the market value of investment properties credited to the CIES	(318)	14
Other unrealised losses debited to the CIES	15	81
Balance at 31 March	<u><u>1,419,258</u></u>	<u><u>1,555,092</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Unusable Reserves - continued

#### 27.4 Financial Instruments Adjustment Account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund and Housing Revenue Account. This account also holds the equivalent interest rate adjustment on lender option / borrower option loans.

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(82,929)	(85,965)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	3,008	3,010
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	71	26
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	3,079	3,036
Balance at 31 March	(79,850)	(82,929)

The Council operates a loans pool on behalf of the General Fund and Housing Revenue Account. With the transfer of responsibility for Police and Fire services to the new national bodies, all movements are now reflected on the Council's Balance Sheet. An element of the cost, however, is recovered through the pooled interest rate and therefore there is no financial impact on the Council.

#### 27.5 Pensions Reserve

The pensions reserve provides a balancing mechanism arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements, however, require benefits to be financed as the Council makes its contributions to Lothian Pension Fund or pays any pensions for which it is directly responsible.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Unusable Reserves - continued

#### 27.5 Pensions Reserve - continued

The debit balance on the pension reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits require to be paid.

	<b>2021/22</b> <b>£000</b>	<b>2020/21</b> <b>£000</b>
Balance at 1 April	(670,502)	(523,535)
Actuarial gains or (losses) on pension assets and liabilities	564,499	(101,615)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(174,306)	(118,584)
Employer's pension contributions and direct payments to pensioners payable in the year	76,484	73,232
Balance at 31 March	<u>(203,825)</u>	<u>(670,502)</u>

#### 27.6 Employee Statutory Adjustment Account

The employee statutory adjustment account provides a balancing mechanism arising from the different arrangements that would otherwise impact on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year (annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balances is mitigated by transfers to or from this account.

	<b>2021/22</b> <b>£000</b>	<b>2020/21</b> <b>£000</b>
Balance at 1 April	(16,246)	(13,807)
Settlement or cancellation of accrual made at the end of the preceding year	16,246	13,807
Amount accrued at the end of the current year	<u>(14,225)</u>	<u>(16,246)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,021	(2,439)
Balance at 31 March	<u>(14,225)</u>	<u>(16,246)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Unusable Reserves - continued

#### 27.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2022 £000	31 March 2021 £000
<b>Subsidiaries</b>		
CEC Holdings Limited	57,170	56,565
Transport for Edinburgh	21,080	18,725
Edinburgh Living MMR LLP	17,808	10,737
<b>Associates and Joint Ventures</b>		
Common Good	25,033	23,509
Lothian Valuation Joint Board	980	(4,812)
<b>Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>122,071</b>	<b>104,724</b>

### 28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	676,092	676,092	646,146	646,146
General Revenue Grant	(653,272)	(653,272)	(635,771)	(635,771)
Non-Domestic Rates receipts from national pool	(188,796)	(188,796)	(238,922)	(238,922)
Other net operating cash payments / (receipts)	8,369	8,369	30,865	30,865
Net cash flows from subsidiary companies	(18,759)	0	(15,741)	0
<b>Net cash flows from operating activities</b>	<b>(176,366)</b>	<b>(157,607)</b>	<b>(213,423)</b>	<b>(197,682)</b>

### 29. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2021/22		Re-stated 2020/21	
	Group £000	Council £000	Group £000	Council £000
Interest received	(151)	(143)	(2,129)	(2,062)
Interest paid	76,242	74,201	77,565	76,267
Investment income received	0	0	(1,750)	(1,750)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

Proceeds from short-term and long-term investments	3,314	0	(24)	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets				
Recognised Capital Income	82,035	82,035	110,045	110,045
Movement in Donated Assets	(586)	(586)	(1,008)	(1,008)
	<b>84,763</b>	<b>81,449</b>	<b>109,013</b>	<b>109,037</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 29. Cash Flow Statement - Operating Activities - continued

	2021/22		Re-stated 2020/21	
	Group £000	Council £000	Group £000	Council £000
Depreciation	(242,556)	(211,498)	(210,435)	(186,335)
Impairment	(161,970)	(161,970)	(5,593)	(5,593)
Increase/(decrease) in impairment for bad debts	(1,005)	(1,278)	(14,112)	(14,392)
Increase/(decrease) in creditors	(7,658)	(26,525)	(23,313)	(17,926)
Increase/(decrease) in debtors	(4,501)	2,270	29,329	29,184
Increase/(decrease) in inventories	(3,680)	229	98	(3)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	8,116	1,045	11,247	6,499
Other non-cash items charged to the net surplus or deficit on the provision of services	(112,207)	(96,808)	(51,501)	(46,619)
	<u>(525,461)</u>	<u>(494,535)</u>	<u>(264,280)</u>	<u>(235,185)</u>

### 30. Cash Flow Statement - Investing Activities

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	417,967	381,083	346,033	324,026
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(19,006)	(16,719)	(26,835)	(25,384)
Net purchase of Short-Term and Long-Term Investments	(524)	(524)	3,763	3,763
Other payments for investing activities	4,222	4,222	(555)	(555)
Other receipts from investing activities	<u>(90,511)</u>	<u>(90,507)</u>	<u>(181,947)</u>	<u>(181,903)</u>
<b>Net cash flows from investing activities</b>	<u>312,148</u>	<u>277,555</u>	<u>140,459</u>	<u>119,947</u>

### 31. Cash Flow Statement - Financing Activities

	2021/22		Re-stated 2020/21	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(254,156)	(206,264)	(81,714)	(70,000)
Other Receipts for Financing Activities	41,597	41,597	(5,422)	(5,422)
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	35,096	11,763	23,288	9,650
Repayment of short-term and long-term borrowing	54,433	53,935	51,040	59,126
<b>Net cash flows from financing activities</b>	<u>(123,030)</u>	<u>(98,969)</u>	<u>(12,808)</u>	<u>(6,646)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Financial Support and Guarantees

#### 32.1 Loans and guarantees

The Council has made loans to the following organisations at less than market interest rates (soft loans).

	2021/22 £000	2020/21 £000
Opening Balance	60	58
New Loans	0	0
Increase in the Discounted Amount	5	5
Fair Value Adjustment	0	0
Loan Repayment	<u>(9)</u>	<u>(3)</u>
Balance Carried Forward	<u>56</u>	<u>60</u>
Nominal Value Carried Forward	<u>81</u>	<u>90</u>

Adjustments have been made under the requirements of IFRS 9 Financial Instruments, as required by the Code.

The Spartans loan relates to the lease of an area of ground lying immediately to the west of Ainslie Park Leisure Centre, Pilton Drive, Edinburgh. The original outstanding payment was £120,000, with £3,000 paid annually for ten consecutive years up to 31 March 2021 and £9,000 to be paid for ten consecutive years on or before 31 March from 31 March 2022.

#### 32.2 Guarantees

In February 2018 the Council agreed to provide a formal pension guarantee to Lothian Pension Fund on behalf of Edinburgh Leisure.

From 1 April 2018 Lothian Pension Fund introduced a new investment strategy, whereby those employers closed to new entrants but who do not meet the criteria for the Fund's low-risk strategy, would be moved to a medium risk strategy.

Edinburgh Leisure would fall into this category and the impact would be a considerable increase in contribution rates and would likely result in a significant impact on services provided by this entity.

The Council approved providing a pension guarantee which enabled Edinburgh Leisure to be moved back to a low-risk strategy, avoiding the additional financial costs.

In June 2018 the Council also approved to provide a pension guarantee to Lothian Pension Fund on behalf of Lothian Buses, to enable them to merge their existing pension fund into Lothian Pension Fund, to streamline the pension portfolio and bring associated financial efficiencies.

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Financial Support and Guarantees - continued

#### 32.3 Shared Equity Scheme / Scheme of Assistance

In 2010/11, the Council approved a shared equity scheme to help buyers purchase homes from PARC. The Council provided assistance to sixteen purchasers, at a cost of £0.484m. No further assistance has been provided since 2012/13.

The monies are required to be repaid to the Council either on sale of the property or after twenty years, whichever occurs earlier.

Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors, the balance at 31 March 2022 £0.205m.

The assisted purchase scheme was an initiative administered on behalf of the Council to allow home owners to enter into a lifetime mortgage agreement to finance repairs to their properties. Forty loans were made between 2007 and 2012, with an original loan principal value of £0.762m. These sums are included in long-term debtors, the balance at 31 March 2022 £0.735m.

The loans are repayable on sale of the property or on the death of the home owner. The amount repayable is a minimum of the original loan principal and a maximum of the original loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

In June 2018 the Council purchased the interest in a shared equity loan scheme from PARC for £0.512m. The scheme provided assistance to buyers to purchase homes from PARC and twenty two loans remain in the scheme. These sums are included in long-term debtors, the balance at 31 March 2022 £0.327m.

The loans are repayable on sale of the property or on the death of the home owner. The amount repayable is a minimum of the original loan principal and a maximum of the original loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

#### 32.4 National Housing Trust

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market. The scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs. The Council works with the Scottish Government and SFT to procure private developers to build homes for mid-market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships through the NHT initiative.

Phase 1 and 2 of NHT are now complete and have delivered 518 new homes.

Phase 1 NHT developments are now in the latter stages of their investment, and in accordance with the scheme, are now making arrangements to repay their borrowing.

The Telford NHT LLP with Miller Homes was bought over by the Council in January 2019. The Council agreed, in October 2020, to approve the sale of the homes in the Telford North LLP to LAR Housing Trust. The sale took place in May 2021.

NHT Phase 3 is to deliver up to 368 mid-market rent homes across three separate sites. The total required budget for NHT3 is £50.1m for the three projects. Fruitmarket NHT3 has completed, with investment totalling £9.153m and delivery of 80 homes. Western Harbour has also completed, with investment totalling £17.284m and 138 homes delivered. The final project under NHT Phase 3 (Shrubhill) commenced in 2018/19 and 93 homes have been delivered to date, with an investment of £14.923m. The final two phases at Shrubhill (57 homes in total) will no longer be part of the NHT Programme, as works are due to be completed outwith the approved timeframe. There will therefore be no further Council investment in NHT Phase 3.

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Financial Support and Guarantees - continued

#### 32.4 National Housing Trust - continued

The Council has advanced and had repaid the following sums through the NHT scheme:

Developer	Development Site	Phase	Total No. of Units	Advanced 2021/22 £000	Repaid 2021/22 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	60	0	(3,532)	5,059	1,527
Places for People	Lighthouse Court	1	33	0	(2,039)	3,375	1,336
Teague Homes Limited	Salamander Place / Leith Links	1	0	0	(15,551)	15,551	0
City of Edinburgh Council	Telford North	1	0	0	(10,299)	10,299	0
FP Newhaven Ltd	Sandpiper Road	2	96	0	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	0	0	9,153	9,153
Cruden Homes	Western Harbour	3	138	0	0	17,284	17,284
Places for People	Shrubhill	3	93	0	0	14,923	14,923
			<b>500</b>	<b>0</b>	<b>(31,421)</b>	<b>87,552</b>	<b>56,131</b>

These sums are included within long-term debtors, as detailed in note 20.1.

### 33. Agency Income and Expenditure

The Council has entered into agency agreements with other public bodies to provide and receive services, the income and expenditure for which is included in the Comprehensive Income and Expenditure Statement.

During the financial year the total Agency income was £157.552m (2020/21 £284.898m) and Agency Expenditure £148.607m (2020/21 £276.450m).

During the financial year the Council undertook the administration of several Covid-19 related funding streams on behalf of the Scottish Government, on an agency basis. During the year income and expenditure amounted to £88.87m (2020/21 £213.473m), grants of £112.665m were paid out, utilising funding carried forward from the prior year and funds received in year (2020/21 £188m).

The council also undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.197m (2020/21 £0.231m) was paid out to the respective lead authorities of the projects concerned, included in the totals above.

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh and Edinburgh West End. During the year income of £1.049m (2020/21 £1.071m) was collected and £0.997m (2020/21 £0.401m) paid out to BID schemes, included in the totals above.

In August 2018 the Edinburgh and South-East Scotland City Region Deal (ESES CR Deal) was signed and committed a total of £600m of funding from both the Scottish and UK Governments, over 15 years. The Council has undertaken, on an agency basis, to act as the accountable body for the management of the Deal. During the year income and expenditure amounted to £54.935m (2020/21 £58.659m).

### 34. Audit Costs

The fees payable to Azets Audit Services in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.617m (2020/21 £0.638m).

In addition, the Council paid audit fees to Azets Audit Services for the audit of CEC Recovery Limited's (formerly tie Limited) accounts. The Council paid £0.002m during 2021/22 (2020/21 £0.002m) for the audit of the 2020/21 financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 35. Grant Income

#### Policy

##### • Revenue

Revenue grants and contributions have been included in the financial statements on an accruals basis.

Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in the General Fund.

##### • Capital

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account, where expenditure has been incurred, and the unapplied capital grants account, where expenditure has not been incurred.

Where there are outstanding conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of capital grants receipts in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants received in advance and recognised as income in the Comprehensive Income and Expenditure Statement, as above.

#### Note

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2021/22		2020/21	
	£000	£000	£000	£000
<b>Credited to taxation and non-specific grant income</b>				
General revenue funding	(653,272)		(635,771)	
Non-domestic rates	(188,796)		(238,922)	
Capital grants and contributions	<u>(81,449)</u>		<u>(110,046)</u>	
		(923,517)		(984,739)
<b>Credited to services</b>				
Central Government Bodies	(277,566)		(285,120)	
Other Local Authorities	(3,325)		(3,059)	
NHS bodies	(73,701)		(75,403)	
Other entities and individuals	<u>(22,249)</u>		<u>(14,269)</u>	
		<u>(376,841)</u>		<u>(377,851)</u>
<b>Total</b>		<u><u>(1,300,358)</u></u>		<u><u>(1,362,590)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 36. Related Parties

During the year, the Council entered into a number of transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The most material of these transactions, including Outstanding Balances where normal terms and conditions apply, are shown below.

	2021/22	2021/22	2021/22	2020/21	2020/21
	Expenditure	Income	Debtor /	Net	Debtor /
	£000	£000	(Creditor)	Expenditure	(Creditor)
			£000	/ (Income)	£000
				£000	£000

#### Subsidiaries and Associates

Subsidiaries and Associates are independent bodies over which the Council is considered to have control or influence, see Note 9 (page 42) for further details. The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

CEC Holdings (incl. EDI Group, EICC)	120	(414)	2,335	(215)	5,985
Transport for Edinburgh (inc. Edinburgh Trams and Lothian Buses)	4,375	(11,595)	(377)	(21,702)	(123)
Edinburgh Living MMR	4,167	(1,057)	41,979	18,610	38,089
Edinburgh Leisure Limited	13,988	(296)	251	13,126	2,299
Capital Theatres	585	(279)	(150)	309	0
Lothian Valuation Joint Board	3,831	(347)	(1,728)	3,412	(1,695)
Common Good	0	0	(411)	0	(451)
Edinburgh Integration Joint Board	230,524	(251,748)	(83,663)	276	(27,898)

The following companies are not consolidated into the Group Accounts as, following an assessment, the companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

Capital City Partnership	5,332	(274)	3	4,436	225
CEC Recovery (formerly Tie Limited)	0	0	(1)	0	(1)
Marketing Edinburgh	57	0	0	374	0
Energy for Edinburgh	0	(16)	0	0	0
Telford NHT	0	(11)	203	(11)	17

The Council is the administering authority for the Lothian Pension Fund which is a Local Government Pension Scheme, details of the scheme, including contributions paid to the fund are shown in Note 41. LFPE Limited and LPFI Limited are corporate bodies wholly owned by the City of Edinburgh Council. Both bodies accounts are consolidated in the annual accounts of Lothian Pension Fund.

Lothian Pension Fund	5,362	0	(4,084)	5,656	(6,081)
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#### Scottish Government

The Scottish Government has control over the general operations of the Council. It outlines the statutory framework in which the Council operates, specifies the terms of various transactions that the Council has with other parties such as council tax, and provides the majority of the Council's funding through grants. Grants received from government are shown in the Note 35. Grant Income.

Scottish Government	949	(76,915)	107,273	(2,036)	40,984
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## NOTES TO THE FINANCIAL STATEMENTS

### 36. Related Parties - continued

	2021/22 Expenditure	2021/22 Income	2021/22 Debtor / (Creditor)	2020/21 Net Expenditure / (Income)	2020/21 Debtor / (Creditor)
	£000	£000	£000	£000	£000

#### Other Public Bodies

If a public body has had a related party transaction during the year, IAS 24 requires information to be disclosed about the transactions and any outstanding balances. Of the bodies sampled, the most common transactions related to loans and grants, and the rendering or receiving of services.

Business Stream	2,106	0	322	1,815	0
Criminal Justice Bodies	491	0	0	590	0
NHS Bodies	2,996	(29,467)	2,515	(27,871)	29,852
Other Local Authorities	4,612	(2,799)	298	253	93
Police Scotland	126	(1,019)	9,482	(1,019)	10,138
Scottish Police Authority	162	0	0	1,206	0
Scottish Fire and Rescue Service	65	(2)	(14)	0	(86)
Scottish Qualifications Authority	1,492	0	0	1,504	0
Scottish Water	334	(17)	71	(5)	73
Transport Scotland	0	(706)	66	(14)	635

#### Members Interest

Under the Council Code of Conduct, elected members must declare any registered interests in any bodies where the Council *itself* does not have significant influence over their operations. Each member's Register of Interest is available in the Your Councillors section of the City of Edinburgh Council website.

In 2021/22, the Council made payments totalling £29.123m to 40 bodies where members hold an interest, i.e. they held or hold a position where they have significant influence or control. Material payments (in excess of £0.250m) have been detailed below:

Bethany Christian Trust	1,257	(264)	10	979	(72)
Church of Scotland	488	(38)	0	352	0
Dean and Cauvin Charitable Trust	1,061	0	0	905	(4)
Lifecare Edinburgh	457	0	0	404	0
Port of Leith Housing	16,466	(2)	0	2,190	0
Royal Blind Asylum and School	682	0	(75)	983	0
The Citadel Youth Centre	275	0	0	294	0
University of Edinburgh	595	(307)	22	246	22

#### Other Organisations

Other related parties include bodies in which the Council has an interest in collaboration with other local authorities, but are not Associates together with bodies to which the Council provides substantial funding or in which it holds a significant interest.

Edinburgh International Festival Society	1,926	0	44	2,026	0
Edinburgh and Lothians Greenspace Trust	460	0	0	398	0
Edinburgh School Partnership	19,784	0	(44,470)	17,778	(46,894)
Edinburgh Vol. Org. Council	448	0	0	810	(62)
Handicab	370	0	112	499	248
Hubco	15,967	0	(19)	10,482	(1,635)
South East of Scotland Transport Partnership	0	(12)	601	(12)	483
SUSTRANS	11	(4,235)	3,053	(7,981)	6,212

## NOTES TO THE FINANCIAL STATEMENTS

### 36. Related Parties - continued

#### Senior Officers

Senior Officers have control over the Council's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report. In 2021/22, two senior officers, J. Kramer and R. Carr were employed by external companies, details of their salary and additional costs are listed in the Remuneration paid to Senior Officers section of the Remuneration Report

Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that may directly or indirectly influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest would opt out of taking part in any discussion or decisions relating to transactions with these parties.

### 37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

	2021/22		2020/21	
	£000	£000	£000	£000
Opening capital financing requirement		1,749,002		1,676,228
<b>Capital Investment</b>				
Property, plant and equipment	347,630		257,267	
Heritage Assets	35		672	
Assets held for sale	1,645		227	
Capital Receipts transferred to Capital Fund	0		2,000	
Capital Investment applied to debtors	23,399		19,313	
Revenue expenditure funded from capital under statute	58,593		51,107	
PPP Lease Agreements Recognised In-Year	990		1,983	
		432,292		332,569
<b>Sources of Finance</b>				
Capital receipts	(16,442)		(27,388)	
Capital Funded from Current Revenue	(15,043)		(13,658)	
Government grants and other contributions	(146,171)		(138,389)	
PPP schools -				
- under construction and lifecycle additions	(404)		(1,983)	
Loans fund / finance lease repayments	(102,997)		(78,377)	
		(281,057)		(259,795)
<b>Closing capital financing requirement</b>		<u>1,900,237</u>		<u>1,749,002</u>
<b>Explanation of movements in year</b>				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		150,245		70,650
Assets acquired under finance leases		990		2,124
<b>(Decrease) / Increase in capital financing requirement</b>		<u>151,235</u>		<u>72,774</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 38. Leases

#### 38.1 Assets Leased in - Finance Leases

##### Policy

Finance leases, which have substantially transferred to the authority the benefits and risks of ownership of a non-current asset, are treated as if the asset had been purchased outright.

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors.

The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue on a straight line basis over the terms of the lease.

##### Note

The Council has acquired a waste treatment facility and its IT equipment under finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet.

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd have adopted the accounting standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is going to adopt IFRS 16 from 1 April 2022, therefore consolidation adjustments have been made to the finance lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	33,612	8,240	37,906	9,986
Additions during the year	24,943	63	141	141
Depreciation charge for the year	(6,542)	(1,945)	(4,435)	(1,887)
Value at 31 March	52,013	6,358	33,612	8,240
Vehicles, plant, equipment and furniture	52,013	6,358	33,612	8,240
Value at 31 March	52,013	6,358	33,612	8,240
<b>Analysed by:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Current	12,842	1,569	11,997	1,937
Non-Current	23,434	4,789	13,535	6,303
Finance costs payable in future years	1,634	599	1,390	774
	37,910	6,957	26,922	9,014
<b>Finance Lease Liabilities</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	13,368	1,696	12,525	2,117
Between 2 and 5 years	21,681	2,400	11,050	3,550
Over 5 years	2,861	2,861	3,347	3,347
Total liabilities	37,910	6,957	26,922	9,014

#### 38.2 Assets Leased in - Operating Leases

##### Policy

Leases that do not meet the definition of a finance lease are accounted for as operating leases.

Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight line basis over the life of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Leases - continued

#### 38.2 Assets Leased in - Operating Leases - continued

##### Note

The Group subsidiaries Edinburgh Trams Ltd and CEC Holdings Ltd adopted the accounting standard IFRS 16 - Finance Leases, from 1 January 2019, in accordance with company accounting standards. The Council is not adopting IFRS 16 until 1 April 2022, therefore consolidation adjustments have been made to the operating lease disclosures to adjust for right of use assets and related lease liabilities in connection with all former operating leases.

The Group leases in property, vehicles and copying equipment. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

Under these operating leases, the Group and Council is committed to paying the following sums:

	2021/22		2020/21	
	Group £000	Council £000	Group £000	Council £000
<b>Future Repayment Period</b>				
Not later than one year	10,571	1,316	10,072	845
Later than one year and not later than five years	39,868	3,262	38,372	1,590
Later than five years	28,368	851	62,963	915
	<b>78,807</b>	<b>5,429</b>	<b>111,407</b>	<b>3,350</b>
<b>Value at 31 March</b>				
Other land and buildings	12,934	2,962	13,460	2,919
Vehicles, plant, equipment and furniture	65,873	2,467	97,947	431
	<b>78,807</b>	<b>5,429</b>	<b>111,407</b>	<b>3,350</b>
<b>Recognised as an expense during the year</b>	<b>9,094</b>	<b>1,259</b>	<b>10,576</b>	<b>1,313</b>

#### 38.3 Assets Leased Out by the Council - Operating Leases

##### Policy

Rental income received under operating leases is credited to the relevant service in accordance with the terms specified in the lease agreement.

##### Note

The Council leases out property, equipment and infrastructure under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's-length companies for the provision of services such as sport and leisure and theatres.
- an operating lease arrangement with Edinburgh Trams for the lease of the tram infrastructure.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2021/22 £000	2020/21 £000
Not later than one year	21,043	21,133
Later than one year and not later than five years	72,312	74,149
Later than five years	319,292	324,515
Total liabilities	<b>412,648</b>	<b>419,797</b>

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

## NOTES TO THE FINANCIAL STATEMENTS

### 39. Public Private Partnerships and Similar Contracts

#### 39.1 PPP, Finance Lease and Other Liabilities

	Note	2021/22		2020/21	
		Group £000	Council £000	Group £000	Council £000
<b>Short Term Creditors</b>					
PPP Residual Waste	39.2	2,607	2,607	2,606	2,606
PPP Education	39.3	8,772	8,772	9,318	9,318
Finance Leases	38.1	12,842	1,569	11,997	1,937
		<u>24,221</u>	<u>12,948</u>	<u>23,921</u>	<u>13,861</u>
<b>Other Long-Term Liabilities</b>					
PPP Residual Waste	39.2	23,673	23,673	23,987	23,987
PPP Residual Waste Donated Asset	39.2	50,452	50,452	52,745	52,745
PPP Education	39.3	197,615	197,615	203,597	203,597
PPP Queensferry High School - Phase 2		0	0	1,983	1,983
Finance Leases	38.1	23,434	4,789	13,535	6,303
Group other liabilities		532	0	2,020	0
		<u>295,706</u>	<u>276,529</u>	<u>297,867</u>	<u>288,615</u>

#### 39.2 PPP - Residual Waste

In 2016, the Council entered into a twenty five year contract with FCC to supply residual waste treatment at Millerhill. The contract is a joint arrangement between the Council and Midlothian Council on an 80:20 split respectively. This contract became operational in April 2019. The Council's 80% share of the facility value is included in the Fixed Assets on the balance sheet.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000	Donated Asset £000
Payable in 2022/23	4,242	314	3,690	8,245	2,293
Within two to five years	18,389	1,271	14,288	33,948	9,173
Within six to ten years	25,960	2,168	16,673	44,802	11,466
Within eleven to fifteen years	28,774	4,795	14,184	47,753	11,466
Within sixteen to twenty years	32,799	9,150	9,144	51,093	11,466
Within twenty one to twenty five years	14,952	6,288	1,296	22,536	6,881
	<u>125,116</u>	<u>23,986</u>	<u>59,275</u>	<u>208,377</u>	<u>52,745</u>

Payments due under the scheme have been inflated by 1.06% per annum, reflecting the terms of the contracts.

## NOTES TO THE FINANCIAL STATEMENTS

### 39. Public Private Partnerships and Similar Contracts - continued

#### 39.3 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to an agreed standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with an agreed major maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespie's High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. The concession is due to terminate in July 2041.

In June 2018, the Council entered in to an agreement with QHS DBFMCO Ltd for the provision of a new building for Queensferry High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with QHS DBFMCO Ltd. The concession is due to terminate in March 2045.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	<b>Payment for Services £000</b>	<b>Reimburse. of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2022/23	24,304	8,772	19,014	52,090
Payable within two to five years	111,527	38,235	72,063	221,825
Payable within six to ten years	156,526	60,174	78,406	295,106
Payable within eleven to fifteen years	119,554	59,811	55,024	234,389
Payable within sixteen to twenty years	36,893	31,113	15,444	83,450
Payable within twenty one to twenty five years	2,074	8,282	1,833	12,189
	<u>450,878</u>	<u>206,387</u>	<u>241,784</u>	<u>899,049</u>

The payments for service disclosed have had uplifts applied to reflect the current inflationary position and estimated potential future impacts, subject to the terms of the separate contracts, as set out below.

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 onwards</b>
Payable				
PPP1	4.59%	5.86%	1.65%	1.11%
PPP2	5.86%	7.88%	2.21%	1.67%
James Gillespie's High School	8.18%	11.80%	3.30%	2.50%
Queensferry High School	8.18%	11.80%	3.30%	2.50%

The amounts disclosed as reimbursement of capital expenditure are included in creditors and other long-term liabilities on the Balance Sheet. These are not subject to the above inflationary uplifts.

The unitary charges paid to the service providers include amounts to compensate them for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Balance at 1 April	212,915	187,859
PPP unitary charge restatement adjustment	4	0
Additions during the year	2,973	34,594
Repayments during the year	<u>(9,505)</u>	<u>(9,538)</u>
Balance at 31 March	<u>206,387</u>	<u>212,915</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 39. Public Private Partnerships and Similar Contracts - continued

#### 39.4 Provision of Information Technology services

In 2015 the Council entered into a seven year contract with CGI for the provision of information technology services. This contract became operational on 1 April 2016. A six year contract extension was approved to 31 March 2029.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift). These sums exclude amounts disclosed under finance leases for ICT asset additions.

Future Repayment Period	£000	Inflationary Uplift
2022/23	23,489	2.5%
2023/24 - 2028/29	<u>138,283</u>	2.5%
	<u><u>161,772</u></u>	

#### 39.5 Provision of Parking Enforcement

The Council entered into a five year contract with NSL for the provision of parking enforcement on 1 October 2014 which ended on 30 September 2019. There was a five year extension clause which has been approved with the contract extended to 30 September 2024.

The Council is committed to paying the following sums in cash terms (renegotiated annually):

Future Repayment Period	£000
2022/23	7,165
2023/24 - 2024/25	<u>10,748</u>
	<u><u>17,913</u></u>

#### 39.6 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £35.232m.

### 40. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2021/22		2020/21	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	37,327		36,657	
As a percentage of teachers' pensionable pay		23.00		23.00
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards	13,086		15,012	

At 31 March 2022, creditors include £4.408m (2020/21 £4.292m) in respect of teachers' superannuation.

### 41. Defined Pension Schemes

#### 41.1 Participation in Pension Scheme

The Council is operating as an administering authority for the Local Government Pension Scheme.

The Council also makes contributions towards the cost of its own employees' post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Defined Pension Schemes - continued

#### 41.1 Participation in Pension Scheme - continued

In terms of this scheme, in 2021/22 the Council paid an employer's contribution of £69.915m (2020/21 £66.934m) into the Lothian Pension Fund, representing 22.7% (2020/21 22.7%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the valuations as at March 2020, at which point the funding level (i.e. the percentage of assets to past service liabilities) was 106%.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

#### 41.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

	2021/22		2020/21	
Comprehensive Income and Expenditure Statement	£000	£000	£000	£000
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	158,312		103,848	
Past service costs	1,762		2,326	
		160,074		106,174
<i>Financing and investment income:</i>				
Net interest expense		14,232		12,410
<b>Total post employee benefit charged to the surplus on the provision of services</b>		174,306		118,584
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(287,525)		(399,005)	
Actuarial (gains) and losses arising on changes in financial assumptions	(258,742)		712,967	
Actuarial (gains) and losses arising on changes in demographic assumptions	(23,887)		(167,174)	
Other experience	5,655		(45,173)	
		(564,499)		101,615
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		(390,193)		220,199
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		(174,306)		(118,584)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		71,514		68,031
Contributions in respect of unfunded benefits		4,970		5,201
		76,484		73,232

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Defined Pension Schemes - continued

#### 41.3 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Fair value of employer assets	3,599,772	3,250,790
Present value of funded liabilities	(3,742,162)	(3,853,353)
Present value of unfunded liabilities	<u>(61,435)</u>	<u>(67,939)</u>
Net liability arising from defined benefit obligation	<u><u>(203,825)</u></u>	<u><u>(670,502)</u></u>

#### 41.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of scheme assets	3,250,790	2,843,437
Effect of settlements	0	0
Interest income	64,936	65,250
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	287,525	399,005
Contributions from employer	71,514	68,031
Contributions from employees into the scheme	18,965	18,249
Contributions in respect of unfunded benefits	4,970	5,201
Other Experience	0	(47,851)
Benefits paid	(93,958)	(95,331)
Unfunded benefits paid	<u>(4,970)</u>	<u>(5,201)</u>
Closing fair value of scheme assets	<u><u>3,599,772</u></u>	<u><u>3,250,790</u></u>

#### Reconciliation of Present Value of the Scheme Liabilities

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Present value of funded liabilities	(3,853,353)	(3,296,740)
Present value of unfunded liabilities	<u>(67,939)</u>	<u>(70,232)</u>
Opening balance at 1 April	(3,921,292)	(3,366,972)
Current service cost	(158,312)	(103,848)
Interest cost	(79,168)	(77,660)
Contributions from employees into the scheme	(18,965)	(18,249)
Re-measurement gain / (loss):		
Change in financial assumptions	258,742	(712,967)
Change in demographic assumptions	23,887	167,174
Other experience	(5,655)	93,024
Past service (cost) / gain	(1,762)	(2,326)
Benefits paid	93,958	95,331
Unfunded benefits paid	<u>4,970</u>	<u>5,201</u>
Closing balance at 31 March	<u><u>(3,803,597)</u></u>	<u><u>(3,921,292)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Defined Pension Schemes - continued

#### 41.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2021/22 £000	%	2020/21 £000	%
Consumer *	442,853	12	406,173	12
Manufacturing *	476,415	13	474,653	15
Energy and Utilities *	198,727	6	175,030	5
Financial Institutions *	207,470	6	221,518	7
Health and Care *	249,356	7	221,555	7
Information technology *	163,572	5	155,331	5
Other *	<u>268,374</u>	7	<u>260,975</u>	8
Sub-total Equity Securities	<u>2,006,767</u>		<u>1,915,234</u>	
Debt Securities:				
UK Government *	314,362	9	196,096	6
Corporate Bonds (investment grade) *	0	0	0	0
Corporate Bonds (investment grade)	0	0	1,767	0
Other	<u>67,519</u>	2	<u>0</u>	0
Sub-total Debt Securities	<u>381,881</u>		<u>197,863</u>	
Private Equity				
All *	377	0	0	0
All	<u>16,549</u>	0	<u>509,731</u>	16
Sub-total Private Equity	<u>16,926</u>		<u>509,731</u>	
Real Estate:				
UK Property *	33,516	1	0	0
UK Property	156,784	4	169,910	5
Overseas Property	<u>1,014</u>	0	<u>1,218</u>	0
Sub-total Real Estate	<u>191,314</u>		<u>171,127</u>	
Investment Funds and Unit Trusts:				
Equities *	61,879	2	46,753	2
Equities	2,781	0	0	0
Bonds *	67,648	2	72,141	2
Bonds	100,921	3	0	0
Infrastructure	<u>364,980</u>	10	<u>2,608</u>	0
Sub-total Investment Funds and Unit Trusts	<u>598,209</u>		<u>121,502</u>	
Derivatives:				
Foreign Exchange *	171	0	(346)	0
Sub-total Derivatives	<u>171</u>		<u>(346)</u>	
Cash and Cash Equivalents				
All *	<u>404,503</u>	11	<u>335,679</u>	10
Sub-total Cash and Cash Equivalents	<u>404,503</u>		<u>335,679</u>	
Total Fair Value of Employer Assets	<u>3,599,772</u>	<u>100</u>	<u>3,250,790</u>	<u>100</u>

***Scheme assets marked with an asterisk (\*) have quoted prices in active markets.***



## NOTES TO THE FINANCIAL STATEMENTS

### 41. Defined Pension Schemes - continued

#### 41.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2022 were those from the beginning of the year (i.e. 31 March 2021) and have not been changed during the year. The main assumptions in the calculations are:

#### Investment returns

Actual return for period from 31 March 2021 to 31 March 2022	(10.80%)
Total return for period from 1 April 2021 to 31 March 2022	(10.80%)

#### Average future life expectancies at age 65:

	<b>31.03.22</b>	<b>31.03.21</b>
Current pensioners	male 20.3 years	20.5 years
Current pensioners	female 23.1 years	23.3 years
Future pensioners	male 21.6 years	21.9 years
Future pensioners	female 25.0 years	25.2 years
Period ended	<b>31.03.22</b>	<b>31.03.21</b>
Pension increase rate	3.20%	2.85%
Salary Increase rate	3.70%	3.35%
Discount rate	2.70%	2.00%

As at the date of the most recent valuation, the duration of the Employer's funded obligations is 19 years.

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2022 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2022	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	70,538
1 year increase in member life expectancy	4%	151,801
0.1% increase in the Salary Increase Rate	0%	6,812
0.1% increase in the Pension Increase Rate	2%	63,186

#### 41.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council agreed a contribution stability mechanism with the scheme's actuary until 31 March 2024. The rate was increased by 1.1% from 1 April 2021 and thereafter, for the remainder of the actuarial valuation period, rates will remain fixed.

#### 41.8 Information about the defined benefit obligation

	<b>£000</b>	<b>%</b>
Active members	1,777,085	47.6%
Deferred members	554,883	14.9%
Pensioner members	1,403,465	37.6%
Total	3,735,433	100.0%

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Defined Pension Schemes - continued

#### 41.8 Information about the defined benefit obligation - continued

The figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation of 31 March 2020.

The unfunded pensioner liability at 31 March 2022 comprises approximately £46.507m (2020/21 £52.927m) in respect of LGPS unfunded pensions and £13.086m (2020/21 £15.012m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2022, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

#### 41.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Lothian Valuation Joint Board are included in unusable reserves. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below;

	2021/22 Pension Reserve £000	2020/21 Pension Reserve £000
<b>Unusable Reserves</b>		
Council	(203,825)	(670,502)
Lothian Valuation Joint Board	(867)	(4,934)
	<u>(204,692)</u>	<u>(675,436)</u>
	<b>2021/22 £000</b>	<b>2020/21 £000</b>
<b>Usable Reserves</b>		
Edinburgh Leisure	(2,172)	(2,172)
Transport for Edinburgh Ltd	88,072	23,743
	<u>85,900</u>	<u>21,571</u>
<b>Net Pension Reserves</b>	<u>(118,792)</u>	<u>(653,865)</u>

#### 41.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2023

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(140,732)	(140,732)	(45.7%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(140,732)	(140,732)	(45.7%)
Interest income on plan assets	97,082	0	97,082	31.5%
Interest cost on defined benefit obligation	0	(103,466)	(103,466)	(33.6%)
Total Net Interest Cost	97,082	(103,466)	(6,384)	(2.1%)
Total included in Profit or Loss	<u>97,082</u>	<u>(244,198)</u>	<u>(147,116)</u>	<u>(47.8%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2022/23 is £69.916m.

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Defined Pension Schemes - continued

#### 41.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £1.598m, including accrued payments (2020/21 £1.194m).

#### 41.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Chief Executive Officer, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX.

### 42. Financial Instruments

#### Policy

#### Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- lease payables detailed in note 38,
- PPP contracts detailed in note 39, and
- trade payables for goods and services received.

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows comprising:

- cash in hand,
- current, call and notice accounts with banks
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- certificates of deposit and covered bonds issued by banks and building societies,
- treasury bills and gilts issued by the UK Government,
- trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- money market funds

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

## NOTES TO THE FINANCIAL STATEMENTS

### 42. Financial Instruments - continued

#### 42.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet:

	2021/22		Re-stated 2020/21	
	Long-Term £000	Current £000	Long-Term £000	Current £000
<b>Assets</b>				
At amortised cost				
- Bank Call Accounts (Note 21)	0	56,129	0	112,212
- Local Authority Loans - S-T (Note 22.2)	0	10,654	0	31,571
- Local Authority Loans - S-T (Note 21)	0	24,777	0	75,169
- Sovereign / Supranational debt	0	143,887	0	0
		<u>235,447</u>		<u>218,952</u>
At fair value through profit and loss				
- Money Market Funds	0	39,633	0	85,691
		<u>39,633</u>		<u>85,691</u>
Total Financial Instruments - Assets	0	275,080	0	304,643
The Investment total does not include £21.1m (2020/21 £21.1m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.				
<b>Debtors</b>				
At amortised cost	143,258	170,963	181,940	85,677
Total debtors	<u>143,258</u>	<u>170,963</u>	<u>181,940</u>	<u>85,677</u>
<b>Borrowings</b>				
- Public Works Loans Board	(1,152,648)	(64,538)	(1,000,544)	(62,672)
- Salix	(221)	(233)	(454)	(268)
- Market debt	(300,163)	(5,682)	(302,007)	(5,648)
Total borrowings	<u>(1,453,032)</u>	<u>(70,453)</u>	<u>(1,303,005)</u>	<u>(68,588)</u>
<b>Other Liabilities</b>				
Financial liabilities at amortised cost	0	(40,113)	0	(19,217)
PPP and finance lease liabilities	(226,077)	(10,655)	(235,870)	(11,568)
PPP and finance lease liabilities (donated assets)	(50,452)	(2,293)	(52,745)	(2,293)
Deferred liability	(62,144)	0	(39,964)	0
Total other long-term liabilities	<u>(338,673)</u>	<u>(53,061)</u>	<u>(328,579)</u>	<u>(33,078)</u>

In August 2018, the Council undertook a fixed rate forward starting loan transaction. The Council drew down a £60m loan in October 2020 repayable over 25 years on a semi annual annuity basis.

Lothian Regional Council entered into an agreement for the disposal of Norton Park Annex to the Tudor Trust. The terms of the disposal included the creation of a Title Company with share capital of 100 ordinary shares, held by the Tudor Trust, and 350,000 £1 preference shares held by City of Edinburgh Council. The preference shares carry rights that, in the event of the company being wound up or the property sold, the Council will receive the first £0.35m of the sale proceeds. This is included in the Balance Sheet as a 'Deferred Liability' of £0.35m, and as a long-term investment.

## NOTES TO THE FINANCIAL STATEMENTS

### 42. Financial Instruments - continued

#### 42.1 Categories of Financial Instruments - continued

Other deferred liabilities relate to income received in advance, which is required to be put on interest bearing deposit.

Further detail on the finance lease and PPP liabilities can be seen in notes 38 and 39.

#### 42.2 Income, Expenses, Gains and Losses

	<b>Financial Liabilities: Measured at Amortised Cost £000</b>	<b>Financial Assets: Measured at Amortised Cost £000</b>	<b>Fair Value through Profit / Loss £000</b>	<b>Total £000</b>
Interest expense	58,478	0	0	58,478
Interest on leases	18,277	0	0	18,277
Total expense in Surplus on the Provision of Services	76,755	0	0	76,755
Interest income	0	(312)	(23)	(335)
Total Interest and investment income	0	(312)	(23)	(335)
Net (gain) / loss for the year	76,755	(312)	(23)	76,420

In addition to the above interest expense, £3.008m (2020/21 £3.008m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.193m (2020/21 £0.118m) of loans fund expenses charged to the Council.

Dividend income of £nil (2020/21 £1.75m) was received from a subsidiary council company.

#### 42.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans, including PWLB loans, borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans has been increased by the value of the embedded options.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

## NOTES TO THE FINANCIAL STATEMENTS

### 42. Financial Instruments - continued

#### 42.3 Fair Value of Assets and Liabilities - continued

- The fair value of soft loan assets has been calculated using the cash flows implied by the appropriate market interest rate which has been deemed to be the appropriate PWLB rate plus a credit spread of between 2% and 5% depending on the party to whom the advance has been made.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values are calculated as follows:

	Fair Value Level	2021/22		2020/21		
		Principal Outstanding £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,205,738)	(1,217,186)	(1,313,405)	(1,063,216)	(1,345,200)
Salix	2	(463)	(454)	(452)	(722)	(736)
Market debt	2	(293,173)	(305,845)	(448,848)	(307,655)	(513,134)
Borrowings		(1,499,374)	(1,523,485)	(1,762,704)	(1,371,593)	(1,859,070)
Other long-term liabilities	n/a	(62,144)	(62,144)	(62,144)	(62,144)	(62,144)
Trade creditors	n/a	(40,113)	(40,113)	(40,113)	(40,113)	(19,218)
PPP and Finance Leases	3	(289,477)	(289,477)	(337,807)	(302,476)	(391,022)
Financial liabilities		<u>(1,891,108)</u>	<u>(1,915,219)</u>	<u>(2,202,768)</u>	<u>(1,776,326)</u>	<u>(2,331,454)</u>

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

	Fair Value Level	2021/22		2020/21	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Investments held at Fair Value through Profit and Loss</b>					
Money Market Funds	1	39,633	39,633	85,691	85,691
		<u>39,633</u>	<u>39,633</u>	<u>85,691</u>	<u>85,691</u>
<b>Investment held at Amortised Cost</b>					
Bank Call Accounts	n/a	56,129	56,132	112,212	112,211
Local Authority Loans	2	35,431	35,391	106,740	106,749
Sovereign / Supranational debt	1 / 2	143,886	144,096	0	0
		<u>235,446</u>	<u>235,619</u>	<u>218,952</u>	<u>218,960</u>
<b>Debtors</b>					
Loan Stock	n/a	2,240	2,240	2,240	2,240
Soft Loans	3	53	53	58	58
Other trade debtors	n/a	170,963	170,963	85,677	85,677
		<u>173,256</u>	<u>173,256</u>	<u>87,975</u>	<u>87,975</u>
<b>Total Investments</b>		<u>448,335</u>	<u>448,508</u>	<u>392,618</u>	<u>392,626</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 42. Financial Instruments - continued

#### 42.4 Financial Assets classified as Fair Value through Profit and Loss

	Fair Value Level	2021/22		2020/21	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Investments held at Fair Value through Profit and Loss</b>					
Money Market Funds	1	39,633	39,633	85,691	85,691
		<u>39,633</u>	<u>39,633</u>	<u>85,691</u>	<u>85,691</u>

There was no unrealised gain on the available for sale financial assets (2020/21 £nil).

### 43. Nature and Extent of Risks Arising from Financial Instruments

#### 43.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 17 March 2022 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2022/23 has been set at £2.226bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2022/23 has been set at £2.216bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

#### 43.2 Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 43.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills, short dated UK Government Gilts and short dated EIB and other commercial Paper. At 31 March 2022, the Council had £75.5m in short term investments, split between loans to other local authorities, UK Treasury Bills, UK Gilts and EIB Commercial Paper. Of the net Cash and Cash Equivalents, 12.5% were loans to other local authorities, a further 20.0% was held in three AAA rated Money Market Funds, 39.1% was with the UK Government, leaving 28.3% with banks. All of the monies held on deposit with banks at 31 March 2022 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2022 was £275.0m (31 March 2021: £261.3m). This was held with the following institutions:

	Standard and Poor's Rating	Principal Outstanding 31.03.22 £000	Carry Value 31.03.22 £000	Fair Value 31.03.22 £000	Carry Value 31.03.21 £000
<b>Summary</b>					
Money Market Funds					
Deutsche Bank AG, London	AAAm	10,267	10,274	10,274	39,523
Goldman Sachs	AAAm	7,184	7,187	7,187	3
Standard Life	AAAm	22,168	22,172	22,172	2,870
Bank Call Accounts					
Bank of Scotland	A	27,407	27,416	27,416	30,576
Royal Bank of Scotland	A	1,244	1,244	1,244	23,473
Santander UK	A	27	27	27	30,581
Barclays Bank	A	14	14	14	16
Handelsbanken	AA-	16	16	16	0
HSBC Bank Plc 31 dn	A+	24,322	24,327	24,330	27,561
HSBC Bank Plc	A+	3,084	3,085	3,085	5
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	35,410	35,431	35,391	106,740
Supranational CP	AAA	21,146	21,153	21,302	0
DMADF	AAu	56,145	56,148	56,148	0
UK Government Treasury Bills/Gilts	AAu	66,539	66,586	66,645	0
<b>Total</b>		<b>274,973</b>	<b>275,080</b>	<b>275,251</b>	<b>261,348</b>

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2022 would have been 'AA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £56.13m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. There was no evidence at 31 March 2022 that this risk was likely to crystallise.



## NOTES TO THE FINANCIAL STATEMENTS

### 43. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 43.3 Credit Risk - continued

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2022 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2022 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2022. This is available on request from [corporate.finance2@edinburgh.gov.uk](mailto:corporate.finance2@edinburgh.gov.uk), marked for the attention of Treasury.

All Council invoices become due for payment on issue. Excluding pre-payments of £2.062m (2020/21 £4.088m), trade debtors past due date can be analysed by age as follows:

	<b>2021/22</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Less than two months	15,135	20,330
Two to four months	1,334	3,498
Four to six months	1,268	2,360
Six months to one year	4,654	5,164
More than one year	8,584	9,919
Total	<u>30,975</u>	<u>41,270</u>

Collateral – During the reporting period the Council held no collateral as security.

#### Credit Risk: Trade Debtors

Loss allowances on debtors have been calculated by reference to the Council's historic experience of default. The Council will continue to take appropriate and proportionate action to recover what is due even where the related debts are written off for the purposes of the financial statements.

Debtors are collectively assessed for credit risk in the following groups:

<b>31.03.22</b>			
		<b>Gross</b>	<b>Loss</b>
	<b>Range</b>	<b>Receivable</b>	<b>Allowance</b>
Council Tax	3.5% - 100%	222,929	(205,532)
Non Domestic Rates	1% - 100%	5,195	(4,596)
HRA tenants and other debtors	5% - 95%	12,215	(10,779)
Housing Benefits	75% - 85%	28,085	(23,191)
Trade and Other Debtors	10% - 100%	54,291	(10,461)
Total		<u>322,715</u>	<u>(254,559)</u>

#### 43.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs.

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 43.4 Liquidity risk - continued

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to achieve a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

#### 43.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 43.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. With the margin on new borrowing rates and a separate rate for the premature repayment of loans, it is unlikely that there will be much scope for any substantial rescheduling of PWLB debt. However the Council is in on-going discussion with institutions over the potential to restructure some of the Council's market debt.

The maturity analysis of the principal outstanding on the Council's debt is as follows:

	2021/22	2020/21
	£000	£000
Less than one year	(68,048)	(66,726)
Between one and two years	(56,764)	(65,057)
Between two and five years	(226,989)	(191,282)
Between five and ten years	(216,668)	(236,341)
More than ten years	<u>(1,220,381)</u>	<u>(1,090,115)</u>
Financial Liabilities	<u>(1,788,850)</u>	<u>(1,649,521)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £40.113m (2020/21 £19.008m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £15.358m (2020/21 £15.733m) nor net equivalent interest rate (EIR) adjustments of £8.763m (2020/21 £8.834m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investment which the Council has with a maturity of greater than one year is £2.24m in EDI loan stock.

#### 43.6 Market risk

##### Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

# NOTES TO THE FINANCIAL STATEMENTS

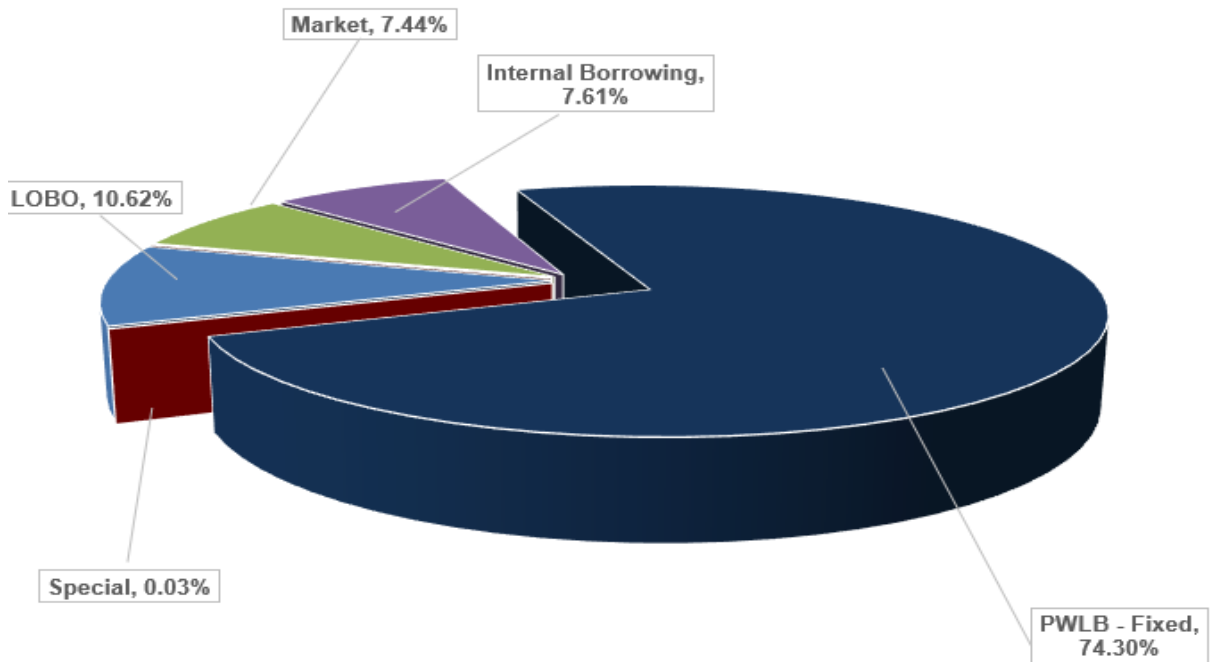
## 43. Nature and Extent of Risks Arising from Financial Instruments - continued

### 43.6 Market risk - continued

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. The Council has run such a strategy over the last three years, borrowing £500m in fixed rate loans at historically low interest rates.

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the recent PWLB borrowing was variable rate.



Sources of Borrowing 2021/22

## NOTES TO THE FINANCIAL STATEMENTS

### 43. Nature and Extent of Risks Arising from Financial Instruments - continued

#### 43.6 Market risk - continued

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	(1,932)
Impact on Comprehensive Income and Expenditure Statement	(1,932)
Decrease in fair value of fixed rate borrowings liabilities	(239,143)

#### Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £21.105m (2020/21 £21.105m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

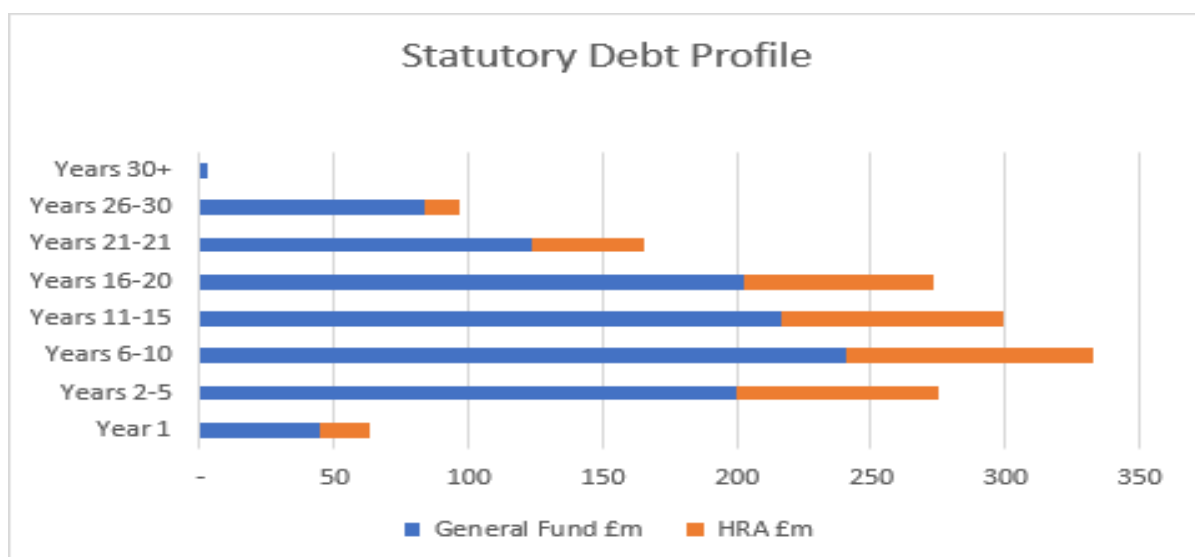
#### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

#### 43.7 Repayment Profile

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management.

The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. As part of the 2020/21 budget process the Council received a report on the review carried out on the loans fund. The report recommended changes in the method of calculating loans fund repayments for current and historical capital advances. Those changes mean that the repayments for both historical and new capital advances (with the exception of those detailed below) will be calculated using the Asset Life method. For capital advances relating to loans to the Edinburgh Living LLPs and capital advances for the "Trams to Newhaven" project, all advances from the loans fund in the current year have a repayment profile set out using the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments. The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case. The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend.



## NOTES TO THE FINANCIAL STATEMENTS

### 44. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last few years, the Council has rationalised the number of charitable trusts down from over a hundred to six, with approval also granted to wind up the Boyd Anderson Trust.

#### 44.1 The funds are:

Scottish Registered Charities	Scottish Charity Registration Number	Market Value 31.03.22 £000	Market Value 31.03.21 £000
	Lauriston Castle	SC020737	7,677
Jean F. Watson	SC018971	6,753	6,641
Edinburgh Education Trust	SC042754	1,284	1,191
Nelson Halls	SC018946	286	271
The Royal Scots Trust	SC018945	35	33
Boyd Anderson	SC025067	92	96
Total market value		<u>16,127</u>	<u>15,905</u>

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

#### 44.2 Financial Position of the Scottish Registered Charity Funds

2020/21 Income and Expenditure Account £000		2021/22 £000
<b>Income</b>		
71	Investment income	71
295	Other non-investment income	356
<u>366</u>		<u>427</u>
<b>Expenditure</b>		
(306)	Prizes, awards and other expenses	(352)
(16)	Governance Costs	(17)
<u>(322)</u>		<u>(369)</u>
<u>44</u>	Surplus / (Deficit) for the year	<u>58</u>
<b>2020/21 Balance Sheet £000</b>		<b>2021/22 £000</b>
<b>Long-Term Assets</b>		
2,505	Investments	2,668
5,383	Artworks - Jean F Watson Trust	5,419
7,645	Heritable property	7,645
<u>15,533</u>	<b>Total Long-Term Assets</b>	<u>15,732</u>
<b>Current Assets</b>		
387	Cash and bank	404
15	Debtors	16
<u>402</u>		<u>420</u>
<b>Current Liabilities</b>		
(30)	Creditors	(26)
<u>(30)</u>		<u>(26)</u>
<u>15,905</u>	<b>Total Assets less Liabilities</b>	<u>16,126</u>
<b>Funds</b>		
3,497	Capital at 1 April	3,903
44	Surplus / (Deficit) for the year	58
361	Unrealised gains on investments	163
0	Unrealised losses on investments	0
<u>3,903</u>		<u>4,124</u>
12,002	Revaluation reserve	12,002
<u>15,905</u>	<b>Funds at 31 March</b>	<u>16,126</u>

Separate Trustee's Reports and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained on the [Council's website](#).

## NOTES TO THE FINANCIAL STATEMENTS

### 45. Prior Period Adjustment

#### Council - Property, Plant and Equipment - Festival Theatre

A prior year adjustment has been included in the Council accounts to reflect the change in valuation methodology applied to the Festival Theatre, to bring it into alignment with the other properties in this category.

#### Council - Property, Plant and Equipment

A prior year adjustment has been made to the disclosure of two areas of land which were classified as Assets Under Construction, where one was assessed as having nil value and has been fully impaired and the other was included in the value of a fully operational asset and the duplicate value has been written out.

#### Council - Cash Flow

A prior year adjustment has been made to the Cash Flow disclosures for presentational adjustments to reflect non-cash items that had been included in financing activities.

	2020/21 Statements £000	Festival Theatre £000	Asset Under Construction £000	Presentation £000	2020/21 Re-stated £000
<b>Council Movement in Reserves Statement</b>					
General Fund Balance	72,059	0	(9,199)	0	62,860
Total Comprehensive Income and Expenditure	389,749	52,697	(9,199)	0	433,247
Net increase / (decrease) before transfers to statutory reserves	389,749	52,697	(9,199)	0	433,247
Increase / (decrease) in year	389,749	52,697	(9,199)	0	433,247
<b>Balance at 31 March 2021</b>	<b>3,271,687</b>	<b>52,697</b>	<b>(9,199)</b>	<b>0</b>	<b>3,315,184</b>
<b>Council Comprehensive Income and Expenditure Statement</b>					
Cost of Service	1,108,651	0	9,199	0	1,117,850
(Surplus) / Deficit on provision of service	(80,733)	0	9,199	0	(71,534)
Total Comprehensive Income	(389,750)	(52,697)	9,199	0	(433,247)
<b>Council Balance Sheet</b>					
Property, Plant and Equipment	5,221,797	52,697	(9,199)	0	5,265,294
Net Assets	3,271,687	52,697	(9,199)	0	3,315,184
Unusable Reserves	2,911,812	52,697	(9,199)	0	2,955,309
Total Reserves	3,271,687	52,697	(9,199)	0	3,315,184
<b>Council Cash Flow Statement</b>					
(Surplus) / Deficit on the Provision of Services	(80,733)	0	9,199	0	(71,534)
Adjustments to (Surplus) / Deficit on the Provision of Services for non-cash movements	(214,543)	0	(9,199)	(11,443)	(235,185)
Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	97,594	0	0	11,443	109,037

## NOTES TO THE FINANCIAL STATEMENTS

### 45. Prior Period Adjustment - continued

#### Edinburgh Living MMR LLP - Grant Income

Government grants for acquisition of properties are accounted for on a deferred income basis, which is not aligned to the Council's income recognition policy. The relevant balances in Edinburgh Living's accounts have been adjusted for the prior year on consolidation

#### CEC Holdings Ltd

A prior year adjustment has been included in the Group accounts to reflect a revised assessment of the CEC Holdings Ltd investments consolidation entries.

	2020/21 Statements £000	Council Adj £000	Edinburgh Living MMR £000	CEC Holdings £000	2020/21 Re-stated £000
<b>Group Movement in Reserves Statement</b>					
Balance at 31 March 2020	203,643	0	2,881	(20,475)	186,050
Total Comprehensive Income and Expenditure	(35,940)	0	2,351		(33,589)
Net increase / (Decrease) before transfers to statutory reserves	(35,940)	0	2,351		(33,589)
Increase / (Decrease) in year	(32,278)	0	2,351		(29,929)
Balance at 31 March 2021	171,364	0	5,233	(20,475)	156,121
<b>Group Comprehensive Income and Expenditure Statement</b>					
Subsidiary companies	26,979	0	(2,351)	0	24,628
Cost of Service	1,124,707	9,199	(2,351)	0	1,131,555
(Surplus) / Deficit on provision of service	(64,680)	9,199	(2,351)	0	(57,832)
Group (Surplus) / Deficit	(77,415)	9,199	(2,351)	0	(70,567)
Total Comprehensive Income	(353,809)	(43,498)	(2,351)	0	(399,658)
<b>Group Balance Sheet</b>					
Property, Plant and Equipment	5,349,212	43,498	0	0	5,392,713
Long-Term Investments	9,461	0	0	(7,607)	1,854
Long-Term Debtors	156,332	0	0	74	156,406
Short-Term Borrowing	(70,695)	0	0	2,108	(68,588)
Short-Term Creditors	(284,854)	0	133	0	(284,721)
Long-Term Borrowing	(1,287,954)	0	0	(15,050)	(1,303,005)
Other Long-term Liabilities	(302,968)	0	5,101		(297,867)
Net Assets	3,454,238	43,498	5,233	(20,475)	3,482,493
Unusable Reserves	3,037,011	43,498	0	(20,475)	3,060,033
Usable Reserves	417,227	0	5,233	0	422,460
Total Reserves	3,454,238	43,498	5,233	(20,475)	3,482,493
<b>Group Cash Flow Statement</b>					
(Surplus) / Deficit on the Provision of Services	(64,680)	9,199	(2,351)	0	(57,832)
Adjustments to (Surplus) / Deficit on the Provision of Services for non-cash movements	(246,415)	(20,642)	2,777		(264,280)
Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing	97,570	11,443	0	0	109,013
Net cash flows from operating activities	(213,850)	0	426	0	(213,424)

## HOUSING REVENUE ACCOUNT

### INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2022

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

<b>2020/21</b>		<b>2021/22</b>	
<b>£000</b>	<b>EXPENDITURE</b>	<b>£000</b>	<b>£000</b>
24,749	Repairs and maintenance	29,357	
22,706	Supervision and management	23,318	
40,953	Depreciation and impairment of non-current assets	36,666	
10,347	Other expenditure	9,097	
2,662	Impairment of debtors	1,731	
<u>101,417</u>			100,169
	<b>INCOME</b>		
(100,924)	Dwelling rents	(100,407)	
(29)	Non-Dwelling rents (gross)	(69)	
(3,870)	Other income	(6,236)	
<u>(104,823)</u>			<u>(106,712)</u>
(3,406)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(6,543)
253	HRA share of corporate and democratic core		208
1,265	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		<u>2,722</u>
(1,888)	Net income for HRA Services		(3,613)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(248)	(Gain) / loss on sale of HRA fixed assets	(2,086)	
16,509	Interest payable and similar charges	15,977	
2,299	Interest cost on defined benefit obligation ( <i>pension-related</i> )	2,169	
(1,164)	Interest and investment income	(209)	
(1,933)	Interest income on plan assets ( <i>pension-related</i> )	(1,781)	
(22,249)	Capital grants and contributions	(20,114)	
<u>(6,786)</u>			<u>(6,044)</u>
<u>(8,674)</u>	Surplus for the year on HRA services		<u>(9,657)</u>



# HOUSING REVENUE ACCOUNT

## MOVEMENT ON THE HRA STATEMENT

2020/21 £000		2021/22 £000
0	Balance on the HRA at the end of the previous year	0
8,674	Surplus for the year on the HRA Income and Exp Account	9,657
1,830	Adjustments between accounting basis and funding basis under statute	(1,004)
<u>10,504</u>	<b>Net increase before transfers to reserves</b>	<u>8,653</u>
<u>(10,504)</u>	Contribution (to) / from renewal and repairs fund, via the General Fund	<u>(8,653)</u>
<u><u>0</u></u>	<b>Balance on the HRA at the end of the current year</b>	<u><u>0</u></u>

## Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	<b>Adjustments primarily involving the Capital Adjustment Account</b>	
	<b>Reversal of items debited or credited to the Income and Expenditure Statement</b>	
40,953	Charges for depreciation and impairment of non-current assets	36,666
(22,249)	Capital grants and contributions applied	(20,114)
	<b>Insertion of items not debited or credited to the Income and Expenditure Statement</b>	
(17,130)	Statutory provision for the financing of capital investment	(17,356)
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>	
(248)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,086)
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>	
(906)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(906)
	<b>Adjustments primarily involving the Pensions Reserve</b>	
3,063	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	4,778
(1,721)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,961)
	<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>	
68	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)
<u>1,830</u>		<u>(1,004)</u>

# HOUSING REVENUE ACCOUNT

## Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2022 are as follows:

Types of Houses	2022		Re-stated 2021	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
<b>Main provision Council dwellings</b>				
1 Apartment	285	4,105.00	284	4,132.00
2 Apartment	5,629	4,612.00	5,565	4,619.00
3 Apartment	10,182	5,350.00	10,129	5,353.00
4 Apartment	3,545	6,160.00	3,497	6,168.00
5 Apartment	536	6,606.00	523	6,655.00
6 Apartment	12	6,678.00	10	6,672.00
7 Apartment	4	6,463.00	4	6,463.00
8 Apartment	1	6,463.00	1	6,463.00
<b>Mid-market rent dwellings</b>				
2 Apartment	22	6,005.00	23	6,005.00
3 Apartment	83	7,372.00	84	7,378.00
4 Apartment	22	9,307.00	22	9,307.00
	<u>20,321</u>		<u>20,142</u>	

- The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.
- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £12.115m (£10.447m 2020/21) against which a provision amounting to £10.695m (£9.035m 2020/21), has been created in respect of non collectable debts.
- The total value of uncollectable void rents for main provision properties was £2.045m (2020/21 £0.948m). This has been netted against rental income.

## COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

2020/21 £000		2021/22 £000      £000	
(387,802)	Gross council tax levied and contributions in lieu		(392,527)
62,682	Less: - Exemptions and other discounts	63,681	
11,344	- Provision for bad debts	11,475	
28,075	- Council Tax Reduction Scheme	26,124	
5,044	- Other reductions	4,810	
<u>107,145</u>			<u>106,090</u>
(280,657)			(286,437)
<u>(2,839)</u>	Previous years' adjustments		<u>(1,051)</u>
<u><b>(283,496)</b></u>	<b>Total transferred to General Fund</b>		<u><b>(287,488)</b></u>

### Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.8% (2020/21 96.0%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation. Bands E to H were rebased in 2017/18 by the Scottish Government as per the Council Tax Base table below, with no increase applied to Council Tax in 2021/22 (2020/21 4.79%).

Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted to properties, with certain attributes, that are the sole and main residence of permanently disabled persons.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

### Calculation of the Council Tax Base 2021/22

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	24,502	80	(3,978)	(3,627)	16,977	6/9	11,318	£892.39
B £27,001 - £35,000	48,536	51	(4,027)	(7,214)	37,346	7/9	29,047	£1,041.12
C £35,001 - £45,000	45,719	14	(3,024)	(5,777)	36,932	8/9	32,828	£1,189.86
D £45,001 - £58,000	41,801	65	(2,826)	(4,619)	34,421	9/9	34,421	£1,338.59
E £58,001 - £80,000	43,736	(19)	(3,636)	(3,971)	36,110	473/360	47,445	£1,758.76
F £80,001 - £106,000	26,299	(28)	(1,538)	(2,045)	22,688	585/360	36,868	£2,175.20
G £106,001 - £212,000	22,824	(132)	(493)	(1,328)	20,871	705/360	40,872	£2,621.40
H Over £212,000	4,241	(31)	(125)	(222)	3,863	882/360	9,464	£3,279.54
Total							242,263	
Add: Contributions in Lieu							490	
Less: Provision for Non-Payment							(8,496)	
<b>Council Tax Base</b>							<u><b>234,257</b></u>	

## NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

2020/21 £000		2021/22 £000	£000
(478,952)	Gross rates levied and contributions in lieu		(470,059)
290,727	Less: - Reliefs and other deductions	235,563	
2,644	- Uncollectable debt written off and provision for impairment	3,360	
<u>293,371</u>			<u>238,923</u>
(185,581)			(231,136)
<u>17,665</u>	Previous years' adjustments		<u>25,642</u>
(167,916)	<b>Net Non-Domestic Rates Income</b>		(205,494)
<u><b>(167,916)</b></u>	<b>Non-Domestic Rate Income</b>		<u><b>(205,494)</b></u>
	Allocated to:		
(168,636)	Contribution to Non-Domestic Rate Pool		(206,212)
720	City of Edinburgh Council		718
<u><b>(167,916)</b></u>			<u><b>(205,494)</b></u>

### Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2021	Number	Rateable Value £000
Shops, offices and other commercial subjects	16,042	630,404
Industrial and freight transport	2,841	79,806
Telecommunications	5	21
Public service subjects	361	49,966
Miscellaneous	3,973	172,667
	<u>23,222</u>	<u>932,864</u>

- The amount distributed to the council from the national non-domestic rate income pool in the year was £188.796m (2020/21 £238.922m).
- Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 49.0p per £ in 2021/22 (2020/21 49.8p per £).

Properties with a rateable value between £51,001 and £95,000 had their rate charges calculated using the poundage of 50.3p per £ (2020/21 51.1p per £). Properties with rateable value greater than £95,000 had their rate charges calculated using the poundage of 51.6p per £ (2020/21 52.4p).

- From 1 April 2008, the Scottish Government introduced the small business bonus scheme. Business properties with a rateable value of £18,000 or less may receive relief as set out below.

100% relief	below	£	15,000
25% relief	£	15,001 to	£ 18,000
Upper limit for combined rateable value *		£	35,000

\* Businesses with multiple properties whose combined rateable value is £35,000 or less will be eligible for relief of 25% for each property with a rateable value of £18,000 or less.

## COMMON GOOD FUND

### Common Good Fund Foreword

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh ..... maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

The Common Good accounts are prepared in accordance with the Council's accounting policies as detailed in Note 1.

In 2015/16, £2m of the Common Good Fund was earmarked to be utilised to fund a planned property maintenance programme. £123,000 of this funding has been used to fund Scott Monument lighting work and surveys, £33,000 on surveys and work at the City Observatory, £36,000 on engineering consultancy at the Queensferry Harbour, and £13,000 on surveys and work for the Portobello Municipal Clock.

The balance of the Common Good Fund is £2.657m as at 31 March 2022 (£2.669m 2020/21). This is split £0.863m in the fund and £1.794m in the planned property maintenance fund.

Assets under construction as at 31 March 2022 relates to a community hub in the former tennis pavillion on Leith Links.

During 2021/22, the Common Good made a deficit of £0.012m.

The lease of 329 High Street was completed in January 2020 with a lease premium of £3.036m received in the Common Good. The lease premium is being amortised over the lease term of 125 years. The in-year deficit, as mentioned above, includes a lease premium of £0.024m for 2021/22. Recommendations for the use of the funds from the lease will be presented to the Finance and Resources Committee for approval.

The Common Good Annual Performance Report will be considered by the Finance and Resources Committee in November 2022, along with the Audited Annual Accounts.

## COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2020/21		2021/22	
£000		£000	£000
<b>Income</b>			
(13)	Investment income	(6)	
(271)	Rent Income	(358)	
(142)	Capital Funding	(1,090)	
(24)	Lease Premium	(24)	
<u>(2,566)</u>	Recharges Income	<u>(3,930)</u>	
(3,016)	<b>Total Income</b>	(5,408)	
<b>Expenditure</b>			
30	Common Good Fund	42	
<u>2,983</u>	Common Good Property Costs	<u>4,307</u>	
3,013	<b>Total Expenditure</b>		4,349
<u>(3)</u>	<b>(Surplus) / Deficit for the Year</b>		<u>(1,059)</u>

## COMMON GOOD FUND - BALANCE SHEET

31 March 2021		31 March 2022	
£000		£000	£000
2,558	Community Assets	2,913	
<u>0</u>	Assets Under Construction	<u>1,071</u>	
<u>2,558</u>	<b>Property, Plant and Equipment</b>		3,984
17,823	Long-Term Debtors	17,947	
<u>146</u>	Heritage Assets	<u>144</u>	
<u>17,969</u>	<b>Long-Term Assets</b>		18,091
989	Short-Term Investments	1,867	
9	Debtors	9	
<u>4,653</u>	Cash and Cash Equivalents	<u>3,739</u>	
<u>5,651</u>	<b>Current Assets</b>		<u>5,615</u>
<u><b>26,178</b></u>	<b>Net Assets</b>		<u><b>27,690</b></u>
23,522	Capital Contribution	25,046	
<u>(13)</u>	Capital Adjustment Account	<u>(13)</u>	
<u>23,509</u>	<b>Unusable Reserves</b>		25,033
854	Common Good Fund	863	
<u>1,815</u>	Earmarked Reserve	<u>1,794</u>	
<u>2,669</u>	<b>Usable Reserves</b>		<u>2,657</u>
<u><b>26,178</b></u>	<b>Total Reserves</b>		<u><b>27,690</b></u>

The unaudited financial statements were issued on 24 June 2022.

HUGH DUNN, CPFA  
 Service Director: Finance and Procurement  
 Date:

# COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

## 1. Property, Plant and Equipment and Heritage Assets

### 1.1 Movements on Balances

	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	Heritage Assets £000
<b>Cost or Valuation</b>				
At 1 April 2021	2,558	0	2,558	146
Additions	0	1,071	1,071	0
Transfer between categories	1	0	1	(1)
Transfer from General Fund	354		354	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0		0	0
Derecognition - disposals / transfers	0		0	(1)
<b>At 31 March 2022</b>	<b>2,913</b>	<b>1,071</b>	<b>3,984</b>	<b>144</b>
<b>Net Book Value</b>				
At 31 March 2022	2,913	1,071	3,984	144
At 31 March 2021	2,558	0	2,558	146
<b>Cost or Valuation</b>				
At 1 April 2020	2,558	0	2,558	146
At 31 March 2021	2,558	0	2,558	146
<b>Net Book Value</b>				
At 31 March 2021	2,558	0	2,558	146
At 31 March 2020	2,558	0	2,558	146

These asset categories are not depreciated.

### 1.2 Developing a Common Good Register

Significant progress has been made to collate information regarding properties considered by the Council to be Common Good.

A response to the Community Empowerment (Scotland) Act 2015 consultation on Common Good matters was approved by the Finance and Resources Committee on 28 September 2017 and submitted to the Scottish Government.

The relevant provisions came into force on 27 June 2018, and the Scottish Government published the accompanying guidance in July 2018. The Community Empowerment (Scotland) Act 2015 places a duty on Local Authorities to "establish and maintain a register of property which is held by the authority as part of the Common Good" (a Common Good Register).

Before establishing a Common Good Register, the Act requires a Local Authority to prepare and publish a list of properties that it proposes to include in the register. The Common Good Asset Register for **public consultation** was approved for issuing at the 27 September 2018 Finance and Resources Committee. The consultation closed on 31 December 2018.

The first version of the Common Good Register was published on the Council's Common Good webpage on 28 June 2019, complying with Scottish Government guidance. The Register was subsequently presented and approved by the Finance and Resources Committee on 26 September 2019 as part of the 2018-19 Common Good Annual Performance Report.

The Council maintains a **web page** with a link to the latest Common Good Register on its website.

Work continues to be ongoing to ensure the completeness of the Common Good register, and to reconcile this to the Common Good register of assets for accounting purposes. A further updated draft of the Common Good Asset Register is yet to be finalised because work had to be put on hold during the imposed COVID-19 lockdown. Therefore, at the balance sheet date, the Council's balance sheet may hold heritage assets that belong to the Common Good.

## COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

### 2. Unusable Reserves

#### 2.1 Capital Contribution

This balance contains the gains made by the Common Good Fund arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- transferred from Common Good;
- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

The reserve also contains capital grants used to fund assets.

	2021/22		2020/21	
	£000	£000	£000	£000
Balance at 1 April		23,522		23,522
Movement of assets	0		0	
Transfer from General Fund	354		0	
Transfer from Income and Expenditure Account	1,071			
Upward revaluation of assets	100		0	
Downward revaluation of assets and impairment losses not charged to the Surplus/ Deficit on the Provision of Service	0		0	
Surplus / (Deficit) on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Service		1,525		0
Derecognition of asset disposals / transfers		(1)		0
Balance at 31 March		<u>25,046</u>		<u>23,522</u>

#### 2.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2021/22	2020/21
	£000	£000
Balance at 1 April	(13)	(13)
Movement in Year	0	0
Balance at 31 March	<u>(13)</u>	<u>(13)</u>



# ANNUAL GOVERNANCE STATEMENT

## Introduction

2021/22 has been a challenging year, with the Covid-19 pandemic remaining prevalent throughout this period but by the end of the year, restrictions ending and a return to 'normality' commencing. The pandemic continued to put strain on the Council's resources, and this was especially so as services resumed and staff returned to offices. The past two years have also been challenging for elected members and officers and the pandemic has placed a significant strain upon Council finances, the workforce, digital and physical assets, along with our supply chain and partners. The Council's governance has been effective during this period although the strains on the system cannot be underestimated. Through robust and effective governance, the Council has been able to respond well to these evolving and increasing challenges, to adapt and evolve the provision of its services and, importantly, to take on additional responsibilities to support local and national responses to Covid-19. The resumption of services and the impact of the pandemic on staff and the wider City will now be a new challenge that the Council must tackle.

The Council has also had to take steps to help refugees impacted from the war in Ukraine. This has involved setting up a project team and has required input from across the Council. Partnership working has been key to this, as well as close co-operation with the UK and Scottish Governments.

## Scope of Responsibility

The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is demonstrated by continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including securing appropriate arrangements for the management of risk.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 42 of the Accounts.

## Council's Strategy and Vision

In February 2021 the Council approved a new Council Business Plan: Our Future Council, Our Future City which set out the Council's strategic priorities and how the aims set out in the Community Plan would be taken forward over the next 3 years.

The Business Plan covers a three year period and provides an overarching focus for the Council in terms of its priorities and the delivery of its aims. It provides an opportunity to deliver a future organisation to meet the changing needs of citizens.

The Business Plan set out the three main priorities the Council would focus on in the coming years:

- Ending poverty by 2030;
- Becoming a sustainable and net zero city; and
- Wellbeing and Equalities

The Business Plan describes the approach the Council will take to deliver its priorities in the form of 15 outcomes with actions. This plan stands as one part of a golden thread linking and guiding operations, through to the shared goals and commitments of the Edinburgh Partnership and towards the long term ambitions for Edinburgh to be a fair, welcoming, pioneering, and thriving City, as outlined in the 2050 Edinburgh City Vision.

The Business Plan addressed the Accounts Commission's Best Value Report recommendations on aligning the Council's strategic direction.

## Decision making structures

### Political Governance Arrangements

The Council operates an executive committee structure (see figure 1.1). This consists of six executive committees which are responsible for policy and financial decision making and scrutiny within their designated areas of responsibility. These committees are Policy and Sustainability; Culture and Communities; Education, Children and Families; Finance and Resources; Housing, Homelessness and Fair Work; and Transport and Environment.

The Governance, Risk and Best Value Committee seeks assurance over the adequacy of governance and risk management frameworks and the internal control environment. It also scrutinises the Council's financial and non-financial performance, approves and monitors progress against the internal audit risk-based plan, and monitors performance of the internal audit service.

The Council also operates a range of other committees, some of which are quasi-judicial such as the Development Management Sub-Committee and the Licensing Sub-Committee, to consider individual applications.

# ANNUAL GOVERNANCE STATEMENT

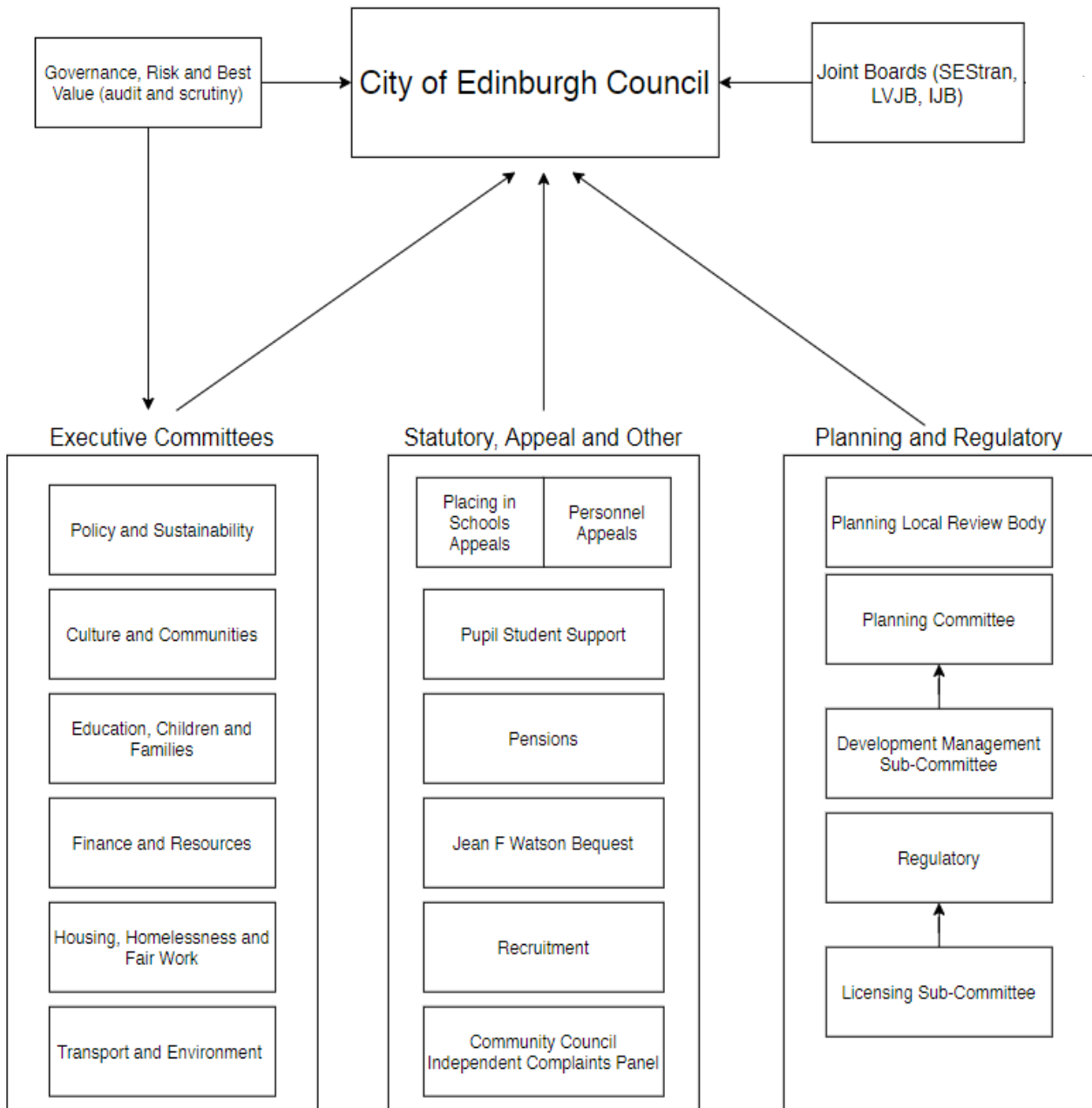


Figure 1.1 Executive Committee Structure

## Political Decision Making in Covid-19

The impact of Covid-19 on political decision making in 2021-22 has been minimal. All meetings were re-established, and virtual and hybrid meeting arrangements were put in place to allow meetings to carry on as close to normal as possible. Interim Standing Orders were agreed which took account of the additional pressures that virtual only meetings put on members and attendees of committees.

## Officer Decision Making

The Corporate Leadership Team (CLT) meets weekly, led by the Chief Executive, and includes all executive directors and key statutory officers including the Section 95 Officer, Monitoring Officer and Chief Social Work Officer.

CLT is supported by a range of groups covering key matters such as risk, health and safety and programme management. There is a robust health and safety reporting structure which includes directorate health and safety groups, a quarterly Council health and safety group and a quarterly consultative forum involving the trade unions. Health and safety working groups are in place for key life safety issues including: fire; water safety; and, asbestos. All directorates have risk and assurance committee meetings at least quarterly and ensure escalation of risks. The CLT also has a specific risk committee meeting which reviews the corporate risk register on a quarterly basis.

# ANNUAL GOVERNANCE STATEMENT

## Officer Decision Making

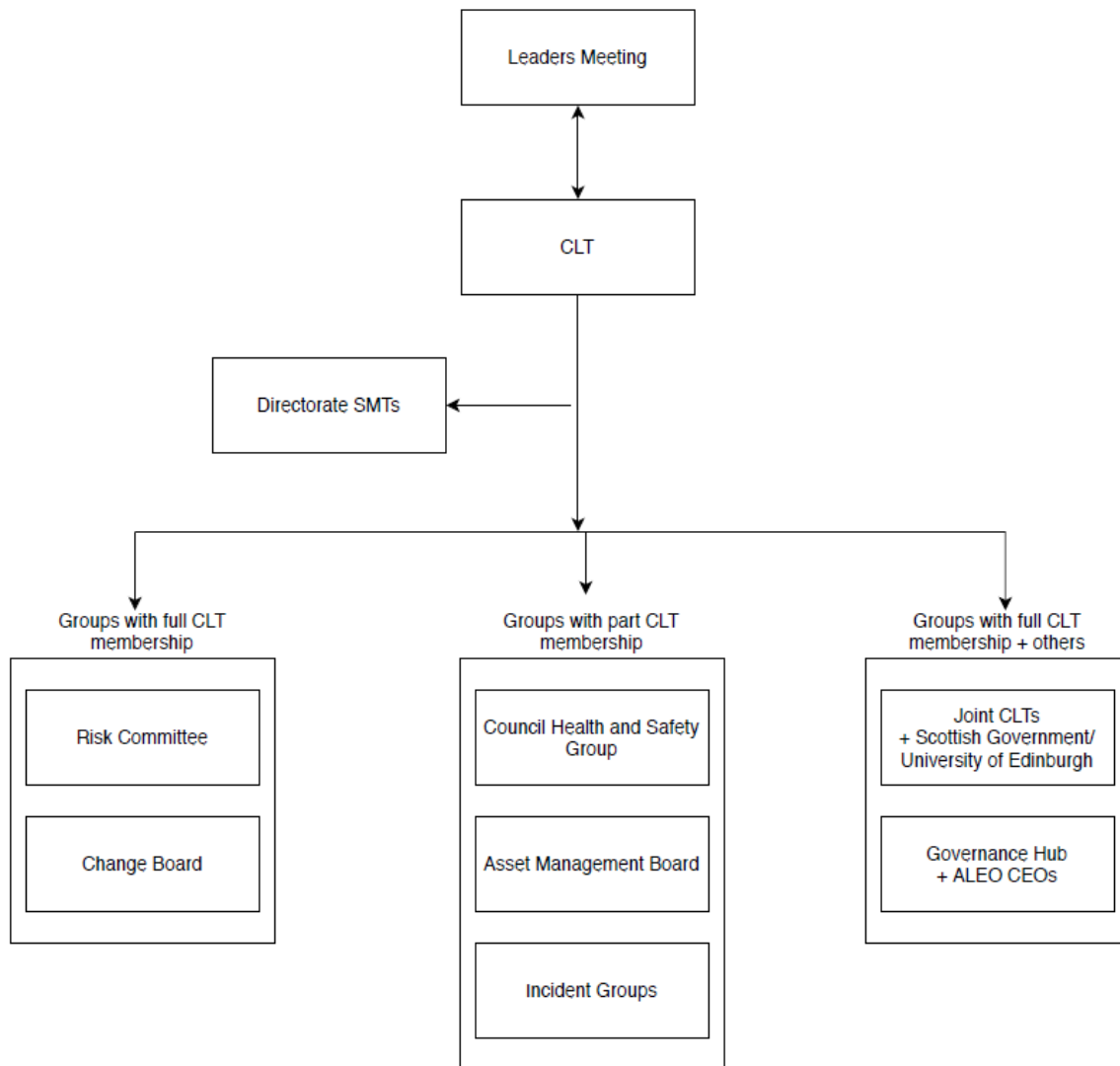


Figure 1.2 - CLT and Senior Management Team (SMTs) Structure

A key area of governance for the Council is its involvement in national, regional and city wide bodies. The Chief Executive and members of CLT represent the Council on a number of groups. Examples of these include SOLACE, Scottish Government Directors, City Deal Executive, Edinburgh Guarantee and Edinburgh Chamber of Commerce Council. Partnership working has increased during the pandemic, building on strong relationships and the need to work together to provide holistic solutions for the City and its region.

Arm's Length External Organisations (ALEOs) reporting in terms of the Annual Governance Statement is reported through assurance schedules being submitted to their relevant directorate. The Executive Director then determines whether they feel it is appropriate for any issues highlighted to be included in their assurance schedules and reported in the Annual Governance Statement.

### Covid-19 Officer Decision Making

Decision making during the Covid-19 pandemic has varied depending on the current impact on Council services. As a result, the frequency of meetings varied during 2021-22, until March 2022 when Covid arrangements were reduced to a minimum. The Council's incident management team continues to meet weekly but the impact of Covid-19 on Council services has reduced to a manageable level although the impact on staff absences and the residual impact on some services remains and requires to be closely monitored.

# ANNUAL GOVERNANCE STATEMENT

## Covid-19 Officer Decision Making

The groups below were all established to respond to, or assisted with dealing with, Covid-19:

- Council Incident Management Team (CIMT), chaired by the Chief Executive
- Directorate Incident Management Teams, with escalation to CIMT
- Specialist Incident Management Teams:
  - Health and Social Care Command, chaired by Edinburgh Health and Social Care Partnership
  - (EHSCP) Head of Operations
  - Personal Protective Equipment (PPE), chaired by the Chief Procurement Officer
  - Shielding, chaired by the Executive Director of Resources
  - Vulnerable and Volunteering, chaired by the Executive Director of Communities and Families
- Cross-Council Risk Forum, convened and chaired by the Head of Legal and Assurance
- Weekly meetings with the Trade Unions, including on specialist subjects such as PPE

The CIMT and directorate IMTs have provided a clear, easy to understand and effective governance structure for organising services during the emergency. They have met frequently during the pandemic, operating flexibly to ensure the Council could react rapidly to any arising issues.

The three guiding principles that were set out at the beginning of the response have been the framework for every decision taken:

- to protect the most vulnerable in our city;
- to minimise the risks to our colleagues; and
- to continue to provide services in challenging circumstances.

The Chief Executive established measures to ensure that decision making was as transparent as possible and that critical decisions were taken only by officers where absolutely necessary. The following principles were applied:

- The Chief Executive would be the only officer to take decisions in response to the Covid-19 emergency using powers outlined in the Scheme of Delegation to Officers;
- The Chief Executive would consult on all these decisions with the Leader and Depute Leader;
- Decisions would be considered and discussed at the Council's Incident Management Team;
- If possible, Executive Directors would discuss matters at their directorate incident management teams before escalating to the CIMT;
- Decisions would only be taken by the Chief Executive where urgent and where they could not be considered in good time by the Leadership Advisory Panel;
- Decisions would be reported to the Leadership Advisory Panel for information; and
- When making decisions, the potential risk and impact of those decisions, whether existing controls are effective and what new measures or controls may be required should be considered. This process should be as efficient and streamlined as possible.

The Council has reduced both the number and frequency of its Covid-19 meetings from the peak in 2020-21, but the Council's Incident Management Team continues to meet weekly and other meetings have been stood back up depending on the changing situation of the pandemic.

In May 2020 the Council, recognising the significant long term impact and challenges caused by the pandemic, commenced a programme of work titled Adaptation and Renewal, focussed on post-Covid new ways of working. It aimed to set a clear long term vision, feeding into the business plan, on how the City would recover while retaining the flexibility to adapt to the changing public health situation.

Its five work programmes were as follows:

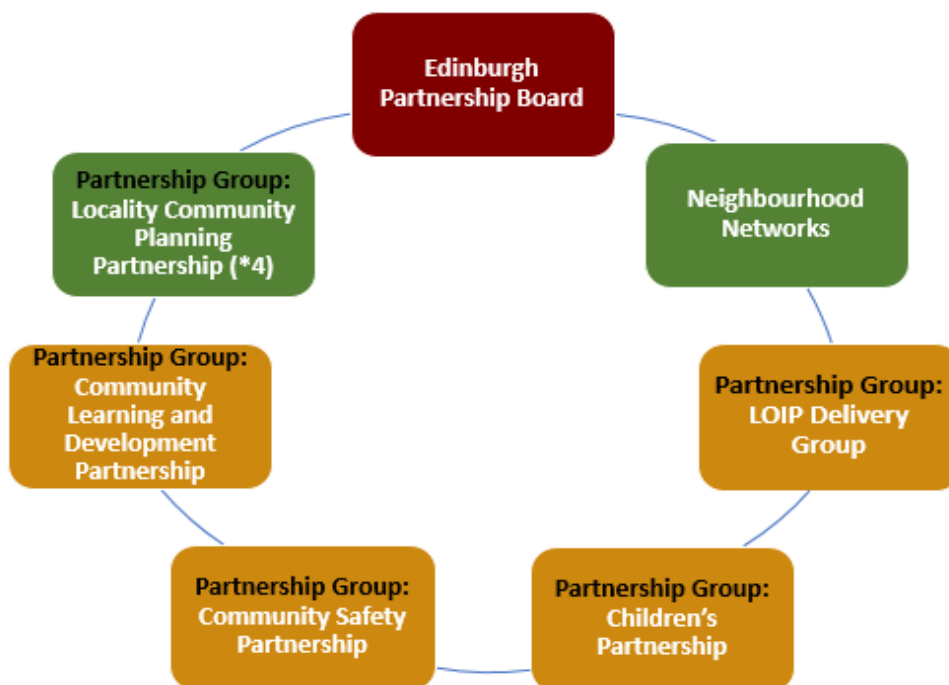
- **Public Health Advisory Board** - This board brought together NHS Lothian and the Edinburgh Health and Social Care Partnership (EHSCP) to ensure the effective communication and implementation of national advice concerning public health.
- **Service Operations** – To consider how to reintroduce services and adapt to new ways of working.
- **Change, People and Finance** – To evolve the Council's current Change Strategy and financial framework and the impact of the pandemic on our workforce, our digital strategy and governance arrangements.
- **Sustainable Economic Recovery** – To work closely with the Scottish and UK Governments, the business community and the third sector, to respond to the challenging economic circumstances facing the city and the nation.
- **Life Chances** - To consider the provision of education and to ensure the Council is supporting people who are vulnerable or need support because of the impact of Covid-19.

The programme, alongside urgent decisions taken on the pandemic were reported to the Policy and Sustainability Committee until the programme was closed at the end of 2021 and in February 2022 reporting on the programme outcomes and the Covid-19 position concluded.

# ANNUAL GOVERNANCE STATEMENT

## Partnership Working

The Council plays an important role in the Edinburgh Partnership, the Community Planning Partnership in Edinburgh, and its new community planning structure. The new framework agreed by the Edinburgh Partnership comprises a Board, four city wide partnerships, four locality partnerships and thirteen neighbourhood networks. The new arrangements are designed to support a different way of working and to support the delivery of the Partnership's priorities for the city as set out in the new community plan. The plan focuses on reducing poverty and inequality in the city through making sure people have enough money to live on; access to work, learning and training opportunities; and have a good place to live.



The Council, NHS Lothian and the Edinburgh Integration Joint Board (EIJB) work closely together to work towards a more caring, healthier and safer Edinburgh. The responsibility for the budget sits with the Chief Officer of the EIJB however the Council and NHS Lothian play a key role in supporting the processes in place to ensure sound financial management and budget control.

## Internal Controls

A significant part of the governance framework is the system of internal controls in place to ensure that risks are being identified and managed effectively. The Council has adopted a local Corporate Governance Code (CGC). The CGC is based on the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (SOLACE) model framework Delivering Good Governance in Local Government. The CGC outlines how the Council embeds good governance throughout the organisation and is available on the Council's website.

## Review of Effectiveness

An assurance statement on the effectiveness of the system of internal controls has been provided and was informed by:

- the work of the Corporate Leadership Team which develops and maintains the governance environment;
- the certified annual assurance statements provided by all Executive Directors;
- the certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies;
- council officers' management activities;
- the Head of Internal Audit and Risk's annual report and internal audit reports, risk-based, across a range of Council services;
- reports from the Council's external auditor; and
- reports by external, statutory inspection agencies.

The Accounts Commission in November 2020 published their Best Value Assurance report into the City of Edinburgh Council. The report highlighted a number of key achievements and areas for the Council to improve since the 2016 Best Value Audit and reflects on this as mixed progress.

# ANNUAL GOVERNANCE STATEMENT

## Review of Effectiveness - continued

### **Best Value and Strategy and Vision**

The key achievements outlined in the Best Value Assurance report include:

- The Council's ambitious plans for the City specifically, referencing the Council's Sustainability Programme, approach to tackling poverty, major housing and community regeneration projects in Fountainbridge, Meadowbank and at Granton Waterfront; retail, hospitality and cultural developments, such as the St James Quarter; and extending the tram network;
- The Council's long track record of maintaining revenue expenditure within budget;
- Aspects of leadership and service performance. Specifically, referencing improved performance across many of KPIs – schools and education, waste and cleansing and time taken to process benefit and grant claims;
- Improvements in asset management, procurement and risk management.

The Best Value Assurance report also notes areas where further progress is required:

- To align better strategic priorities;
- The implementation of effective community planning governance arrangements, the pace of change within the Community Planning Partnership and community empowerment;
- The Council's approach to self-assessment, continuous improvement and public performance reporting; and
- Long-term financial planning and workforce planning.

The Chief Executive put into place an improvement plan for all the areas of improvement outlined in the Best Value Assurance report. As outlined above, the Business Plan has been created to ensure strategic priorities are aligned to a set of key priorities. Changes have been made to ensure the Council is working to the business plan, including senior management structural changes and work will continue to align work streams and governance with the Business Plan and the priorities within.

As outlined earlier the Best Value report highlighted that the Council and its partners had not established effective community planning governance arrangements. The report acknowledged that it was too early to conclude if the review undertaken in 2019 would effectively support the Partnership to deliver the Local Outcome Improvement Plan (LOIP). There was further commentary on the Partnership not delivering effective Local Improvement Plans. The Edinburgh Partnership has considered the recommendations outlined in the Best Value report and has agreed a series of actions to address the concerns, with a number of these being led by the Council. This includes a partnership plan to deliver the 20 minute neighbourhood model, strengthening the resourcing and capacity to support neighbourhood networks and developing a framework for collaboration with the Edinburgh Association of Community Councils and Community Councils themselves.

A new integrated planning and performance framework was approved in June 2021. This aims to ensure that the Council's priorities and outcomes as established by the Business Plan are translated into clear actions and performance measures which are monitored, actioned and delivered. The framework aims to create a culture of robust performance management and continuous improvement. The approach embeds a "golden thread" among the Business Plan, annual directorate and divisional plans and colleague annual performance conversations. Performance scorecards and trend dashboards will also be aligned to plans and monitored regularly. A Council performance report would be considered at the Policy and Sustainability Committee every four months and the public performance reporting information would also be improved.

The Council agreed a new People Strategy in April 2021, supporting the new Business Plan and aligned to the key priorities. The Plan sets out what employees should expect from the Council as their employer and what the Council expects from its workforce. The Plan has three strategic themes:

- Living our behaviours;
- Maximising our capacity and performance; and
- Enhancing our colleague experience.

The People Strategy should also be cross-referenced with the Strategic Workforce Plan 2021-2024 which sets out how the Council addresses the gaps between its current workforce and the future workforce needed to meet the priorities of the Business Plan.

# ANNUAL GOVERNANCE STATEMENT

## Review of Effectiveness - continued

### **Decision Making**

During Covid remote meetings were established to allow for the committee system to operate whilst physical distancing rules were in place. In 2021-22, as the rules surrounding physical distancing relaxed, hybrid meetings were trialed to allow for physical meetings to resume but keeping the added benefits of flexibility by allowing some members and officers to join remotely. These meetings were successful and, although meetings have continued to take longer than pre-Covid, the system has run effectively, with meetings continuing to be webcast and available to the public in the archive. To reduce the impact on staff and elected members, changes were made to Standing Orders to manage the time taken at committee whilst still ensuring that effective scrutiny could take place. Hybrid meetings are set to continue in a post Covid environment and Standing Orders will be reviewed in 2022 to determine whether the changes implemented during the pandemic should continue.

It should be noted that although meetings were able to take place successfully during the pandemic, the meetings were longer and relations between members declined during this period.

The Council undertook an audit, carried out externally, into the effectiveness of its Governance, Risk and Best Value Committee. A number of weaknesses were found, and these findings will be built into the review of the Council's political management arrangements for the new Council following the local government elections. Councillors from the committee and across the Council embraced the audit and saw it as a real opportunity to look at the strengths and weaknesses of its scrutiny and improve the committee structure.

Self-evaluation workshops were carried out for all the executive committees and the Governance, Risk and Best Value Committee. This was a recommendation from the Governance, Risk and Best Value Committee audit. The workshops considered the terms of reference for their committee, the balance of reporting, time spent at committee, the membership of the committee and training. The findings of each workshop were considered by the respective committees and these findings would go into the consideration of the political management arrangements following the elections. The workshops were a useful exercise and, although each workshop differed in its value, they allowed an opportunity for elected members to reflect and discuss the committee system and how it operated. Further feedback was also taken from a survey of members and exit interviews with those councillors standing down at the election.

Elected member training has been reviewed and induction training took place in May and June 2022. This was extensive training from a wide range of subjects that prioritised what was needed to ensure elected members were ready to take decisions at committee. Further training is being provided throughout the autumn and winter with the intention that there will be regular training slots to delve deeper into subjects such as equality duties and corporate parenting.

The Council has extensive governance at officer level to support operational decision making. The current system has evolved through custom and practice and can be sometimes be unwieldy and difficult to navigate. Although it can be resource intensive, it does ensure that there is sufficient oversight of major decisions. However, improvements could be made to ensure there is a structure in place that is more efficient and better encourages cross-directorate working. Work has been undertaken in the early and middle of 2022 to prepare for Council following the Council elections. This has included preparing for how a new programme of work could be supported, a revised business plan, a medium term financial plan and new political management arrangements. Work was commenced earlier than usual so as to allow this work to inform discussions between groups following the election.

### **Internal Controls**

The Internal Audit team operates in accordance with CIPFA's Code of Practice for Internal Audit and the Public Sector Internal Audit Standards (PSIAS). The team undertakes an annual work programme based on an agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Head of Internal Audit and Risk reported to the Service Director: Legal and Assurance but had free access to the Chief Executive, all Executive Directors and Elected Members along with direct reporting to the Governance, Risk and Best Value Committee.

Each Executive Director has reviewed the arrangements in their directorate and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and will be subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered relevant third-party reviews and recommendations. Assurance has also been taken from each organisation's most recent audited accounts, together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement.

Each directorate's assurance schedule is scrutinised by the Governance, Risk and Best Value Committee.

The Council carries out a review each year of the Corporate Governance Code which is then scrutinised by the Governance, Risk and Best Value Committee (the review for the 2021/22 year is available [here](#)). The Corporate Governance Code outlines the Council's internal controls and is aligned with the questions in the annual assurance schedules that are issued to directorates. In addition to the Code a self-assessment is carried out which scores the design of the controls in place. The aim is to provide a subjective picture of the quality of the design of controls which can then inform the full picture when looking at whether directorates have implemented the relevant controls. There is also a benefit of senior officers discussing, reflecting and rating the Council's controls.

# ANNUAL GOVERNANCE STATEMENT

## Review of Effectiveness - continued

The Head of Internal Audit and Risk highlighted in her 2020/21 annual opinion that the weaknesses identified in internal audit reports were, in part, attributable to and/or exacerbated by a lack of capacity and skills to support effective governance; risk management; control; and assurance activities within first line divisions and directorates. The Chief Executive and Executive Directors acknowledged that additional resource was necessary to strengthen the Council in these areas and gave a commitment to add additional resource to address the situation. These weaknesses were recognised by directorates in their annual assurance returns. In response a first line governance and assurance model has been implemented on a permanent basis across the Council. The objective of the new model is to address the concerns highlighted in both current and recent Internal Audit annual opinions in relation to lack of capacity and skills within first line divisions and directorates to ensure that key controls; governance; and risk management processes are consistently and effectively applied, by increasing first line capacity, and first and second line assurance across these areas. Recruitment of staff to these areas has taken considerable time and as a result the full framework required to support the governance and assurance model has not yet been completed. Directorates have increased support in their areas which has brought an immediate improvement, in particular in the completion of audit actions, and these have contributed to the improvement in the overall audit opinion for the year ending 31 March 2022 to an amber status. However, it will be in 2022/23 when the framework will be implemented and a full analysis can begin on its impact.

The Council had asked Susanne Tanner QC supported by the legal firm Pinsent Masons to conduct an independent review into the Council's whistleblowing and organisational culture. The review findings were considered by the Council in December 2021 with a report in February 2022 from the Chief Executive setting out how the recommendations in the review would be taken forward. There are a number of significant recommendations which cover a lot of key areas in the Council. Implementing these recommendations will take time, for example there are a number of HR policies that require to be reviewed in light of the Review and this will take approximately 18-24 months to complete. As a result, no comment on the success of the implementation plan is made in this year's statement.

The Council's whistleblowing arrangements continue to operate with oversight from an independent external service provider with the autonomy to decide who investigates the concerns raised. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the whistleblowing policy is reviewed annually by committee. The whistleblowing policy is currently being reviewed and will take on board the recommendations of the Cultural Review. The Council's approach to investigations will also be changed through the recruitment of an investigatory team as recommended by the Tanner Review. This will replace the current practice of managers taking on an investigatory role and this will cover both whistleblowing and HR matters.

An audit has been undertaken in regard to the Council's management of fraud and serious organised crime which identified significant areas for improvement. Although there are policies in place, there is a need for these to be reviewed and updated. In addition, there is no corporate overarching framework that pulls the different strands and policies together. As yet there is no owner within the Council for this role and further work is necessary to devise an implementation plan to make the necessary improvements in this area.

External Audit had previously highlighted the importance of adhering to approved member-officer protocols in respect of sensitive information and the importance of all Councillors and senior officers having a clear understanding of their respective rights and responsibilities in relation to information held by the Council. A review of the Member/Officer protocol had commenced but completion of the revised document was delayed by Covid-19 and a subsequent delay pending the publication of the revised Councillors' Code of Conduct. Work has recommenced on the document and a revised protocol was considered and approved by the Council in August 2022. The delay to the agreement of this document has been significant but there is a benefit to the new protocol having been agreed by the new Council following the local government elections.

The Council agreed a new Consultation Policy in April 2021, recognising the need to strengthen community engagement but also introduce more robust controls to manage significant consultations. The policy strengthens the management and governance of consultation activity by introducing a sign off process to ensure oversight and challenge at an early stage. The policy has undertaken a review that was considered by the Policy and Sustainability Committee in Summer 2022. The policy and framework have provided additional support and guidance for Council officers when conducting a consultation. The framework also includes a self-assessment exercise and a Panel to consider significant consultations with an escalation to the Corporate Leadership Team for those consultations rated highest in the criteria. The review of the Policy found that the policy itself was understood widely by officers and the additional guidance and support was beneficial. The review did however note that there was often confusion between what constituted engagement and what was consultation, and that the standard 12 week consultation period was too inflexible for smaller consultations. The implementation of the Consultation Policy and framework has supported the improvement of consultations from the Council, it has provided consistency and guidance and raised the overall quality of Council consultations. The consultation advisory panel and the control and escalation aspect of the framework adds a layer of assurance and is a practical tool in improving the quality of consultations. Improvements following the review will make the policy and framework more agile and flexible, but caution should be exercised that the control elements of the framework are not diminished by the additional flexibility.



## ANNUAL GOVERNANCE STATEMENT

### Review of Effectiveness - continued

External Audit concluded in the Annual Accounts for 2020-21 that the governance arrangements at the Council were satisfactory and appropriate.

In compliance with standard accounting practice, the Section 95 Chief Financial Officer has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2022. It is the Chief Financial Officer's opinion that although a degree of assurance can be placed upon the adequacy and effectiveness of the Group's systems of internal financial control, further improvements, including some embedding of actions taken in response to previous recommendations, are still required.

2021/22 is the first full year of implementation of the requirements of the CIPFA Financial Management Code. The Code is designed to support good practice and assist councils in demonstrating their financial sustainability and resilience by setting out expected standards of financial management. The Chief Financial Officer's initial assessment highlighted a number of key improvements contributing positively to the Council's financial resilience and stability. However, there continues to be a need for additional savings proposals to be brought forward to maintain the Council's financial sustainability which will require increasingly difficult choices about the Council's priorities including consideration of service reductions. Finally, the Chief Financial Officer concluded that further improvements to the effectiveness of current service arrangements in demonstrating value for money were required.

The urgent need to initiate a structured medium to longer-term savings programme was highlighted in both the Council's Best Value Assurance Report and the external auditor's report for 2020/21. In recognising this urgency, a dedicated project lead has been appointed. Directorates have been requested to identify potential options, captured by means of a standard template detailing service and performance impacts, risks and dependencies, with reference to the priorities set out in the Council's business plan. Given the extent of the financial challenge, members will likely need to make increasingly difficult choices about the Council's priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income.

The Head of Internal Audit and Risk's Annual Opinion for the year ended 31 March 2022 stated that whilst some control weaknesses were identified in the design and/or effectiveness of the control environment and/or governance and risk management frameworks, they provide reasonable assurance that risks are being managed and the Council's objectives should be achieved. The Head of Internal Audit and Risk noted that this reflected an improvement on the 2020/21 position which was a limited 'red' (significant improvement required opinion) based on 80% plan completion due to the ongoing impacts of Covid-19. The Head of Internal Audit and Risk also noted there was significant progress with implementation of agreed management actions to address the risks associated with IA findings raised during 2021/22, reflecting significant focus from management and the impact of two Internal Audit secondments into the Place Directorate and Health and Social Care Partnership, with the final (31 March 2022) position confirming that the proportion of overdue findings is at the lowest level across the last five years. Whilst there were no 'inadequate' IA reports issued during 2021/22 and the proportion and significance of IA findings raised has improved, these assurance outcomes highlight that the most significant challenges with the Council's control environment continue to be ensuring consistent and effective compliance with external regulations and policies across the Council and managing ongoing delivery of digital services.

Meeting the demands of new data protection legislation has led to significant increases in the volume of data protection work. The work necessary to deal with complex subject access requests has increased significantly reducing the number of staff working on Freedom of Information requests. This has resulted in several resource and operational challenges which have had a detrimental effect on related statutory obligations and associated timescales. Remedial plans continue to be maintained to reduce risks in this area and to ensure that statutory obligations are met.

Work is still outstanding on reviewing how the Council works with its ALEOs, in particular examining the shareholder agreements and Service Level Agreements in place to ensure a greater degree of consistency, alignment with key outcomes and clarity of relationship. The lack of an ALEO framework is a weakness that requires to be resolved and it is anticipated that specialist resource will be brought in to assist in this work in 2022/23.

Following concerns raised at committee, the Council began looking into its governance arrangements regarding the Trusts where it is sole trustee. In August 2021 a report was considered into the governance of trusts run by the Council and in particular Lauriston Castle Trust. The review into governance found that improvements were required both to the Council's governance arrangements surrounding trusts and to the governance of the trusts themselves. A further report will be presented to elected members in due course on implementing the recommendations of the review.

There are established, well exercised, resilience incident management processes and protocols in place to effectively plan for and respond to emergencies. The Council Resilience Group for example drives and monitors the Council Resilience Management Programme, reporting to CLT, with the flexibility to convene working groups as required, for example, for Brexit planning. In the event of an incident there is a flexible framework, including directorate and Council-wide levels, that can be stood up as required, reporting to CLT and the appropriate committee(s). The Council feeds into Scotland's resilience structures on a multi-agency basis, through the Lothian and Borders Local Resilience Partnership and East of Scotland Regional Resilience Partnership. The incident management used for Covid-19 is a good example of the effectiveness and agility of these structures.

# ANNUAL GOVERNANCE STATEMENT

## Review of Effectiveness - continued

The Council could improve its reporting and publication of integrated impact assessments (IIAs). There is a need for the Council to evidence how these IIAs are an integral part of decision making, reporting this to committee and this been scrutinised as part of the decision making process. There is a robust process in place, alongside guidance for officers in how and when IIAs should be carried out which supports officers in the completion and reporting of IIAs but there remains a gap in implementation.

A new enterprise risk management policy was agreed in November 2021. The policy sets out how risk management should be considered when making both strategic and operational decisions and delivering services; the Council's risk culture; the requirements for effective application of the operational risk management framework across Council services; risk management structures and responsibilities across the Three Lines model (including those of senior management); and ongoing risk management assurance arrangements. The policy is a robust policy and should support identification and realisation of the improvements and benefits associated with both planned and unexpected opportunities, whilst protecting the Council. However, the success of the policy will be determined by its implementation across Council directorates, and it is still too early in its application and embedding across the organisation to judge its success. The risk framework is supported by a service director, and on an interim basis, the Head of Health and Safety has taken on the management of the risk team. There are two FTEs supporting the framework and enabling managers to take responsibility to ensure the consideration of risk is an integral part of their day-to-day business.

The Council has adapted how it works on some of its key priorities enabling it to work flexibly with its partners with a view to achieving its ambitious objectives. An example of this is the Poverty Commission where the Council has worked with a newly created independent body and chair and agreed that recommendations proposed by the Commission will be used to inform future Council policies and actions to prevent, reduce, and mitigate poverty in Edinburgh. A further example is the governance arrangements that have been set up to support the Climate Strategy and involve partners across the city. A silo Council approach for example would not deliver the necessary change to realise the Strategy's objectives and the approach taken ensures leadership comes from different organisations and that city-wide solutions can be explored. The flexible governance approach taken in these two examples has allowed the Council to be informed by external experts from across a range of sectors with the aim of achieving better outcomes, work closely with partners to explore city wide solutions while respecting the separate decision making processes for each organisation.

Partnership working strengthened considerably over the pandemic and while engagement with local communities has been more challenging, there has been progress in how the Council works with communities. The Council, though, is aware of the need to improve constantly how it empowers communities and is reviewing its locality arrangements to see how it can best support this work.

The status of the previous year's actions is outlined below. Where actions are incomplete, they will be rolled forward and their progress will be monitored alongside the new actions.

	<b>Governance Issue</b>	<b>Responsible Party</b>	<b>Status</b>
1	To review, design and implement an officer governance structure for the Council aligned to the Council Business Plan.	Head of Democracy, Governance and Resilience	Work was commenced and paused until the political management arrangements were confirmed.
2	To review and propose a revised Scheme of Delegation to take into account senior management restructures.	Head of Democracy, Governance and Resilience	Completed
3	To create a revised planning and performance framework linked to the Business Plan	Head of Strategic Change and Delivery	Completed
4	To report on the progress with the first year's Implementation of the new Equality and Diversity Framework 2021-2025	Chief Executive	Moved to the statutory review period of two years
5	Review of the governance arrangements regarding the Council's trusts	Executive Director of Resources	Review has been completed but implementation of review has not yet been confirmed
6	Initiate development of a cross-Council savings programme, aligned to the priorities set out within the Business Plan, to address significant estimated funding gaps in 2023/24 and subsequent years	Service Director - Finance and Procurement and Head of Strategic Change and Delivery	Relevant work is underway.

## ANNUAL GOVERNANCE STATEMENT

	Governance Issue	Responsible Party	Reporting Date
7	Review of the Council's service level agreements and shareholder agreements with its ALEOs	Executive Director of Resources	Delayed until resource can be identified
8	Review of the political management arrangements of the Council	Chief Executive	This is targeted for December 2022

Following the review of effectiveness and the assurance statements from directorates and ALEOs, the following actions have been identified to improve the Council's governance arrangements:

	Action	Action Owner	Action Deadline
1	Implementation of the Risk Framework	Service Director: Legal and Assurance	April 2023
2	Roll out of governance and assurance framework	Service Director: Legal and Assurance	Designed by October 2022 and implemented by March 2023
3	Agreement of the Member/Officer protocol	Service Director: Legal and Assurance	October 2022
4	Review of the Scheme of Delegation to Officers	Service Director: Legal and	October 2022
5	Review of Political Management Arrangements	Service Director: Legal and Assurance	December 2022
6	Implementation of the recommendations from the Tanner Review	Chief Executive, Service Director; Human Resources and Service Director: Legal and Assurance	Various
7	Implementation of Corporate ALEO framework	Service Director: Legal and Assurance	April 2023
8	Implementation of the review into governance of Trusts	Service Director: Legal and Assurance	April 2023
9	Development of a medium-term financial plan	Executive Director of Corporate Services	February 2023

### Conclusion

In conclusion, the Council's governance and control framework provides a satisfactory level of assurance. The Council understands its areas for improvement and there are robust arrangements to deal with issues when they do arise. Improvements are needed in certain areas to ensure that the Council's controls are implemented and embedded fully and in particular capacity issues in services have to be overcome. There has though been a strong commitment shown by the Chief Executive and Executive Directors in providing additional resource to address these weaknesses. Covid-19 continued to put a considerable strain on services, but the Council has put in place strong processes to manage these pressures and managed to resume services based on priority. However, the Council must continue to be ambitious and committed to improving its governance, as budgetary and resource pressures increase, to ensure that it continues to operate effectively.

### Certification

It is our opinion that, in light of the foregoing, assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively, and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

ANDREW KERR  
Chief Executive

CAMMY DAY  
Council Leader

RICHARD CARR  
Interim Executive Director of  
Corporate Services

Date:

Date:

Date:

## REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration was over £150,000 during the year covered by these accounts. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 in that year.

The information disclosed in the tables Remuneration Paid and Members' Salaries and Expenses on pages 132 to 134, Number of Employees by Pay Band and Exit Packages on page 135 and Pension Rights on pages 136 to 139 in this remuneration report will be audited by Azets. The other sections of the remuneration report will be reviewed by Azets to ensure that they are consistent with the Financial Statements.

### Remuneration Arrangements

#### Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2017. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of Councillors' remuneration, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue. In 2022, SLARC was reconstituted to undertake a review on Councillors' remuneration.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2021/22, the remuneration for the Leader of the City of Edinburgh Council was £55,817. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2021/22 this was £41,862. The Council's policy is to pay the Lord Provost at the national maximum.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all Senior Councillors shall not exceed £725,601. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below:

	<b>No. of Posts</b>	<b>% of amount payable to Leader of the Council</b>
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Communities, Housing, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment, Licensing Board and Integration Joint Board Committees	9	62.5%
Convener of Governance, Risk and Best Value	1	50%
Vice-Conveners of Culture and Communities, Housing, Homelessness and Fair Work, Education, Children and Families, Finance and Resources, Planning, Regulatory and Transport and Environment Committees	7	50%
Opposition Group Leaders - Conservative, Green and Liberal Democrat Groups	3	50%

In addition, the Council has an arrangement with the Joint Boards to reimburse the Council for any additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

## REMUNERATION REPORT

### Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, where the individual was a Senior Councillor for part or all of the year.

<b>Council's Leader, Civic Head and Senior Councillors</b>	<b>Salary, Fees and Allowances</b>	<b>Taxable Expenses</b>	<b>Non-Cash Expenses / Benefits-in-kind</b>	<b>Total Remun. 2021/22</b>	<b>Total Remun. 2020/21</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
A. McVey, Leader of the Council	55,817	58	967	56,842	54,289
F. Ross, Lord Provost	41,862	0	213	42,075	40,292
C. Day, Deputy Leader of the Council	41,862	0	477	42,339	40,292
J. Griffiths, Depute Convener	27,908	0	140	28,048	26,901
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	34,885	0	126	35,011	33,596
I. Perry, Convener Education, Children and Families	34,885	0	126	35,011	33,603
A. Rankin, Convener Finance and Resources (to 24.08.20) (Note 1)	22,403	0	134	22,537	33,597
R. Munn, Convener Finance and Resources (from 25.08.20)	34,885	0	116	35,000	27,980
K. Campbell, Convener Housing, Homelessness and Fair Work	34,885	0	126	35,011	33,597
L. Macinnes, Convener Transport and Environment	34,885	0	126	35,011	33,596
J. Mowat, Convener Governance, Risk and Best Value	27,908	0	126	28,034	26,902
N. Work, Convener Licensing Board	34,885	0	167	35,052	33,611
N. Gardiner, Convener Planning	34,885	0	126	35,011	33,597
C. Fullerton, Convener Regulatory	34,885	0	126	35,011	33,596
R. Henderson, Chair Edinburgh Integration Joint Board (from 27.06.21) and Vice Chair Edinburgh Integration Board (to 26.06.21)	34,885	0	126	35,011	34,196
<u>Vice-Conveners</u>					
A. McNeese-Mechan, Vice Convener Culture and Communities	27,908	0	167	28,075	26,971
A. Dickie, Vice Convener Education, Children and Families (to 27.01.22)	26,257	0	134	26,391	26,901
E. Bird, Vice Convener Education, Children and Families (from 28.01.22) (Note 2)	18,604	0	126	18,730	26,901
M. Watt, Vice Convener Housing, Homelessness and Fair Work	27,908	0	726	28,634	27,502
K. Doran, Vice Convener Transport and Environment	27,908	0	206	28,114	26,902
M. Child, Vice Convener Planning	27,908	0	126	28,034	26,927
D. Dixon, Vice Convener Regulatory	27,908	0	126	28,034	26,902

# REMUNERATION REPORT

## Remuneration Paid - continued

Council's Leader, Civic Head and Senior Councillors - continued	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits-in-kind £	Total Remun. 2021/22 £	Total Remun. 2020/21 £
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	27,908	0	716	28,624	27,477
R. Aldridge, Liberal Democrat Group Leader	27,908	0	0	27,908	26,785
M. Main, Green Group Leader (to 23.06.21)	20,775	0	60	20,835	22,420
S. Burgess, Green Group Leader (from 24.06.21 to 28.11.21)	22,584	0	152	22,736	18,593
C. Miller, Green Group Leader (from 29.11.21)	21,757	0	136	21,893	17,972
<u>Councillors</u>					
D. Key, Convener to the Lothian Valuation Joint Board (Note 3)	23,257	0	96	23,353	22,416

### Notes:

1. The City of Edinburgh Council meeting held on 25 August 2020, it was agreed that Cllr. A. Rankin would continue to receive the Special Responsibility Allowance whilst on a leave of absence. This leave of absence payment continued until 24 June 2021.
2. Cllr. E. Bird was appointed as Vice-Convener of Education, Children and Families Committee on 28 January 2022 with the accompanying Senior Responsibility Allowance. The Remuneration paid in 21/22 does not include the increased allowance, a back dated payment of £1,301 was however made in April 2022.
3. The amount recharged to Lothian Valuation Joint Board in 2021/22 was £4,676.82 (2020/21 £4,488.40). Expenses relate to Councillor role.
3. For Councillors whose Senior role has covered part-year, the Salary, Fees and Allowances disclosed relates to the full year remuneration, not just the current appointment.

### Members' Salaries and Expenses

The Council paid the following amounts to members of the Council during the year (these sums include the totals shown above):

	2021/22 £	2020/21 £
<b>Salaries</b>	1,503,070	1,455,259
<b>Expenses</b>		
<i>Claimed by councillors</i>	72	0
<i>Paid directly by the Council</i>	12,301	13,286
<b>Total</b>	<u>1,515,443</u>	<u>1,468,544</u>

## REMUNERATION REPORT

### Remuneration Paid - continued

#### Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Total Remun. 2021/22 £	Total Remun. 2020/21 £
<b>Council's Senior Officers</b>			
A. Kerr, Chief Executive (Note 1)	180,364	180,364	179,364
J. Kramer, Interim Director of Communities and Families (from 17.05.21 to 10.12.21) (Note 2)	142,135	142,135	n/a
A. Hatton, Executive Director of Education and Children's Services (from 01.11.21) (full year equivalent)	67,520 162,747	67,520	n/a
J. Proctor, Integration Joint Board Chief Officer (Note 3)	81,374	81,374	80,624
P. Lawrence, Executive Director of Place	162,247	162,247	161,247
J. Irvine, Chief Social Work Officer	122,888	122,888	111,266
S. Moir, Executive Director of Corporate Services (to 20.02.22) (full year equivalent)	144,592 162,747	144,592	161,247
R. Carr, Interim Executive Director of Corporate Services (from 28.02.22) (Note 4)	16,500	16,500	n/a
H. Dunn, Service Director - Finance and Procurement	120,936	120,936	117,039
<b>Total</b>	<b>1,038,556</b>	<b>1,038,556</b>	<b>810,787</b>

#### Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. The approved remuneration for A Kerr for Returning Officer Duties in 2021/22 amounted to £28,453.
2. The City of Edinburgh Council entered into a contract with Solace in Business for the services of J. Kramer from 17.05.21 to 10.12.21. The cost of this contract is £142,135 in 2021/22.
3. J. Proctor is the Chief Officer of the Integration Joint Board employed by the City of Edinburgh Council and 50% of her salary costs are recharged to the EIJB and NHS Lothian. The above figures therefore show the Council's share.
4. The City of Edinburgh Council entered into a contract with GatenbySanderson Limited for the services of R. Carr from 28.02.2022. The cost of this contract for 2021/22 was £18,900 (including fees).

#### Council Subsidiary Companies

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2021 and 2020 respectively.

	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Total Remun. 2021/22 £	Total Remun. 2020/21 £
<b>Council's Subsidiary Companies</b>					
M. Dallas, Chief Executive, EICC	157,326	0	0	157,326	161,380
R. Hunter, Chief Executive, Capital City Partnership	74,957	0	0	74,957	64,240
<u>Transport for Edinburgh</u>					
G. Lowder, Chief Executive	152,540	0	1,685	154,225	152,350
<u>Lothian Buses Ltd.</u>					
N. Serafini, Interim Managing Director (Note 1)	158,250	26,100	2,300	186,650	127,618
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, Managing Director	175,441	16,000	0	191,441	166,560
	<b>718,514</b>	<b>42,100</b>	<b>3,985</b>	<b>764,599</b>	<b>672,148</b>

#### Notes:

1. N. Serafini was appointed Interim Managing Director on 24 February 2020.
2. Edinburgh Living MMR LLP is a subsidiary of the Council however there are no employees and therefore no remuneration disclosures.

## REMUNERATION REPORT

### Remuneration Paid - continued

#### Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2021/22	2020/21		2021/22	2020/21
£50,000 - £54,999	436	426	£120,000 - £124,999	3	1
£55,000 - £59,999	229	203	£125,000 - £129,999	1	1
£60,000 - £64,999	134	146	£130,000 - £134,999	0	1
£65,000 - £69,999	114	92	£135,000 - £139,999	0	1
£70,000 - £74,999	21	22	£140,000 - £144,999	1	0
£75,000 - £79,999	22	20	£145,000 - £149,999	0	0
£80,000 - £84,999	22	23	£150,000 - £154,999	1	0
£85,000 - £89,999	15	21	£155,000 - £159,999	0	0
£90,000 - £94,999	6	2	£160,000 - £164,999	2	3
£95,000 - £99,999	0	1	£165,000 - £169,999	1	0
£100,000 - £104,999	1	3	£170,000 - £174,999	0	0
£105,000 - £109,999	1	2	£175,000 - £179,999	0	1
£110,000 - £114,999	5	9	£180,000 - £184,999	1	0
£115,000 - £119,999	2	3	£185,000 - £189,999	0	0
			<b>Total No. of Employees</b>	<b>1,018</b>	<b>981</b>

#### Notes:

- The total remuneration paid above includes the back dated pay award from 1 January 2021 for staff in scope.

#### Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22 £000	2020/21 £000
£0 - £20,000								
- Council	0	0	1	7	1	7	8	60
- Group companies	1	31	0	7	1	38	16	210
£20,001 - £40,000								
- Council	0	0	5	12	5	12	152	366
- Group companies	0	0	0	8	0	8	0	229
£40,001 - £60,000								
- Council	0	0	6	4	6	4	301	223
- Group companies	0	0	0	2	0	2	0	98
£60,001 - £80,000								
- Council	0	0	1	5	1	5	75	350
- Group companies	2	0	0	1	2	1	147	66
£80,001 - £100,000								
- Council	0	0	1	4	1	4	91	360
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	5	1	5	1	613	123
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	1	4	1	4	164	702
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	1	2	1	2	211	466
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	1	0	1	0	290	0
- Group companies	0	0	0	0	0	0	0	0
	<b>3</b>	<b>31</b>	<b>22</b>	<b>57</b>	<b>25</b>	<b>88</b>	<b>2,068</b>	<b>3,253</b>



# REMUNERATION REPORT

## Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. For Pre April 2015 benefits, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The Post April 2015 benefits are calculated in the same way as Local Government employees.

For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 65).

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2021/22 were as follows:

<b>Whole Time Pay</b>	<b>Contribution rate</b>
On earnings up to and including £22,300 (2020/21 £22,200)	5.50%
On earnings above £22,301 and up to £27,300 (2020/21 £22,201 to £27,100)	7.25%
On earnings above £27,301 and up to £37,400 (2020/21 £27,101 to £37,200)	8.50%
On earnings above £37,401 and up to £49,900 (2020/21 £37,201 to £49,600)	9.50%
On earnings above £49,901 (2020/21 £49,601)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

## REMUNERATION REPORT

### Pension Rights - continued

#### Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2022 £	For year to 31.03.2021 £		As at 31.03.2022 £000	Difference from 31.03.2021 £000
<u>Council's Leader and Civic Head</u>					
A. McVey, Leader of the Council	12,670	12,213	Pension	9	2
			Lump Sum	0	0
F. Ross, Lord Provost	9,503	9,160	Pension	8	1
			Lump Sum	0	0
C. Day, Deputy Leader of the Council	9,503	9,160	Pension	4	1
			Lump Sum	0	0
J. Griffiths, Depute Convener	6,335	6,107	Pension	5	1
			Lump Sum	0	0
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	7,919	7,633	Pension	10	2
			Lump Sum	2	0
I. Perry, Convener Education, Children and Families	7,919	7,633	Pension	9	1
			Lump Sum	2	0
A. Rankin, Convener Finance and Resources (to 24.08.20)	5,085	7,633	Pension	7	1
			Lump Sum	0	0
R. Munn, Convener Finance and Resources (from 25.08.20)	7,919	6,216	Pension	2	1
			Lump Sum	0	0
K. Campbell, Convener Housing, Homelessness and Fair Work	7,919	7,633	Pension	3	1
			Lump Sum	0	0
L. Macinnes, Convener Transport and Environment	7,919	7,633	Pension	3	0
			Lump Sum	0	0
J. Mowat, Convener Governance, Risk and Best Value	6,335	6,107	Pension	5	1
			Lump Sum	0	0
N. Work, Convener Licensing Board	7,919	7,633	Pension	8	1
			Lump Sum	2	0
N. Gardiner, Convener Planning	7,919	7,633	Pension	3	1
			Lump Sum	0	0
R. Henderson, Vice Chair Edinburgh Integration Joint Board	7,919	7,633	Pension	9	1
			Lump Sum	2	0
<u>Vice-Conveners</u>					
A. McNeese-Mechan, Vice Convener Culture and Communities	6,335	6,107	Pension	3	1
			Lump Sum	0	0
A. Dickie, Vice Convener Education, Children and Families (to 27.01.22)	5,960	6,107	Pension	3	1
			Lump Sum	0	0
E. Bird, Vice Convener Education, Children and Families (from 28.01.22)	4,223	n/a	Pension	2	n/a
			Lump Sum	0	n/a
M. Watt, Vice Convener Housing, Homelessness and Fair Work	6,335	6,107	Pension	3	1
			Lump Sum	0	0
K. Doran, Vice Convener Transport and Environment	6,335	6,107	Pension	5	1
			Lump Sum	0	0
M. Child, Vice Convener Planning	6,335	6,107	Pension	13	2
			Lump Sum	18	1
D. Dixon, Vice Convener Regulatory	6,335	6,107	Pension	5	1
			Lump Sum	0	0

# REMUNERATION REPORT

## Pension Rights - continued

### Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2022 £	For year to 31.03.2021 £		As at 31.03.2022 £000	Difference from 31.03.2021 £000
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	6,335	6,107	Pension	8	1
			Lump Sum	2	0
R. Aldridge, Liberal Democrat Group Leader	6,335	6,107	Pension	7	1
			Lump Sum	2	0
M. Main, Green Group Leader (to 23.06.21)	4,716	5,192	Pension	4	1
			Lump Sum	0	0
S. Burgess, Green Group Leader (from 24.06.21 to 28.11.21)	5,127	n/a	Pension	2	n/a
			Lump Sum	0	n/a
C. Miller, Green Group Leader (from 29.11.21)	4,939	n/a	Pension	6	n/a
			Lump Sum	0	n/a
<u>Councillors</u>					
D. Key (including role as Convener of Lothian Valuation Joint Board)	5,279	5,089	Pension	4	0
			Lump Sum	0	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

## Senior Employees

The pension entitlements of senior employees for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2022 £	For year to 31.03.2021 £		As at 31.03.2022 £000	Difference from 31.03.2021 £000
A. Kerr, Chief Executive	n/a	n/a	Pension	9	0
			Lump Sum	0	0
A. Hatton, Executive Director of Education and Children's Services (from 01.11.21)	15,326	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Proctor, Integration Joint Board Chief Officer (Note 1)	36,830	36,764	Pension	8	2
			Lump Sum	0	0
P. Lawrence, Executive Director of Place	36,830	36,764	Pension	36	4
			Lump Sum	0	0
J. Irvine, Chief Social Work Officer	27,782	25,369	Pension	41	5
			Lump Sum	42	4
S. Moir, Executive Director of Corporate Services (to 20.02.22)	n/a	9,191	Pension	10	0
			Lump Sum	0	0
H. Dunn, Service Director - Finance and Procurement	27,452	26,685	Pension	90	7
			Lump Sum	151	0
Total	<u>144,220</u>	<u>134,773</u>			

## Notes:

1. J Proctor is employed by the City of Edinburgh Council and 50% of her salary costs are recharged to the EIJB and NHS Lothian. The above Pension figures show the full contributions but only 50% of these are relevant to the City of Edinburgh Council

## REMUNERATION REPORT

### Pension Rights - continued Senior Employees - continued

#### Notes:

The pension figures shown for senior employees relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2022, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 134.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

#### Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2022 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2022 £	For year to 31.03.2021 £		As at 31.03.2022 £000	Difference from 31.03.2021 £000
<u>EICC</u>					
M. Dallas, Chief Executive	17,464	5,693	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
N. Serafini, Interim Managing Director	15,667	35,161	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, Managing Director	16,256	19,971	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	16,341	14,904	Pension	19	3
			Lump Sum	15	2
Total	<u>65,728</u>	<u>75,729</u>			

EICC is a subsidiary company of CEC Holdings Limited. Figures shown for this company, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the years ended 31 December 2021 and 2020 respectively.

R. Hunter is the only current member of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total relevant service and not just their current appointment.

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years and/or if they are not members of the Local Government Pension Scheme

The in-year pension contributions include pension strain costs where applicable.

#### Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives.

For the reporting year 2021/22, the equivalent of 9.4 FTE (across 20 individuals) of paid facility time was made available, with an associated cost of £0.28m. This sum equates to 0.06% of the Council's overall paybill.

Of the total time made available, eight individuals spent 100% of time during the year on trade union-related activities, none between 51% and 99%, and the remaining twelve between 1% and 50%.

ANDREW KERR  
Chief Executive  
Date:

CAMMY DAY  
Council Leader  
Date:

# INDEPENDENT AUDITOR'S REPORT

## Independent auditor's report to the members of City of Edinburgh Council and the Accounts Commission

### Reporting on the audit of the financial statements

#### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of City of Edinburgh Council and its group for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rates Income Account, the Common Good Fund Income and Expenditure Account and Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 6 years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

# INDEPENDENT AUDITOR'S REPORT

## Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## Responsibilities of the Service Director: Finance and Procurement and council for the financial statements

As explained more fully in the Statement of Responsibilities, the Service Director: Finance and Procurement is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Service Director: Finance and Procurement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director: Finance and Procurement is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The council is responsible for overseeing the financial reporting process.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

We have audited the part of the Remuneration Report described as audited. In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

# INDEPENDENT AUDITOR'S REPORT

## Other information

The Service Director: Finance and Procurement is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

## Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

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

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett (for and on behalf of Azets Audit Services)  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date.....

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## Finance and Resources Committee

10.00am, Thursday, 10 November 2022

### The City of Edinburgh Council Charitable Trusts and Charitable Funds – Report to those charged with governance on the 2021/22 Audit

Item number  
Report number  
Executive/routine

#### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 approve the Trustee's Annual Reports and Accounts for 2021/22 and note that these will be submitted to the External Auditor no later than 30 November 2022 and to the Office of the Scottish Charity Regulator (OSCR) by 31 December 2022; and
  - 1.1.2 note the commentary on the management of the Charitable Trusts and Funds included in the Audit Findings Report in Appendix 1.

**Richard Carr**

Interim Executive Director of Corporate Services

Contact: John Aghodeaka, Accountant,

Finance and Procurement Division, Corporate Services Directorate

E-mail: [john.aghodeaka@edinburgh.gov.uk](mailto:john.aghodeaka@edinburgh.gov.uk) | Tel: 0131 469 5348

## The City of Edinburgh Council Charitable Trusts and Charitable Funds – Report to those charged with governance on the 2021/22 Audit

### 2. Executive Summary

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- 2.1 The report updates the committee with the External Auditor's view on matters arising from the Charitable Trusts and Charitable Funds audit in compliance with International Standard on Auditing 260.
- 2.2 An unqualified audit opinion has been issued on the Trustee's Annual Reports and Accounts for 2021/22.

### 3. Background

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- 3.1 The purpose of this report is to update the Committee with the External Auditor's view on matters arising from the annual audit in compliance with International Standard on Auditing 260 (ISA 260).
- 3.2 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts and Charitable Funds.
- 3.3 The External Auditor is required to comply with International Standard on Auditing 260. As part of the standard, the Auditor is required to highlight relationships that bear on independence, unadjusted misstatements and material weaknesses in internal control.
- 3.4 The Council, as trustee, has overall responsibility for ensuring that:
  - i. there are appropriate systems of control;
  - ii. proper accounting records are maintained which disclose the financial position of the charities;
  - iii. suitable accounting policies are selected and applied consistently;
  - iv. judgements and estimates are reasonable and prudent;
  - v. assets of the charities are safeguarded against unauthorised use or disposition; and

- vi. reasonable steps for the prevention and detection of fraud are taken and reasonable assurances are provided that the charities are operating efficiently and effectively.

## 4. Main report

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### Key Points from the Audit Findings Report for 2021/22

- 4.1 The independent auditor's report to the trustee of The City of Edinburgh Council Charitable Trusts and Charitable Funds, included as Appendix 1, is unqualified.
- 4.2 The Trustee's Annual Reports and Accounts for 2021/22 are included in Appendices 2 and 3 of this report. The key points the External Auditor has drawn to members' attention are:
  - i. **Basis of accounts and the going concern policy of the Charitable Trusts and Charitable Funds**

On 23 January 2018, the Finance and Resources Committee approved a proposal to use the remaining Boyd Anderson funds to build a modular log cabin-type classroom and storage space at Lagganlia Outdoor Education Centre. Consent to wind up this charitable trust was received from OSCR in December 2017. As a result, separate accounts have been prepared for Boyd Anderson Trust using a break-up basis of accounting, included as Appendix 3. The financial statements for the remaining five trusts are prepared on the going concern basis and included as Appendix 2. The Trustee is of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the coming year.
  - ii. **Recognition of Council support funding for the running and maintenance of the Trusts**

The financial statements reflect the total income generated, and expenditure of running and maintaining, Lauriston Castle, the Nelson Halls and The Royal Scots Monument. This includes the support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets. The total support funding from The City of Edinburgh Council across the Trusts in the year was £299,800 (2020/21 £236,300).
  - iii. **Regular financial information should be presented to the Finance and Resources Committee (or those charged with the governance of the Charitable Trusts and Charitable Funds)**

While activity during the year was somewhat limited and any revised governance arrangements are still to be implemented, an update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022. It is intended to introduce a six-monthly financial update to elected members, aligned to the revised governance arrangements, after these changes are completed.

- iv. **Financial forecasts should be prepared and presented to the Finance and Resources Committee (or those charged with the governance of the Charitable Trusts and Charitable Funds) to enable the taking of decisions over their longer-term financial position of the Trusts**

Members of the Committee on the Jean F. Watson Bequest already receive regular financial updates to inform decisions on the allocation of available funds. While four of the other five trusts are either in receipt of a net funding contribution from the Council or are being wound up, further opportunities to improve financial planning will nonetheless be considered and reported as part of the revised governance arrangements. In this vein, an interim update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022 as noted above.

- v. **Councillors who may in future be appointed to act as Trustees to the City of Edinburgh Council charitable trusts review and update their registers of interest, if required, to reflect their role as Trustee**

Relevant registers of interests will be updated once the process of implementing the revised governance arrangements, referenced at 4.4 below, is concluded.

#### **Post COVID-19 updates on the Charitable Trusts and Funds' activities**

- 4.3 The impact of COVID-19 was considered in the preparation of the Charitable Trusts' and Funds' accounts and has been assessed to be immaterial. However, some of their activities were restricted during the pandemic but are now returning towards full operations as detailed below:

- i. **Edinburgh Education Trust**

Bursaries and grants were awarded to individual pupils and schools during the financial year. However, the Edinburgh Education Trust panel that is responsible for reviewing funding applications for excursion projects remained suspended during the 2021/22 financial year and there were therefore no funding applications received for excursions in 2021/22.

- ii. **Boyd Anderson Charitable Fund - Construction works at Lagganlia**

The winding-up of the Boyd Anderson Trust is yet to be completed pending the completion of the construction works at Lagganlia Snowsports Base, at which point the remaining funds will be transferred. The construction works had to be paused in compliance with COVID restrictions. The Council has reviewed the project post-COVID and found the costs of the original project now to be prohibitive. The Council is exploring alternative options to deliver the project and a new business case will be submitted for approval. It is anticipated that the project will be completed by the Summer of 2023.

### iii. **Nelson Halls and Lauriston Castle**

In light of public health restrictions, the Nelson Halls and Lauriston Castle building were closed for some, or all, of 2020/21 but have now been fully re-opened to the public.

#### **Future plans**

- 4.4 The Council is currently conducting a review of its administration of trusts. At the Finance and Resources Committee meeting of 12 August 2021, details were provided of the principal findings of an external review of the effectiveness of current governance arrangements in discharging the Council's responsibilities under the Deed of Trust for Lauriston Castle Trust (LCT). In considering the report's recommendations, members agreed to receive a further report, including a routemap on a proposed way forward for the Trust. Consideration of options for adapting the governance of LCT remains in progress, with any changes likely to take place in 2023. Arrangements for the other trusts of which the Council is sole trustee will be reviewed in the light of this consideration.
- 4.5 The remaining funds of the Boyd Anderson Trust are yet to be fully disbursed. The Lagganlia Snowsports Base project, for which the funds have been allocated, is still on-going, as referenced in 4.3 (ii) above, and the funds will be disbursed on its completion.

## **5. Next Steps**

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- 5.1 Subject to the Committee's approval, the audited Trustee's Annual Report and Accounts for 2021/22 will be submitted to the External Auditor no later than 30 November 2022.

## **6. Financial impact**

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- 6.1 There is no direct financial impact arising from the content of this report, although the revised presentation of the Trusts' income and expenditure is considered to aid transparency and highlight the importance and extent of current funding support from the Council.

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

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- 7.1 The Annual Report and Accounts were made available for public inspection from 30 June 2022 for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. This year's inspection process was

undertaken largely by electronic means. There was no correspondence received as part of this process in relation to the Charitable Trusts.

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

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- 8.1 [‘Guidance and good practice for Charity Trustees’](#), OSCR Website
- 8.2 [‘Charitable Trusts Reserves Policy’](#), Finance and Resources Committee, 17 March 2016
- 8.3 [‘Winding Up of Boyd Anderson Charitable Trust’](#), Finance and Resources Committee, 23 January 2018
- 8.4 [‘Spend to Save funding application – Lagganlia Outdoor Centre’](#), Finance and Resources Committee, 16 August 2018
- 8.5 [‘The City of Edinburgh Council Charitable Trusts - Report to those charged with Governance on the 2020/21 Audit’](#), Finance and Resources Committee, 18 November 2021
- 8.6 [Business Bulletin](#), Finance and Resources Committee, 16 June 2022

## **9. Appendices**

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- 9.1 The City of Edinburgh Council Charitable Trusts Audit Findings Report for the year ended 31 March 2022.
- 9.2 Audited Trustee’s Annual Report and Accounts for The City of Edinburgh Council Charitable Trusts, 2021/22.
- 9.3 Audited Trustee’s Annual Report and Accounts for The City of Edinburgh Council Charitable Funds (Boyd Anderson), 2021/22.



# The City of Edinburgh Council Charitable Trusts & The City of Edinburgh Council Charitable Funds

Audit findings report

Year ended 31 March 2022

Our ref: NIBE/CITYEC01/31 March 2022

City of Edinburgh Council  
City Chambers  
High Street  
Edinburgh  
EH1 1YJ

10 November 2022

Dear Sirs

**The City of Edinburgh Council Charitable Trusts & City of Edinburgh Council Charitable Funds  
Audit findings for the year ended 31 March 2022**

This Audit Findings Report highlights the significant findings arising from the audit of the charitable trust funds administered by the City of Edinburgh Council for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by City of Edinburgh Council management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Nick Bennett.

Yours faithfully

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# 1. Executive summary

## Audit overview

This table summarises the key findings from the external audit of the charitable trust funds administered by City of Edinburgh Council (The City of Edinburgh Council Charitable Trusts and The City of Edinburgh Council Charitable Funds) for the year ended 31 March 2022 for those charged with governance.

<b>Audit opinions</b>	<p>Our independent auditor's report to the Trustee of The City of Edinburgh Council Charitable Trusts is unqualified. In our opinion the financial statements of those charities listed below (collectively referred to as 'The City of Edinburgh Council Charitable Trusts') give a true and fair view and comply with the Charities and Trustee Investment (Scotland) Act 2005, Charities Accounts (Scotland) Regulations 2006 (as amended), and all applicable accounting standards.</p> <ul style="list-style-type: none"><li>• Jean Fletcher Watson (SC018971)</li><li>• Edinburgh Education Trust (SC042754)</li><li>• Nelson Halls Trust (SC018946)</li><li>• Lauriston Castle Trust (SC020737)</li><li>• The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)</li></ul> <p>The financial statements have been prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have a common trustee. The City of Edinburgh Council's acts as sole Trustee for these charitable trusts. The Council's Finance and Resources Committee has delegated authority from the Council to act in the role of Trustee of its charities.</p> <p>We have no matters to report regarding the adoption of the going concern basis or inadequate disclosures relating to material uncertainties in respect of the five charitable trusts which comprise The City of Edinburgh Council Charitable Trusts.</p> <p>A separate set of financial statements has been prepared for The City of Edinburgh Council Charitable Funds (Boyd Anderson). Our independent auditor's report on these financial statements is unqualified. We have, however, drawn attention in our independent auditor's report to the fact that the City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as the Trustee considers that it is not a going concern. Our opinion is not modified in respect of this matter.</p>
<b>Key findings on audit risks and other matters</b>	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The Council had appropriate administrative processes in place to prepare the financial statements and the required supporting working papers.</p>

# 1. Executive summary (continued)

<b>Audit adjustments</b>	<p>We identified no audit adjustments to The City of Edinburgh Council Charitable Trusts or The City of Edinburgh Council Charitable Funds (Boyd Anderson) financial statements. There were also no unadjusted audit differences.</p> <p>Presentational adjustments were proposed and accepted by City of Edinburgh Council management.</p>
<b>Accounting systems and internal controls</b>	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the charitable trusts' processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

## 2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<b>Management override</b>  In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i> .	In response to this risk, we reviewed the Trusts' accounting records and obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We also reviewed the key accounting estimates, judgements and decisions made by management.	We have not identified any indications of management override in the year.  We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.
<b>Revenue recognition</b>  Under ISA (UK) 240 - <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i> there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Trusts could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.	We evaluated each type of revenue transaction and reviewed the controls in place over revenue accounting. We considered the Trusts' key revenue transactions and streams and carried out testing to confirm that the Trusts' revenue recognition policy is appropriate and has been applied consistently throughout the year and accounted for correctly.	Overall we have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

## 2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<p><b>Lauriston Castle Trust: governance arrangements</b></p> <p>In 2020/21, we received an objection in relation to the City of Edinburgh Council Charitable Trusts financial statements. The objection raised issues over the governance of Lauriston Castle Trust. The objection claimed that the Council is not the sole trustee of the Lauriston Castle Trust, and that magistrates are also perpetual trustees.</p> <p>The Council obtained legal advice confirming that the City of Edinburgh Council is the sole trustee of the Lauriston Castle Trust. The Council is currently conducting a review of its administration of trusts.</p> <p>At the Finance and Resources Committee meeting of 12 August 2021, details were provided of the principal findings of an external review of the effectiveness of current governance arrangements in discharging the Council's responsibilities under the Deed of Trust for Lauriston Castle Trust (LCT). In considering the report's recommendations, members agreed to receive a further report to full Council early in the new year including a routemap on a proposed way forward for the Trust, as well as reviewing the arrangements for the other trusts of which the Council is sole trustee with reference to the arrangements agreed for Lauriston Castle Trust.</p> <p>We understand that the report will propose to reshape Lauriston Castle Trust. Assuming this is approved, an application will subsequently be made to OSCR to implement a reorganisation scheme which will vary the terms of the Deed of Trust.</p>	<p>In response to this risk, we considered any approved changes to the governance structures of the charitable trusts and the impact this had on the financial statements of the trusts.</p>	<p>No changes were made to the governance arrangements of the charitable trusts in 2021/22.</p> <p>The review was postponed due to local government elections in May 2022. The Council is considering options for adapting the governance of the Trust, which is likely to take place in 2023. The outcome of this review will be reported to a future Committee.</p>

## 2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<p><b>Asset valuations (significant accounting estimate)</b></p> <p>Heritage Assets are stated in the accounts at a revalued amount where this is available. The valuation base for such assets is value for insurance purposes. Where this information is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scots Monument.</p> <p>The Lauriston Castle valuation of £7.6million includes £2million for the Lauriston Castle buildings and grounds based on historic cost and £5.6million based on full inventory valuation of the collection. An external revaluation of the collection was completed in November 2020 by Art &amp; Antiques Appraisals.</p> <p>There is a significant degree of subjectivity in the measurement and valuation of fixed assets. This subjectivity and the material nature of the asset base represents an increased risk of misstatement in the financial statements.</p>	<p>We will ensure that tangible fixed assets are recorded in the financial statements in accordance with the Charities SORP (FRS 102) and the charitable trusts' accounting policies and have been accounted for appropriately. We will review asset valuations and ensure that the Council has completed a recent assessment for impairment across the portfolio.</p> <p>Where applicable, we will consider the competence, capability and objectiveness of the valuer in line with ISA (UK) 500 Audit Evidence. We will review the valuation report and consider the assumptions used by the valuer against external sources of evidence. In addition, we will consider the scope of the valuer's work and the information provided to the valuer for completeness. We will ensure that all key assumptions and estimates over the valuation of tangible fixed assets are formally reviewed on an annual basis to ensure these remain appropriate</p>	<p>In 2021/22 there were no asset valuation exercises carried out over the charitable trusts' heritage assets.</p> <p>The Council's in-house valuer includes, as part of their annual review of the council asset portfolio, Lauriston Castle and Nelson Halls to identify if there are any changes in value of those assets including impairment. There were no material changes identified in respect of these assets.</p> <p>Management rely on the team who are responsible for the JFW artwork to notify of any impairment / changes to the value of the portfolio. No changes were identified in respect of these assets.</p> <p>An external revaluation of the Lauriston Castle Collection was completed in November 2020 and incorporated into the 2020/21 financial statements. No further work was carried out by management in year as to the value of this collection.</p> <p>Overall, the accounting policy and judgements taken by management in the preparation of the accounts are consistent with the requirements of the Charities SORP (FRS 102) in respect of heritage assets.</p> <p>We have gained reasonable assurance on the value of fixed assets and are satisfied that fixed assets are fairly stated in the financial statements.</p>

## 2. Significant risk areas

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<p><b>Recognition of Council support on the running and maintenance of the Trusts (significant accounting estimate)</b></p> <p>The financial statements include income and expenditure associated with the running and maintenance of Lauriston Castle, Nelson Halls and The Royal Scots Monument (incorporated into the Royal Scots Trust). This includes support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets. The key judgements and estimates applied are as follows:</p> <ul style="list-style-type: none"><li>• Lauriston Castle Trust: time-based estimates of curatorial and management costs where relevant staff also have responsibility for other Council operated venues. An estimate of gardening costs, comprising employee and associated materials expenditure, is also included.</li><li>• Nelson Halls: based on the total floorspace (in sqm) covered by the halls as a percentage of the entire floorspace of the libraries or community centres to which they are attached.</li><li>• The Royal Scots Monument: based on the estimated cost, as provided by Parks and Greenspace services, for maintaining the specific grounds the monument is situated.</li></ul> <p>There is a risk that the judgements and estimations applied are inappropriate and materially misstated in the financial statements.</p>	<p>Our audit testing focused on the recognition of Council support in the financial statements where values and balances are derived by judgement and estimation.</p>	<p>The key judgements and estimates applied by management are the same as applied in the previous year.</p> <p>We considered the judgements and estimates applied and consider these to be appropriate. We did not identify any areas of bias in the judgements made by management and the estimation techniques applied were consistent with the prior year.</p> <p>We have gained reasonable assurance that the support in kind from City of Edinburgh Council is fairly stated in the financial statements.</p>

## 2. Significant risk areas (continued)

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Key risk area	Audit Approach	Conclusions
<b>Winding up of trusts</b>		
<p>In January 2018, a paper was presented to the Council's Finance and Resources Committee seeking approval for the formal winding up of the City of Edinburgh Council Charitable Funds (Boyd Anderson) and the transfer of the remaining assets to the Lagganlia Outdoor Learning Centre. Consent to wind up this charitable trust was received from the OSCR in December 2017.</p>	<p>We reviewed the disclosures and accounting transactions in the financial statements to ensure compliance with the Charities SORP (FRS 102) and applicable accounting standards.</p>	<p>The Council has reviewed the project post covid closure and found the costs of the original project to be prohibitive. The Council is exploring alternative options which meet the same business outcomes but are more effective and time efficient. The monies from the City of Edinburgh Council Charitable Funds (Boyd Anderson) will still be used for this project.</p>
<p>Due to the temporary closure of the centre as a result of the COVID-19 pandemic, construction works have not yet been completed and therefore these monies have not yet been transferred. OSCR has granted consent to wind up this Trust and this will be progressed once construction works have been completed.</p>		<p>A new business case is required. The intention is that the project will commence this financial year (2022/23) with a view to completion in Summer 2023.</p>
<p>In 2020/21, separate financial statements were prepared for this Trust. The Trustee prepared the financial statements for the City of Edinburgh Council Charitable Funds (Boyd Anderson) adopting a break-up basis of accounting as they considered that it was not a going concern. Our opinion was not modified in respect of this matter.</p>		<p>Note 1 in the financial statements explains that a break-up basis of accounting has been applied as the trustees consider that it is not a going concern.</p>
<p>There is a risk that this Fund is not accounted for and disclosed correctly in the financial statements.</p>		<p>We have disclosed this matter in our independent auditor's report. Our opinion is not modified in respect of this matter.</p>

## 3. Other risk factors / observations from the audit

### Impact of COVID-19 on the financial statements

COVID-19 continued to present unprecedented challenges to the operation, financial management and governance of organisations in 2021/22. In response to the pandemic, we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion.

We reviewed the Trusts' consideration of the impact of COVID-19. In particular we reviewed whether year end balances and disclosures reflect the position at 31 March and any post balance sheet events. We also considered both management's (City of Edinburgh Council) and the Trustee's consideration of the individual trusts ability to continue as a going concern.

From our review, and understanding of the charitable trusts' operations, we are satisfied that the impact of COVID-19 does not present a material uncertainty to the going concern basis of preparation.

### Local Authority Accounts (Scotland) Regulations 2014 – notice of public right to inspect and object to accounts

As part of our audit, we reviewed the charitable trusts' compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulation 9: the notice of public right to inspect and object to accounts.

Overall we concluded that appropriate arrangements are in place to comply with the Regulations. No submissions were received in 2021/22.



## 4. Estimates and judgements

During the audit planning process we identified the following areas which require significant estimation or judgement. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between **Prudent**, **Balanced** and **Optimistic**.

Area	Assessment	Comment
<b>Asset valuations</b>	<b>Balanced</b>	<p><b>As noted in section 2 of this report:</b></p> <p>Heritage Assets are stated in the financial statements at a revalued amount where this is available. Where this information is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scots Monument. The collections of paintings, ceramics, textiles, silverware, clocks and books are based on values for insurance purposes.</p> <p>In 2021/22 there were no asset valuation exercises carried out over the charitable trusts' heritage assets. A review of the asset values in 2021/22 was carried out by management with no material changes identified.</p> <p>The accounting policy and judgements taken by management in the preparation of the financial statements are consistent with the requirements of the Charities SORP (FRS 102) in respect of heritage assets.</p>
<b>Recognition of Council support on the running and maintenance of the Trusts</b>	<b>Balanced</b>	<p><b>As noted in section 2 of this report:</b></p> <p>City of Edinburgh Council management has exercised judgement in applying the charitable trust fund's accounting policies. Judgements and estimates have been applied in respect of the Council's support in kind in on the running and maintenance of Lauriston Castle, Nelson Halls and The Royal Scots Monument.</p> <p>We considered the judgements and estimates applied and consider these to be appropriate. We did not identify any areas of bias in the judgements made by management and the estimation techniques applied were consistent with the prior year.</p>

## 5. Going Concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

### Management's assessment of going concern

The financial statements for the five trusts, excluding The City of Edinburgh Council Charitable Funds (Boyd Anderson), are prepared on the going concern basis. The City of Edinburgh Council support the ongoing operation and maintenance of the trusts; as is evidenced through the support in kind to Lauriston Castle Trust, Nelson Halls Trust and The Royal Scots (The Royal Regiment) Monument Trust Fund.

In respect of the City of Edinburgh Council Charitable Trust Funds (Boyd Anderson); these have been prepared using a break-up basis of accounting as they are not considered to be a going concern (refer to section 2 of this report 'winding up of Trusts').

### Trustee assessment of going concern

The trustees are of the opinion the five trusts, excluding The City of Edinburgh Council Charitable Funds (Boyd Anderson), are a going concern from reviewing activities undertaken, based on expected expenditure and commitments in the coming year.

### Audit work performed

ISA 570 (revised) specifies mandatory procedures that we are required to carry out on going concern.

In order to gain assurance on these matters our work has included:

- enquiring of Council management and the charitable trusts' solicitors concerning litigation, claims and assessments;
- review of financial forecasts;
- consideration of post balance sheet events; and
- consideration of the impact COVID-19 has had on charitable trusts'.

### Disclosures

We have reviewed the disclosures set out in the notes to the financial statements on going concern and consider these to be appropriate.

### Conclusion

Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that five of the six charitable trusts will continue to operate for at least 12 months from the signing date.

In respect of the City of Edinburgh Council Charitable Funds (Boyd Anderson), we draw attention to note 1 in the financial statements, which describes the basis of preparation. The Trustee has prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. Our audit report refers to the material uncertainty although our opinion is not modified in respect of this matter.

## 6. Audit communication

### Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

Our initial assessment of materiality for the year ended 31 March 2022 was set out in our External Audit Annual Plan and is detailed in the table below ("Planning materiality"). On receipt of the unaudited financial statements, we reassessed materiality and set it at the levels outlined below. We consider that our updated assessment has remained appropriate throughout our audit.

	Planning materiality (£)	Final overall materiality for the financial statements (£)	Performance materiality (£)	Trivial threshold (£)	Explanation
Lauriston Castle	153,220	153,220	114,915	7,661	<p><b>Overall materiality:</b> our assessment is based on approximately 2% of gross assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of each charitable trust.</p> <p><b>Performance materiality:</b> Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p> <p><b>Trivial threshold:</b> 5% of overall materiality for the financial statements.</p>
Jean F. Watson	132,920	132,920	99,690	6,646	
Edinburgh Education Trust	23,940	25,760	19,320	1,288	
Nelson Halls	5,540	5,880	4,410	294	
City of Edinburgh Council Charitable Funds (Boyd Anderson)	2,000	2,000	1,500	100	
Royal Scots (The Royal Regiment) Monument Trust Fund	720	720	540	36	

## 6. Audit communication (continued)

### Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the prior year.

### Presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charitable trusts.

Overall we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

### Fraud and suspected fraud

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

### Written representations

We will present final letter of representations to the Finance and Resources Committee to sign at the same time as the financial statements are approved.

### Related parties

We are not aware of any related party transactions which have not been disclosed.

### Confirmations from third parties

All requested third party confirmations have been received.

### Non-compliance with laws and regulations

Trustees are responsible for preparing the financial statements in accordance with the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and relevant accounting standards.

The City of Edinburgh Council Charitable Trusts financial statements are prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees. The City of Edinburgh Council acts as sole Trustee for these charitable trusts.

As The City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared on a break-up basis of accounting, separate financial statements have been prepared.

We are not aware of any significant incidences of non-compliance.

## 7. Internal controls

### Control environment

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include them in this report. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment to be satisfactory. No material weaknesses or significant deficiencies were noted in the control and process environment.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

## 7. Internal controls (continued)

### Follow up of prior year/s recommendations

As part of our audit process, we have specifically followed up on the recommendations either raised in last year's report or carried forward from prior reports. Our findings are noted below.

The recommendations are categorised into three risk ratings as shown in the key.

**Key:** 1. Significant deficiency 2. Other deficiency 3. Other observations

Area	Observation	Implication	Recommendation	2020/21 management response
Regular financial reporting  3	The Finance and Resources Committee does not receive regular financial information on income generated / expenditure incurred on the Charitable Trusts. As the Trustee of the trusts the Council should receive regular financial information to ensure that income generated is applied in accordance with the charitable objectives of the Trusts.	There is a risk that income is not spent in accordance with the charitable objectives of the Trusts.	Regular financial information should be presented to enable the Council to fulfil its role as Trustee to these Trusts.	<p>Six-monthly financial updates to elected members will be introduced, aligned to the revised governance arrangements expected to be approved early in the new year.</p> <p><b>Responsible officer:</b> Principal Accountant (Corporate Accounts)</p> <p><b>Completion date:</b> June 2022</p>
Current status	Update from management			
Ongoing	While activity during the year was somewhat limited and the revised governance arrangements are still to be implemented, an update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022. This will be supplemented by commentary included in the Annual Report in November.			

## 8. Internal controls (continued)

### Follow up of prior year/s recommendations (continued)

Key: **1. Significant deficiency** **2. Other deficiency** **3. Other observations**

Area	Observation	Implication	Recommendation	2020/21 management response
<b>Financial forecasts</b>  <b>3</b>	Forecasting is due to be carried out by City of Edinburgh Council finance staff in 2021/22 to ensure those charged with governance are aware of funds available in 2022/23 which will enable longer term planning.	There is a risk that those charged with governance do not have sufficient / up to date information to base decisions on over the longer term financial position of the trusts.	Once prepared; the financial forecasts should be presented to enable the Council to take decisions over the longer term financial position of the Trusts.	<p>Members of the Committee on the Jean F Watson Bequest already receive regular financial updates to inform decisions on the allocation of available funds. While four of the other five trusts are either in receipt of a net funding contribution from the Council or are being wound up, opportunities to improve financial planning will nonetheless be considered and reported as part of the updates mentioned in the recommendation above.</p> <p><b>Responsible officer:</b> Principal Accountant (Corporate Accounts)  <b>Completion date:</b> June 2022</p>

Current status	Update from management
<b>Ongoing</b>	An update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022 including forecasts for 22/23. This will be supplemented by commentary included in the Annual Report in November.

## 8. Internal controls (continued)

### Follow up of prior year/s recommendations (continued)

Key: **1. Significant deficiency** **2. Other deficiency** **3. Other observations**

Area	Observation	Implication	Recommendation	2020/21 management response
<b>Declaration of interests</b>	We noted the following during our 2018/19 audit:	Openness and transparency – there is a risk over the openness of disclosures made by the City of Edinburgh Council as Trustee of the charitable trusts. These records inform related party disclosures and potential conflicts of interests when considering the business of both the Council and the Trusts.	We recommend that any councillors who may in future be appointed to act as Trustees to the City of Edinburgh Council charitable trusts review and update their registers of interest, if required, to reflect their role as Trustee on these Trusts.	If revised governance arrangements to be presented to Council early in the new year are approved and implemented, any individual councillor trustees will be asked to ensure that their respective registers of interest are updated.
<b>3</b>	<ul style="list-style-type: none"> <li>The Council's website details those councillors who are members of the Finance and Resources Committee and the Jean F. Watson Committee. The website does not explicitly note that where councillors are members of the Finance and Resources Committee they are trustees of the City of Edinburgh Council Charitable Trusts.</li> <li>Individual councillor registers of interests do not make reference to the City of Edinburgh Council Charitable Trusts.</li> </ul>			<p><b>Responsible officer:</b> Head of Democracy, Governance and Resilience</p> <p><b>Completion date:</b> On-going</p>

Current status	Update from management
<b>Ongoing</b>	Consideration of the report on these revised arrangements was delayed until after the Local Government Election in May 2022 but will be presented to the Finance and Resources Committee in due course. Relevant registers of interests will be updated once this process has concluded.



## 9. Independence and ethics

### Independence and Ethics

In accordance with our profession's ethical guidance and further to our External Audit Plan confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

### Audit and non-audit services

The following services were provided in the year to 31 March 2022 and to 31 March 2021.

Audit services	Fees 2022 £	Fees 2021 £
Audit of the financial statements	9,000	8,240

No non-audit services were provided in either year.



**The City of Edinburgh Council Charitable Trusts  
Audited Trustee's Annual Report and Accounts  
for the year ended 31 March 2022**

## Legal and Administrative Information

### Trustee

The City of Edinburgh Council acts as sole Trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the **Finance and Resources Committee** and now has delegated authority from Council to act in the role of Trustee of its charities. The individual members of the Committee are listed on page 6 of the Trustee's Report, however, the individual members are not Trustees of the charitable trusts.

### Reference and Administrative Details

At the year end the Council acted as sole Trustee for a total of six Trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of five of the charities can be found on page 3 of this report and in the accounts. Separate accounts has been prepared for City of Edinburgh Council Charitable Funds using a break-up basis of accounting. OSCR has granted consent to wind up the Trust.

The Council administers these charities but their assets are not available to the Council and have not been included in the Council's balance sheet, or its wider Group balance sheet.

### Registered Office

The City of Edinburgh Council  
City Chambers  
High Street  
Edinburgh  
EH1 1YJ

### Auditor

Azets Audit Services  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

### Bankers

Royal Bank of Scotland  
36 St Andrew Square  
Edinburgh  
EH2 2AD

### Investment Managers

CCLA Investment Management Ltd  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4ET

### Legal Advisors

The City of Edinburgh Council  
City Chambers  
High Street  
Edinburgh  
EH1 1YJ

M&G Securities Ltd  
10 Fenchurch Avenue  
London  
EC3M 5AG

## Trustee's Annual Report 2021/22

The Trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2022. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102), commonly referred to as the Charities SORP (FRS 102). One set of accounts for connected charities has been prepared under the provisions of these regulations.

### Structure, Governance and Management

The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The Trustee section on the previous page describes the Committee of the Council which is involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity Trustee. Risk management is covered as part of the Council's general risk management procedures. The Council is currently in the process of conducting a review of its administration of Trusts.

The **Committee on the Jean F. Watson Bequest** has the following delegated authority: "With monies from the Jean F. Watson Bequest, to purchase and commission for the City's collection, works of artists and craftspeople born, practising in, or otherwise associated with Scotland, and in particular Edinburgh; all decisions to be guided by the Collection and Disposal Policy for the City Museums and Galleries."

### Responsibilities of the Trustee

Charity law requires the charity Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the Trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls; financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the Charities SORP (FRS 102).
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charities.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
  - i) the charities are operating efficiently and effectively;
  - ii) the charitable assets are safeguarded against unauthorised use or disposition;
  - iii) proper records are maintained and financial information used by the charities is reliable;
  - iv) the charities comply with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity Trustee;
2. Consideration by the charity Trustee of financial results and non-financial performance indicators;
3. Delegation of authority and segregation of duties; and
4. Identification and management of risks.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included in the Council's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### Exemptions From Disclosure and Funds held as Custodian Trustee on Behalf of Others

None.

## Trustee's Annual Report 2021/22

### Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2022 are as follows:

Official Name ( <i>Name Used in Accounts</i> )	Scottish Charity Registration Number	Purpose	Market Value at 31/3/22 £'000
<b>Miss Jean Fletcher Watson Bequest</b> ( <i>Jean F. Watson</i> )	SC018971	The purchase of works of art by artists who have connections with the city	6,754
<b>The Edinburgh Education Trust</b> ( <i>Edinburgh Education Trust</i> )	SC042754	To fund activities to support Looked after Children and school prizes	1,282
<b>Nelson Halls Trust</b> ( <i>Nelson Halls</i> )	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	287
<b>Lauriston Castle Trust</b> ( <i>Lauriston Castle</i> )	SC020737	To make the artefacts and buildings available to be viewed by the public	7,676
<b>Royal Scots (The Royal Regiment) Monument Trust Fund</b> ( <i>The Royal Scots Trust</i> )	SC018945	Maintenance of the Royal Scots Monument	35
<b>Total</b>			<b>16,034</b>

The main activities undertaken in relation to the Trusts' purposes are outlined below;

Jean F. Watson purchased artwork totalling £36,986 during the financial year, with funding of £16,975 provided to contribute towards these purchases, as set out in Notes 2 and 5.

Additional purchases were approved at the **Committee on the Jean F Watson Bequest** meeting on 17 December 2021. The acquisition process was yet to be completed as at 31st March 2022, but will be progressed and finalised in the next financial year.

The Edinburgh Education Trust funded £2,028 of activities for looked after children (£1,749 2020/21) and £1,300 of school prizes (£1,050 2020/21). An improved process has been introduced to ensure that this funding is allocated to the recipients in a more timely and direct manner. Unused funds from the current year will be rolled forward into the new year.

Nelson Halls are open to the public as part of the libraries and community centres they are attached to.

Lauriston Castle is open to the public. While the castle was closed on public health grounds during the pandemic, both it and the grounds are now open to the public. The interest received in 2021/22 is used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2021/22 was used to cover some of the running costs.

The Statement of Financial Activities includes the total income from and expenditure of running and maintaining Lauriston Castle, Nelson Halls and the Royal Scots Monument. This includes the support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets.

## Trustee's Annual Report 2021/22

### Achievements and Performance

#### Financial Investments Performance

The Trusts' investments are held in the Charibond Charities Fixed Interest Common Investment Fund managed by M&G Securities Ltd and the COIF Charities Investment Fund managed by CCLA Investment Management Ltd.

#### Charibond Charities Fixed Interest Fund

The investment held in Charibond is 20% of the total Trusts' investments.

Charibond recorded a total return of -0.55% over the 12 months to 15 November 2021. The 50% ICE Bofaml 1-15 Gilt Index & 50% ICE Bofaml Non-Gilt Index - a composite index of UK Gilt and non-Gilt, returned -1.22% over the same period.

The single year performance for the last five years ending 15 November is outlined in the table below;

	2021	2020	2019	2018	2017
<b>Charibond</b>	-0.6%	3.3%	3.8%	0.0%	1.2%

The fund invests mainly in UK government bonds (gilts) and high quality, sterling-denominated corporate bonds. In terms of its overall positioning, the fund favoured holding a mix of these assets throughout the period, but maintained a bias towards shorter dated gilts within the fund's allocation to government bonds.

As at 15 November 2021, the distribution yield of the fund was 2.05%. For comparison, on 15 November 2020, the fund's distribution yield was 2.24%.

#### COIF Charities Investment Fund

Investment held in COIF Charities Investment Fund is 80% of the total Trusts' investments.

The single year total return performance (net of expenses) for the COIF Charities Investment Fund for the 12 months to end March is outlined in the table below;

	2022	2021	2020	2019	2018	2017
<b>Fund</b>	11.6%	24.3%	-0.1%	12.2%	6.0%	20.0%
<b>Comparator</b>	11.7%	22.9%	-6.4%	8.5%	2.2%	20.4%

The longer term total return performance (net of expenses) for the COIF Charities Investment Fund for the 12 months to end March is outlined in the table below;

	1 year	3 years p.a.	5 years p.a.
<b>Fund</b>	11.6%	11.5%	10.3%
<b>Peer group</b>	11.7%	8.7%	7.3%

The Peer Group measure represents the total returns reported for the ARC Charities Steady Growth Index.

Market comparator: For the Investment Fund's total return objective (CPI+5% p.a. on average) it is only possible to assess progress over a long time horizon such as the course of a business cycle, which may be ten years or more. The market comparator, which is not a target or a constraining benchmark, is intended to help investors understand the effects of the Fund's active management in different market circumstances, and to see how the Fund's returns vary in the shorter term from those that might be experienced by a more passive investor. The current market comparator, in summary, is 75% overseas equities, 15% UK government bonds (gilts), 5% UK commercial property & 5% LIBID.

As at 31 March 2022 the actual holdings in the COIF Charities Investment Fund were; 64.1% in overseas equities, 8.5% in UK equities, 4.6% in Property, 9.1% in Infrastructure & Operating Assets, 5.2% in Other and 8.5% in Cash. The overseas equities are split as follows: - North America 44.6%, Europe 14.4%, Pacific Ex. Japan 3.6%, Japan 0.8%, Other 0.8%.

The investment objective of the Fund is to provide real long-term growth in capital and income from a portfolio managed within a clear and consistent risk framework. After a strong year in 2021, equity markets came under pressure as a result of the impact of rising inflation. Subsequently events in Ukraine became the dominant factor in market movement. Looking ahead, it is anticipated that global economic growth will be lower than previously forecast but should remain in positive territory.

The forecast annual income from the COIF Charities Investment Fund is £63,903, which represents an income yield of around 2.80% based on the current market value of investments.

## Trustee's Annual Report 2021/22

### Financial Review

The financial statements present the financial position of the Trusts for the year ended 31 March 2022. This section describes briefly the key points of each statement. Financial statements and notes have been rounded to the nearest thousand, and as such, are subject to rounding differences. All of the unrestricted funds of the charities are general and not designated.

The Statement of Financial Activities shows the total income to be £428,000 in 2021/22 (2020/21 £366,000). This increase in income compared to the previous year is primarily due to increased Grant receipts for the purchase of arts and an increased need for support funding from the City of Edinburgh Council compared to the prior year. An analysis of income and art purchases is available in Notes 2 and 5.

The expenditure in the year is higher than last year at £364,000 compared to £318,000. An analysis of expenditure is detailed in Notes 3 and 4 with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being operating and ground maintenance costs.

The Balance Sheet Statement shows the fixed asset investments have increased to £2.667m from £2.505m. This increase is as a result of a net gain in the market valuation of the investments at the end of the first quarter of 2022. Movements on the valuation of the investments are further analysed in Notes 7, 16 and 17.

Fixed asset properties and collections have been included in the accounts at their most recent valuations. An external revaluation of Lauriston Castle collections was completed in November 2020 and Lauriston Castle building was revalued in March 2019, with further details available in Notes 6 and 16.

The £21,000 increase in cash is further analysed in the Cash Flow Statement (£32,000 increase in 2020/21). The detail of the breakdown of the £22,000 owed by the Trusts as at 31 March 2022 is included within Note 17 of the Accounts with the year on year comparative included in Note 10.

### Reserves Policy

The Charitable Trusts should follow the prevailing general principle that the "Capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. If the Trustee requires to use "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the **17 March 2016 Finance and Resources Committee**.

The annual income for the Edinburgh Education Trust averages around £30,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trust's bank account. The Trust has total funds of £1,282,000, consisting of £1,139,000 in Investments, £142,000 in Cash, £7,000 of debtors less Creditors of £6,000.

The annual income for Jean F. Watson has averaged around £45,000 in the last two years. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trust's bank account. The Trust has total funds of £6,754,000, consisting of £1,179,000 in Investments, £5,420,000 in Fixed Assets, £154,000 in Cash, £7,000 of debtors less Creditors of £6,000.

The annual income for Nelson Halls averages around £41,000, including the funding from the City of Edinburgh Council to support operating cost. This income is mainly used to fund the operating and maintenance costs of the Halls. The Trust has total funds of £287,000, consisting of £265,000 in Investments, £19,000 in Heritage Assets, £8,000 in Cash, £2,000 of debtors less Creditors of £7,000.

The annual income for Lauriston Castle averages around £260,000, including the funding from the City of Edinburgh Council to support operating cost. This income is mainly used to fund the operating and maintenance costs of the Castle. The Trust has total funds of £7,676,000, consisting of £7,625,000 in Heritage Assets, £52,000 in Investments, £1,000 in Cash less Creditors of £2,000. Cash will be available to fund liabilities as they fall due.

The annual income for The Royal Scots Trust averages around £21,000, including the funding from the City of Edinburgh Council to support maintenance cost. This income is mainly used to fund the cost of maintenance of the Monument. The Trust has total funds of £35,000, consisting of £32,000 in Investments, £1,000 in Heritage Assets and £3,000 in Cash less Creditors of £1,000.



## **Trustee's Annual Report 2021/22**

### **Financial Review - continued**

The total support funding from the City of Edinburgh Council across the Trusts in the year is £299,817 (2020/21 £236,310).

The Heritage Assets and the Investments stated above are endowment funds and are therefore not available for general purposes. An analysis of Heritage Assets is included within Notes 5 and 6 to the Accounts.

### **Plans for Future Period**

The strategy to radically restructure the Charitable Trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson Trust which has been approved by Committee, leaving the five Trusts covered in this report remaining. Separate accounts has been prepared for Boyd Anderson Trust using a break-up basis of accounting.

The Trusts continue to make improvements to the processes regarding the transfer of funds to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting will be carried out by finance staff in 2022/23 to ensure that they are also aware of the likely money available in 2023/24 to enable longer-term planning.

### **Signed on behalf of the Trustee of the charities:**

**Councillor Mandy Watt**

**Convener of the Finance and Resources Committee**

**Date:**

### **The other members of the Finance and Resources Committee as at 31 March 2022 are outlined below:**

Councillor Alasdair Rankin  
Councillor Andrew Johnston  
Councillor Chas Booth  
Councillor George Gordon  
Councillor Graeme Bruce  
Councillor Graham Hutchison  
Councillor Joan Griffiths  
Councillor Neil Ross  
Councillor Rob Munn (Convener up until 05.05.22)

### **Members of the Committee on Jean F. Watson Bequest as at 31 March 2022:**

Councillor Catherine Fullerton (*Convener*)  
Councillor Amy McNeese-Mechan  
Councillor Cameron Rose  
Councillor Gordon Munro  
Councillor Joanna Mowat  
Councillor Karen Doran  
Councillor Max Mitchell  
Councillor Robert Aldridge  
Councillor Susan Rae

The City of Edinburgh Council Charitable Trusts  
Statement of Financial Activities  
For the year ended 31 March 2022

	Note	2021/22			2020/21		
		Unrestricted funds	Endowment funds	Total funds	Unrestricted funds Restated	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and Endowments from:</b>							
<i>Charitable activities</i>	2	17	-	17	9	-	9
<i>Investments</i>	2	71	-	71	71	-	71
<i>Donations and Legacies</i>	2	300	-	300	236	-	236
<i>Other trading activities</i>	2	40	-	40	50	-	50
<b>Total</b>		<u>428</u>	<u>-</u>	<u>428</u>	<u>366</u>	<u>-</u>	<u>366</u>
<b>Expenditure on:</b>							
<i>Charitable activities</i>	3	(351)	-	(351)	(306)	-	(306)
<i>Governance costs</i>	3, 4	(13)	-	(13)	(12)	-	(12)
<b>Total</b>		<u>(364)</u>	<u>-</u>	<u>(364)</u>	<u>(318)</u>	<u>-</u>	<u>(318)</u>
<i>Net gains / (losses) on investments</i>	16	-	162	162	-	361	361
<b>Total</b>		<u>-</u>	<u>162</u>	<u>162</u>	<u>-</u>	<u>361</u>	<u>361</u>
<b>Net income / (expenditure)</b>		<u>64</u>	<u>162</u>	<u>226</u>	<u>48</u>	<u>361</u>	<u>409</u>
<b>Transfers between funds</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other recognised gains/(losses):</b>							
<i>Gains on revaluation of fixed assets</i>	16	-	-	-	-	624	624
<b>Total</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624</u>	<u>624</u>
<b>Net movement in funds:</b> Increase/ (Decrease)		<u>64</u>	<u>162</u>	<u>226</u>	<u>48</u>	<u>986</u>	<u>1,034</u>
<b>Reconciliation of funds</b>							
<i>Total funds brought forward</i>		<u>5,658</u>	<u>10,150</u>	<u>15,808</u>	<u>5,610</u>	<u>9,164</u>	<u>14,774</u>
<b>Total funds carried forward</b>	17	<u>5,723</u>	<u>10,311</u>	<u>16,034</u>	<u>5,658</u>	<u>10,150</u>	<u>15,808</u>

**The City of Edinburgh Council Charitable Trusts**  
**Balance Sheet**  
**As at 31 March 2022**

	Note	2021/22			2020/21		
		Unrestricted funds £'000	Endowment funds £'000	Total funds £'000	Unrestricted funds £'000	Endowment funds £'000	Total funds £'000
<b>Fixed Assets:</b>							
<i>Jean F. Watson Collection</i>	5	5,420	-	5,420	5,383	-	5,383
<i>Other Heritage Assets</i>	6	-	7,645	7,645	-	7,645	7,645
<i>Investments</i>	7	-	2,667	2,667	-	2,505	2,505
<b>Total fixed assets</b>		<b>5,420</b>	<b>10,312</b>	<b>15,732</b>	<b>5,383</b>	<b>10,150</b>	<b>15,533</b>
<b>Current Assets:</b>							
<i>Cash at Bank</i>	8	308	-	308	287	-	287
<i>Debtors</i>	9	16	-	16	15	-	15
<b>Total current assets</b>		<b>324</b>	<b>-</b>	<b>324</b>	<b>301</b>	<b>-</b>	<b>301</b>
<b>Liabilities:</b>							
<i>Creditors due within one year</i>	10	(22)	-	(22)	(26)	-	(26)
<b>Total Liabilities</b>		<b>(22)</b>	<b>-</b>	<b>(22)</b>	<b>(26)</b>	<b>-</b>	<b>(26)</b>
<b>Net Current Assets</b>		<b>302</b>	<b>-</b>	<b>302</b>	<b>275</b>	<b>-</b>	<b>275</b>
<b>Total Net Assets</b>		<b>5,722</b>	<b>10,312</b>	<b>16,034</b>	<b>5,658</b>	<b>10,150</b>	<b>15,808</b>
<b>The funds of the charity:</b>							
<i>Unrestricted Funds</i>	17	1,345	-	1,345	1,281	-	1,281
<i>Endowment Funds</i>	17	-	2,687	2,687	-	2,525	2,525
<i>Revaluation Reserve</i>	17	4,377	7,625	12,002	4,377	7,625	12,002
<b>Total Charity Funds</b>		<b>5,722</b>	<b>10,312</b>	<b>16,034</b>	<b>5,658</b>	<b>10,150</b>	<b>15,808</b>

The audited accounts were issued on 10 November 2022.

**Signed on behalf of the charity Trustee:**

**Councillor Mandy Watt**  
**Convener of the Finance and Resources Committee**

**Date:**

**The City of Edinburgh Council Charitable Trusts**  
**Cash Flow Statement**  
**As at 31 March 2022**

	31 March 2022		31 March 2021	
	£'000	£'000	£'000	
<b>Operating Activities</b>				
<i>Dividend Income and Interest received (Note 2)</i>	(55)		(56)	
<i>Receipt of Prior Year Accrued Interest (Note 2)</i>	(15)		(15)	
<i>Grant Income for Purchase of Art (Notes 2, 10)</i>	(17)		(14)	
<b>Cash inflows generated from operating activities</b>		<b>(87)</b>	<b>(85)</b>	
<i>Cash paid to Schools and Pupils (Note 3)</i>	3		3	
<i>Cash paid for Purchase of Art (Note 5)</i>	37		11	
<i>Cash paid to the Council</i>	26		39	
<b>Cash outflows generated from operating activities</b>		<b>66</b>	<b>53</b>	
<b>Net cash (inflows) / outflows from operating activities</b>		<b>(21)</b>	<b>(32)</b>	
<b>Investing Activities</b>				
<i>Proceeds from Realised Investment</i>	-		-	
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>-</b>	
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>	
<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>(21)</b>	<b>(32)</b>	
<i>Cash and cash equivalents at 1 April (Note 8)</i>	287		255	
<i>Cash and cash equivalents at 31 March (Note 8)</i>	308		287	
<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>(21)</b>	<b>(32)</b>	
<b>Analysis of changes in Net Debt</b>				
	<b>1 April 2021</b>	<b>Net Cash Flows</b>	<b>Non-Cash Changes</b>	<b>31 March 2022</b>
	£	£	£	£
Cash at Bank	287	21	-	308
<b>Total Funds</b>	<b>287</b>	<b>21</b>	<b>-</b>	<b>308</b>

**The City of Edinburgh Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

**1 Accounting policies**

**a) Basis of preparation**

The 2021/22 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - Charities SORP (FRS 102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

These financial statements have been prepared on the basis that the Trusts for which the City of Edinburgh Council acts as sole Trustee are connected charities. As such, the accounts for the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis. These Trusts meet the definition of a public benefit entity under Charities SORP (FRS 102). Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

On 23 January 2018 the Finance and Resources Committee approved a proposal to use the remaining Boyd Anderson funds to build a modular log cabin type classroom and storage space at Lagganlia. However, the work was delayed due to the impact of Covid-19 restrictions. As a result, separate accounts have been prepared for Boyd Anderson Trust using a break-up basis of accounting. It is now estimated that the work will be completed by the summer of 2023. OSCR has granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable trust funds' transactions are denominated.

The Statement of Financial Activities includes the total income from and expenditure of running and maintaining Lauriston Castle, Nelson Halls and The Royal Scots Monument. This includes the support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The critical judgements and estimates for the trusts are included in note (m).

**b) Going Concern Policy**

The financial statements for the remaining five Trusts, after the closure of Boyd Anderson, are prepared on the going concern basis. The Trustee is of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the 12 months following the signing of these financial statements.

**c) Fund accounting**

Unrestricted funds are general funds that are available for use at the Trustee's discretion in the furtherance of any of the objectives of the charities.

All of the charities have an endowment fund consisting of invested capital and any Heritage Assets. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the Trustee has discretion to expend endowment funds should the need arise, subject to Finance and Resources Committee approval.

**d) Investment income**

Investment income is accounted for in the period in which the charity is entitled to receive it and the amount can be measured with reasonable certainty.

**e) Grant and other income**

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the charitable trust is entitled to receipt, it is probable that the income will be received and the amount can be measured reliably. Such income is deferred when the charitable trust has to fulfil conditions before becoming entitled to it. Sums generated by the direct activities of the Trusts are included as other trading activities income, subject to the conditions above. In-kind support from the Council, equal to the net operating cost of the Trusts during the year after consideration of this income and income from investments, is included within income from donations and legacies.

**The City of Edinburgh Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

**1 Accounting policies - continued**

**f) Expenditure**

Expenditure is included in the financial statements on an accruals basis and includes sums incurred by the Council in the furtherance of the Trusts' activities.

**g) Heritage assets and depreciation**

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. This type of assets includes collections of: paintings, ceramics, textiles, silverware, clocks and books. The valuations used for these assets are based on values for insurance purposes.

Heritage Assets are stated in the accounts at a revalued amount where this is available. Where this is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scot Monument.

**h) Investments**

Investments are included at market value at the balance sheet date in accordance with the principles of the Charities SORP (FRS 102). Any gain or loss on revaluation is shown on the Statement of Financial Activities.

**i) Reserves policy**

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. The Finance and Resources Committee agreed the current Reserves Policy on 17 March 2016.

**j) Creditors**

Creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

**k) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks, and are measured at fair value.

**l) Financial assets and financial liabilities**

Financial instruments are recognised in the statements of financial activities when the charitable trust becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value.

Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of Charities SORP (FRS 102). At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

**m) Critical judgements and estimates**

The preparation of financial statements in compliance with Charities SORP (FRS 102) requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the charitable trust funds' accounting policies.

The reported operating cost for Lauriston Castle incorporates time-based estimates of curatorial and management costs where relevant staff also have responsibility for other Council-operated venues. An estimate of gardening costs, comprising employee and associated materials expenditure, is also included.

The reported operating cost for Nelson Halls is based on the total floorspace (in sqm) covered by the halls as a percentage of the entire floorspace of the libraries or community centres to which they are attached.

The reported expenditure for The Royal Scots Monument is based on the estimated cost, as originally provided by Parks and Greenspace services and adjusted for inflation, for maintaining the specific grounds the monument is situated.

**The City of Edinburgh Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

<b>2 Analysis of Income</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Dividend income - received</i>	55	56
<i>Dividend income - accrued</i>	16	15
<i>Jean F. Watson grant received for purchase of art</i>	17	9
<i>Donations and Legacies</i>	300	236
<i>Other trading activities</i>	40	50
<b>Total Income</b>	<b>428</b>	<b>366</b>

<b>3 Analysis of Expenditure on Charitable Activities</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Edinburgh Education Trust - Grants to Individuals</i>	(1)	(1)
<i>Edinburgh Education Trust - Grants to Schools</i>	(2)	(2)
<i>Lauriston Castle - Operating cost</i>	(280)	(239)
<i>Nelson Halls - Operating cost</i>	(46)	(36)
<i>The Royal Scots Trusts - Operating cost</i>	(22)	(26)
<i>Jean F. Watson- Art Impairment Loss</i>	-	(2)
	<b>(351)</b>	<b>(306)</b>
<i>Allocation of Governance and support costs</i>	(13)	(12)
<b>Total Expenditure on Charitable Activities</b>	<b>(364)</b>	<b>(318)</b>

There was no expenditure incurred on raising funds in 2021/22. (£nil 2020/21)

<b>4 Analysis of Governance and Support Costs</b>	<b>Support</b>	<b>Governance</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Edinburgh Education Trust</i>	(3)	(3)	(6)
<i>Jean F. Watson</i>	(3)	(3)	(6)
<i>Others</i>	-	(1)	(1)
<b>Total Support Costs</b>	<b>(6)</b>	<b>(7)</b>	<b>(13)</b>

The basis of allocation for the support and governance costs was the cash held at bank at the time of allocation.

No Trustee received any remuneration or expenses during the year ending 31 March 2022. There are no employees of the City of Edinburgh Council Charitable Trusts.

**The City of Edinburgh Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

<b>5 Jean F. Watson Collection</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Balance brought forward at 1 April</i>	5,383	5,374
<i>Purchases during the year</i>	37	18
<i>Other Adjustment</i>	-	(7)
<i>Impairment</i>	-	(2)
<b>Balance carried forward at 31 March</b>	<u><u>5,420</u></u>	<u><u>5,383</u></u>

In 1961 an agreement was signed by Miss Jean F. Watson and the Corporation of the City of Edinburgh which set up a fund to purchase works of art in memory of Miss Watson's parents. The Trust acquires works of art for public viewing in Edinburgh by artists who have connections with the city. The agreement allows for existing items in the collection to be sold and the proceeds used to purchase other works of art.

There have been various purchases per the list below and no disposals.

In 2020/21, Vestige 2019\_45 painting by Michael Craik, Portfolio of 29 prints by various artists from Castle Mills Printmakers, Three untitled paintings by Eric Cruikshank, Fugue (17/11) & Fugue (30/11) by James Lumsden were purchased.

In 2021/22, Portfolio of three unique digital prints- Disunion, Apparition and Green & Pleasant Land by Rachel MacLean was purchased.

These are classified as heritage assets.

<b>6 Analysis of Other Heritage Assets</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,625	7,625
<i>The Royal Scots Trust</i>	1	1
<b>Total Other Heritage Assets</b>	<u><u>7,645</u></u>	<u><u>7,645</u></u>

The Lauriston Castle valuation of £7.6m (2020/21 £7.6m) includes £2m for the Lauriston Castle buildings and grounds based on historic cost and £5.6m based on full inventory valuation of the collection. An external revaluation of the collection was completed in November 2020 by Art & Antiques Appraisals.

The Nelson Halls properties have not been valued for the purposes of these accounts and are stated at cost. These buildings are now often incorporated into the fabric of existing buildings and are therefore difficult to revalue.

The Royal Scots Monument was transferred from Common Good Fund to the Royal Scots Trust following the Common Good asset register review in 2019/20. The valuation of the monument has been based on historic cost.

Additional information on heritage assets can be found in the Trustee's Annual Report under Reserves Policy but there have been no acquisitions or disposals, except for those mentioned for Jean F. Watson in Note 5 above.

<b>7 Analysis of Investments</b>	<b>Realised</b>	<b>Purchases</b>	<b>Net Gain/</b>		
	<b>Investments</b>	<b>at cost</b>	<b>(Loss) on</b>	<b>At 31/3/21</b>	<b>At 31/3/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>revaluation</b>	<b>£'000</b>	<b>£'000</b>
<i>Edinburgh Education Trust</i>	1,068	-	71	1,139	1,139
<i>Jean F. Watson</i>	1,108	-	71	1,179	1,179
<i>Lauriston Castle</i>	49	-	3	52	52
<i>Nelson Halls</i>	250	-	15	265	265
<i>The Royal Scots Trust</i>	30	-	2	32	32
<b>Total Investments</b>	<u><u>2,505</u></u>	<u><u>-</u></u>	<u><u>162</u></u>	<u><u>2,667</u></u>	<u><u>2,667</u></u>



**The City of Edinburgh Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

<b>8 Analysis of Cash and Cash Equivalents</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Edinburgh Education Trust</i>	142	121
<i>Jean F. Watson</i>	154	154
<i>Lauriston Castle</i>	1	1
<i>Nelson Halls</i>	8	8
<i>The Royal Scots Trust</i>	3	3
<b>Total Cash and Cash Equivalents</b>	<b>308</b>	<b>287</b>

<b>9 Analysis of Debtors</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Edinburgh Education Trust</i>	7	7
<i>Jean F. Watson</i>	7	7
<i>Nelson Halls</i>	2	1
<b>Total Debtors</b>	<b>16</b>	<b>15</b>

The figures above predominately relate to the accrued interest for the CCLA and M&G investments.

<b>10 Analysis of Creditors Due Within One Year</b>	<b>Unrestricted funds</b>	<b>Endowment funds</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>Total</b>	<b>Total</b>
			<b>£'000</b>	<b>£'000</b>
<i>Amounts due</i>	(22)	-	(22)	(21)
<i>Deferred Income- JF Watson Prepaid Grant</i>	-	-	-	(5)
<b>Total Liabilities</b>	<b>(22)</b>	<b>-</b>	<b>(22)</b>	<b>(26)</b>

Detail of the amounts due per Trust is available in Note 17.

<b>11 Analysis of Financial Assets and Liabilities</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Financial assets measured at amortised cost</i>	324	302
<i>Financial liabilities measured at amortised cost</i>	(22)	(26)
<i>Financial assets measured at market value</i>	2,667	2,505
<b>Total Financial Assets and Liabilities</b>	<b>2,969</b>	<b>2,781</b>

**12 Related Party Transactions**

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £14,738 was owed to the Council by the Trusts (2020-21 £14,342).

**13 Prior Year Adjustment**

There have been no prior year adjustments that require disclosure within these accounts.

**14 Post Balance Sheet Event**

There have been no events since 31 March 2022, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

**15 Audit Fee**

The fee payable to Azets Audit Services in respect of the audit services for the Council's Charitable Trusts is £6,859 for 2021/22. The figure for 2020/21 was £6,104. This fee is included in the overall governance costs and allocated proportionately to each individual Trust based on cash held at bank.

The City of Edinburgh Council Charitable Trusts  
Notes to the Accounts  
For the year ended 31 March 2022

16 (i) Trusts at Market Value - Year Ended 31 March 2022

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Lauriston Castle Trust Revaluation £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	<b>SC042754</b>	1,190	30	(9)	71	-	<b>1,282</b>
<i>Jean F. Watson</i>	<b>SC018971</b>	6,641	48	(6)	71	-	<b>6,754</b>
<i>Lauriston Castle</i>	<b>SC020737</b>	7,673	280	(280)	3	-	<b>7,676</b>
<i>Nelson Halls</i>	<b>SC018946</b>	271	48	(47)	15	-	<b>287</b>
<i>The Royal Scots Trust</i>	<b>SC018945</b>	33	22	(22)	2	-	<b>35</b>
<b>Total Funds</b>		<b>15,808</b>	<b>428</b>	<b>(364)</b>	<b>162</b>	<b>-</b>	<b>16,034</b>

16 (ii) Trusts at Market Value - Year Ended 31 March 2021

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Lauriston Castle Trust Revaluation £'000	Funds carried forward £'000
<i>Edinburgh Education Trust</i>	<b>SC042754</b>	1,011	30	(8)	156	-	<b>1,190</b>
<i>Jean F. Watson</i>	<b>SC018971</b>	6,451	41	(9)	158	-	<b>6,641</b>
<i>Lauriston Castle</i>	<b>SC020737</b>	7,042	239	(239)	7	624	<b>7,673</b>
<i>Nelson Halls</i>	<b>SC018946</b>	235	36	(36)	36	-	<b>271</b>
<i>The Royal Scots Trust</i>	<b>SC018945</b>	35	20	(26)	4	-	<b>33</b>
<b>Total Funds</b>		<b>14,774</b>	<b>367</b>	<b>(318)</b>	<b>361</b>	<b>624</b>	<b>15,808</b>

The City of Edinburgh Council Charitable Trusts  
Notes to the Accounts  
For the year ended 31 March 2022

17 (i) Trusts at Market Value - Year Ended 31 March 2022

Charity Name	SC Number	Revaluation Reserve										2021/22 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value	Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Edinburgh Education Trust</i>	<b>SC042754</b>	142	7	(6)	-	-	-	-	844	295		<b>1,282</b>
<i>Jean F. Watson</i>	<b>SC018971</b>	154	7	(6)	1,043	4,377	-	-	881	298		<b>6,754</b>
<i>Lauriston Castle</i>	<b>SC020737</b>	1	-	(2)	-	-	7,625	-	39	13		<b>7,676</b>
<i>Nelson Halls</i>	<b>SC018946</b>	8	2	(7)	-	-	-	19	198	67		<b>287</b>
<i>The Royal Scots Trust</i>	<b>SC018945</b>	3	-	(1)	-	-	-	1	24	8		<b>35</b>
<b>Total Funds</b>		<b>308</b>	<b>16</b>	<b>(22)</b>	<b>1,043</b>	<b>4,377</b>	<b>7,625</b>	<b>20</b>	<b>1,986</b>	<b>681</b>		<b>16,034</b>

17 (ii) Trusts at Market Value - Year Ended 31 March 2021

Charity Name	SC Number	Revaluation Reserve										2020/21 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value	Adjustment	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<i>Edinburgh Education Trust</i>	<b>SC042754</b>	121	7	(5)	-	-	-	-	844	224		<b>1,190</b>
<i>Jean F. Watson</i>	<b>SC018971</b>	154	7	(11)	1,006	4,377	-	-	881	227		<b>6,641</b>
<i>Lauriston Castle</i>	<b>SC020737</b>	1	-	(2)	-	-	7,625	-	39	10		<b>7,673</b>
<i>Nelson Halls</i>	<b>SC018946</b>	8	1	(7)	-	-	-	19	198	51		<b>271</b>
<i>The Royal Scots Trust</i>	<b>SC018945</b>	3	-	(1)	-	-	-	1	24	6		<b>33</b>
<b>Total Funds</b>		<b>287</b>	<b>15</b>	<b>(26)</b>	<b>1,006</b>	<b>4,377</b>	<b>7,625</b>	<b>20</b>	<b>1,986</b>	<b>518</b>		<b>15,808</b>

## **Independent auditor's report to the Trustee of The City of Edinburgh Council Charitable Trusts and the Accounts Commission**

### **Reporting on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the statement of accounts of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2022 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charities' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

#### **Responsibilities of the Trustee for the financial statements**

As explained more fully in the Responsibilities of the Trustee, the Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee intends to discontinue the charities' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charities are complying with that framework;
- identifying which laws and regulations are significant in the context of the charities;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

## **Reporting on other requirements**

### **Other information**

The Trustee is responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

Our responsibility is to read all 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

## Report on other requirements

### Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

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

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Nick Bennett, for and on behalf of Azets Audit Services

Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

**Date**.....

Azets Audit Services is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Charity Number: SC025067

**City of Edinburgh Council Charitable Funds  
Audited Trustee's Annual Report and Accounts  
for the year ended 31 March 2022**

## **Legal and Administrative Information**

### **Trustee**

The City of Edinburgh Council acts as sole Trustee for the City of Edinburgh Council Charitable Funds. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the **Finance and Resources Committee** and now has delegated authority from Council to act in the role of Trustee of its charities. The individual members of the Committee are listed on page 3 of the Trustee's Report, however, the individual members are not Trustees of the charitable Trust.

### **Reference and Administrative Details**

At the year end the Council acted as sole Trustee for a total of six Trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). City of Edinburgh Council Charitable Funds is one of these Trusts.

The Council administers this charity but its assets are not available to the Council and have not been included in the Council's balance sheet, or its wider Group balance sheet.

### **Registered Office**

The City of Edinburgh Council  
City Chambers  
High Street  
Edinburgh  
EH1 1YJ

### **Auditor**

Azets Audit Services  
Exchange Place 3  
Sempie Street  
Edinburgh  
EH3 8BL

### **Bankers**

Royal Bank of Scotland  
36 St Andrew Square  
Edinburgh  
EH2 2AD

### **Legal Advisors**

The City of Edinburgh Council  
City Chambers  
High Street  
Edinburgh



## **Trustee's Annual Report 2021/22**

The Trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Funds for the year ending 31 March 2022. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102), commonly referred to as the Charities SORP (FRS 102).

### **Structure, Governance and Management**

The Trustee section on the previous page describes the Committee of the Council which is involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity Trustees. Risk management is covered as part of the Council's general risk management procedures. The Council is currently in the process of conducting a review of its administration of Trusts.

### **Responsibilities of the Trustee**

Charity law requires charity Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the Trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls; financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the Charities SORP (FRS 102).
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charity.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
  - i) the charity is operating efficiently and effectively;
  - ii) the charitable assets are safeguarded against unauthorised use or disposition;
  - iii) proper records are maintained and financial information used by the charity is reliable;
  - iv) the charity complies with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity Trustee;
2. Consideration by the charity Trustee of financial results and non-financial performance indicators;
3. Delegation of authority and segregation of duties; and
4. Identification and management of risks.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included in the Council's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### **Exemptions From Disclosure and Funds held as Custodian Trustee on Behalf of Others**

None.

## **Trustee's Annual Report 2021/22**

### **Objectives and Activities**

The purpose of the City of Edinburgh Council Charitable Funds is to provide outdoor education and skiing opportunities.

At the **14 January 2016 Finance and Resources Committee**, it was agreed that £66,000 of the City of Edinburgh Council Charitable Funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Further to that, a proposal to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. A preferred contractor was appointed following a tender process, however, the work was delayed due to the impact of Covid-19 restrictions. The project is currently being reviewed post-covid and a revised proposal will have to be put forward for approval. It is estimated that the work will be completed by the summer of 2023. The funds will be transferred when the construction work at Lagganlia is completed. OSCR has granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

For this reason, the financial statements for the City of Edinburgh Council Charitable Funds have been prepared using a break-up basis of accounting as it is considered that it is not a going concern.

### **Financial Review**

The financial statements present the financial position of the Trust for the year ended 31 March 2022. This section describes briefly the key points of the statement. All of the unrestricted funds of the charity are general and not designated.

The expenditure in the year is £4,009 (2020/21 £4,074). An analysis of expenditure is detailed in Note 3.

The £4,074 decrease in cash is further analysed in the Cash Flow Statement (£5,687 decrease in 2020/21).

### **Reserves Policy**

No reserves policy has been created for the City of Edinburgh Council Charitable Funds as the existing funds have been agreed to be disbursed as per the reports to Finance and Resources Committee on 14 January 2016 and 23 January 2018.

### **Plans for Future Period**

Future plans include the full disbursement of the remaining funds of the City of Edinburgh Council Charitable Funds, which has been approved by the Finance and Resources Committee. It is the intention to wind up the Trust once all funds are distributed.

### **Signed on behalf of the Trustee of the charities:**

**Councillor Mandy Watt**

**Convener of the Finance and Resources Committee**

**Date:**

**The other members of the Finance and Resources Committee as at 31 March 2022 are outlined below:**

Councillor Alasdair Rankin

Councillor Chas Booth

Councillor Graeme Bruce

Councillor George Gordon

Councillor Joan Griffiths

Councillor Graham Hutchison

Councillor Andrew Johnston

Councillor Rob Munn (Convener up until 05.05.22)

Councillor Neil Ross

The City of Edinburgh Council Charitable Funds  
Statement of Financial Activities  
For the year ended 31 March 2022

	Note	2021/22			2020/21		
		Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£	£	£	£	£	£
<b>Income and Endowments from:</b>							
<i>Interest Received</i>	2	40	-	40	-	-	-
<b>Total</b>		<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditure on:</b>							
<i>Governance costs</i>	3	(4,009)	-	(4,009)	(4,074)	-	(4,074)
<b>Total</b>		<u>(4,009)</u>	<u>-</u>	<u>(4,009)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
<b>Net income / (expenditure)</b>		<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
<b>Transfers between funds</b>		-	-	-	-	-	-
<b>Net movement in funds:</b> Increase/ (Decrease)		<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
<b>Reconciliation of funds</b>							
<i>Total funds brought forward</i>		<u>96,228</u>	<u>-</u>	<u>96,228</u>	<u>100,302</u>	<u>-</u>	<u>100,302</u>
<b>Total funds carried forward</b>	11	<u><u>92,259</u></u>	<u><u>-</u></u>	<u><u>92,259</u></u>	<u><u>96,228</u></u>	<u><u>-</u></u>	<u><u>96,228</u></u>

**The City of Edinburgh Council Charitable Funds**  
**Balance Sheet**  
**For the year ended 31 March 2022**

	Note	Unrestricted funds	2021/22 Endowment funds	Total funds	Unrestricted funds	2020/21 Endowment funds	Total funds
		£	£	£	£	£	£
<b>Current Assets:</b>							
<i>Cash at Bank</i>	4	96,228	-	96,228	100,302	-	100,302
<i>Total current assets</i>		<u>96,228</u>	<u>-</u>	<u>96,228</u>	<u>100,302</u>	<u>-</u>	<u>100,302</u>
<b>Liabilities:</b>							
<i>Creditors due within one year</i>	5	(3,969)	-	(3,969)	(4,074)	-	(4,074)
<i>Total Liabilities</i>		<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>	<u>-</u>	<u>(4,074)</u>
<b>Net Current Assets</b>		92,259	-	92,259	96,228	-	96,228
<b>Total Net Assets</b>		<u>92,259</u>	<u>-</u>	<u>92,259</u>	<u>96,228</u>	<u>-</u>	<u>96,228</u>
<b>The funds of the charity:</b>							
<i>Unrestricted Funds</i>	11	92,259	-	92,259	96,228	-	96,228
<b>Total Charity Funds</b>		<u>92,259</u>	<u>-</u>	<u>92,259</u>	<u>96,228</u>	<u>-</u>	<u>96,228</u>

The audited accounts were issued on 10 November 2022.

**Signed on behalf of the charity Trustee:**

**Councillor Mandy Watt**  
**Convener of the Finance and Resources Committee**

**Date:**

The City of Edinburgh Council Charitable Funds  
Cash Flow Statement  
For the year ended 31 March 2022

	31 March 2022		31 March 2021	
	£	£	£	
<b>Operating Activities</b>				
<i>Cash paid to the Council</i>	4,074			5,687
<b>Cash outflows generated from operating activities</b>		<b>4,074</b>		<b>5,687</b>
<b>Net cash (inflows) / outflows from operating activities</b>		<b>4,074</b>		<b>5,687</b>
<b>Net cash flows from investing activities</b>		-		-
<b>Net cash flows from financing activities</b>		-		-
<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>4,074</b>		<b>5,687</b>
<i>Cash and cash equivalents at 1 April (Note 4)</i>	100,302			105,989
<i>Cash and cash equivalents at 31 March (Note 4)</i>	96,228			100,302
<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>4,074</b>		<b>5,687</b>
<b>Analysis of changes in Net Debt</b>				
	<b>1 April 2021</b>	<b>Net Cash Flows</b>	<b>Non-Cash Changes</b>	<b>31 March 2022</b>
	£	£	£	£
Cash at Bank	100,302	(4,074)	-	96,228
<b>Total Funds</b>	<b>100,302</b>	<b>(4,074)</b>	<b>-</b>	<b>96,228</b>

**The City of Edinburgh Council Charitable Funds**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

**1 Accounting policies**

**a) Basis of preparation**

The 2021/22 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) - Charities SORP (FRS 102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

City of Edinburgh Council Charitable Funds meets the definition of a public benefit entity under Charities SORP (FRS 102). Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the Charitable Trust funds' transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The critical judgements and estimates for the trusts are included in note (j).

**b) Going Concern Policy**

The financial statements for the City of Edinburgh Council Charitable Funds have been prepared using a break-up basis of accounting as it is considered that it is not a going concern. A proposal to use the remaining funds to build a modular log cabin type classroom and storage space at Lagganlia was approved by **Finance and Resources Committee on 23 January 2018**.

**c) Fund accounting**

Unrestricted funds are general funds that are available for use at the Trustee's discretion in the furtherance of any of the objectives of the charities.

Endowment funds are held on Trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the Trustee has discretion to expend endowment funds should the need arise, subject to Finance and Resources Committee approval. There is no endowment fund held for the City of Edinburgh Council Charitable Funds as at 31 March 2022.

**d) Grant income**

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the Charitable Trust is entitled to receipt, it is probable that the income will be received and the amount can be measured reliably. Such income is deferred when the Charitable Trust has to fulfil conditions before becoming entitled to it.

**e) Expenditure**

Expenditure is included in the financial statements on an accruals basis.

**f) Reserves policy**

No reserves policy has been created for the City of Edinburgh Council Charitable Funds as the existing funds have been agreed to be disbursed as per the report to Finance and Resources Committee on 14 January 2016 and 23 January 2018.

**The City of Edinburgh Council Charitable Funds**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

**1 Accounting policies - continued**

**g) Creditors**

Creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

**h) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks, and are measured at fair value.

**i) Financial assets and financial liabilities**

Financial instruments are recognised in the statements of financial activities when the Charitable Trust becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of Charities SORP (FRS 102). At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

**j) Critical judgements and estimates**

The preparation of financial statements in compliance with Charities SORP (FRS 102) requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Charitable Trust funds' accounting policies.

The Trustee do not consider there to be any accounting judgements required in preparing these accounts. The Trustee are satisfied that accounting policies are appropriate and applied consistently.

**The City of Edinburgh Council Charitable Funds**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

<b>2 Analysis of Income</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>
<i>Interest - received</i>	40	-
<b>Total Income</b>	<u>40</u>	<u>-</u>

<b>3 Analysis of Governance and Support Costs</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>
<i>Support</i>	(1,868)	(1,938)
<i>Governance</i>	(2,141)	(2,136)
<b>Total Support Costs</b>	<u>(4,009)</u>	<u>(4,074)</u>

There was no expenditure incurred on raising funds in 2021/22. (£nil 2020/21)

The basis of allocation for the support and governance costs was the cash held at bank at the time of allocation.

No Trustee received any remuneration or expenses during the year ending 31 March 2022. There are no employees of the City of Edinburgh Council Charitable Funds.

<b>4 Analysis of Cash and Cash Equivalents</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>
<i>Cash at Bank</i>	96,228	100,302
<b>Total Cash and Cash Equivalents</b>	<u>96,228</u>	<u>100,302</u>

<b>5 Analysis of Creditors Due Within One Year</b>	<b>Unrestricted funds</b>	<b>Endowment funds</b>	<b>2021/22 Total</b>	<b>2020/21 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Amounts due</i>	(3,969)	-	(3,969)	(4,074)
<b>Total Liabilities</b>	<u>(3,969)</u>	<u>-</u>	<u>(3,969)</u>	<u>(4,074)</u>



**The City of Edinburgh Council Charitable Funds**  
**Notes to the Accounts**  
**For the year ended 31 March 2022**

<b>6 Analysis of Financial Assets and Liabilities</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>
<i>Financial assets measured at amortised cost</i>	96,228	100,302
<i>Financial liabilities measured at amortised cost</i>	(3,969)	(4,074)
<i>Financial assets measured at market value</i>	-	-
<b>Total Financial Assets and Liabilities</b>	<u>92,259</u>	<u>96,228</u>

**7 Related Party Transactions**

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trust. At the end of the year £1,828 was owed to the Council by the Trusts (2020-21 £1,938).

**8 Prior Year Adjustment**

There have been no prior year adjustments that require disclosure within these accounts.

**9 Post Balance Sheet Event**

There have been no events since 31 March 2022, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

**10 Audit Fee**

The allocated fee payable to Azets Audit Services in respect of the audit services for the City of Edinburgh Council Charitable Funds is £2,141 for 2021/22. The figure for 2020/21 was £2,136. This fee is included in the overall governance costs in Note 3.

The City of Edinburgh Council Charitable Funds  
Notes to the Accounts  
For the year ended 31 March 2022

11 (i) Trusts at Market Value - Year Ended 31 March 2022

<b>Unrestricted Funds</b>
---------------------------

Charity Name	SC Number	Cash at Bank £	Amounts owed £	2021/22 Market Value £
<i>City of Edinburgh Council Charitable Funds</i>	<b>SC025067</b>	96,228	(3,969)	<b>92,259</b>
<b>Total Funds</b>		<u>96,228</u>	<u>(3,969)</u>	<u><b>92,259</b></u>

11 (ii) Trusts at Market Value - Year Ended 31 March 2021

<b>Unrestricted Funds</b>
---------------------------

Charity Name	SC Number	Cash at Bank £	Amounts owed £	2020/21 Market Value £
<i>City of Edinburgh Council Charitable Funds</i>	<b>SC025067</b>	100,302	(4,074)	<b>96,228</b>
<b>Total Funds</b>		<u>100,302</u>	<u>(4,074)</u>	<u><b>96,228</b></u>

## **Independent auditor's report to the Trustee of The City of Edinburgh Council Charitable Funds and the Accounts Commission**

### **Reporting on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the statement of accounts of The City of Edinburgh Council Charitable Funds for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2022 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit** Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter – basis of preparation**

We draw attention to note 1 in the financial statements, which describes the basis of preparation. The Trustee has prepared the financial statements using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.

#### **Responsibilities of the Trustee for the financial statements**

As explained more fully in the Responsibilities of the Trustee, the Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the charity'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 Trustee intend to discontinue the charity's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

## **Reporting on other requirements**

### **Other information**

The Trustee is responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

Our responsibility is to read all 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

## Report on other requirements

### Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

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

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Nick Bennett, for and on behalf of Azets Audit Services

Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

**Date**.....

Azets Audit Services is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## 2021-22 Common Good Annual Performance Report

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes the contents of this report.

**Richard Carr**

Interim Executive Director of Corporate Services

Contact: Craig Fraser, Senior Accountant, Finance and Procurement Division

E-mail: [craig.fraser2@edinburgh.gov.uk](mailto:craig.fraser2@edinburgh.gov.uk) | Tel: 0131 529 6551

## 2021-22 Common Good Annual Performance Report

### 2. Executive Summary

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- 2.1 The report presents the outturn position for the Common Good Fund and the performance of its cash investments for the 2021/22 financial year. The report includes an update on the Common Good Property Planned Maintenance Fund and the plans for the 2022/23 financial year. The report also includes an update on current issues affecting Common Good in Edinburgh.

### 3. Background

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- 3.1 The City of Edinburgh Council has a statutory obligation under the Local Government, etc. (Scotland) Act 1994, Section 15(4) (b) in administering property held as part of the common good to have regard to the interests of all the inhabitants of the city. In effect, the Council holds the Common Good Fund for the benefit of the city as a whole.
- 3.2 Section 102 of the Community Empowerment (Scotland) Act 2015 places a duty on local authorities to “establish and maintain a register of property which is held by the authority as part of the common good” (a common good register). Before establishing a common good register, the Act requires a local authority to publish a list of property that it proposes to include in the register, and to consult on this list. When the list of property is published, the local authority must notify community councils and other community bodies so that these groups can consider the list and give their views (make representations).
- 3.3 On 19 October 2015, the Governance, Risk and Best Value Committee requested that the Service Director: Finance and Procurement explore ways to use the Common Good Fund to maintain proactively and refurbish Common Good property.
- 3.4 On 14 January 2016, the Finance and Resources Committee approved the use of the Common Good Fund for planned maintenance of the Common Good assets. Since approval, £0.205m has been spent, with £0.115m of expenditure incurred on Scott Monument lighting, £0.030m on Calton Hill redevelopment, £0.036m on South Queensferry Harbour and £0.024m on Portobello Municipal Clock and specialist surveys for the City Observatory and Scott Monument.



## 4. Main report

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### Financial Outturn

- 4.1 All income and expenditure relating to Common Good property, including that which is incurred from within main Council budgets, is included in the Revenue Account for the Common Good Fund. As shown in Appendix 1, a recharge of £3.929m (2020/21 £2.566m), equal to the net cost funded from Council budgets, has been made against the Council for the use of Common Good assets. All figures within the report are subject to rounding.
- 4.2 The audited accounts for the Common Good Fund for 2021/22 showed an in-year deficit of £0.012m (2020/21 surplus of £0.003m) after transferring £1.071m to the Capital Contribution Reserve. This transfer relates to a community hub in the former tennis pavilion on Leith Links that was under construction as at 31 March 2022, funded from the Regeneration Capital Grant Fund.
- 4.3 The balance of the Common Good Fund as at 31 March 2022 was £2.657m (2020/21 £2.669m). As agreed at the 14 January 2016 Finance and Resources Committee meeting, £2m from the receipt of the sale of East Market Street Garage was earmarked to fund a maintenance programme for Common Good assets. £1.794m of this fund remained as at 31 March 2022 and is included within the £2.657m above.
- 4.4 The legal agreement for the lease of 329 High Street was concluded in January 2020 at an annual rental of £1 and a lease premium of £3.036m. The lease premium has been received and, for accounting purposes, is being amortised over the lease term of 125 years. The in-year surplus as reported in the audited accounts includes £0.024m of lease premium for 2021/22. At the 23 March 2017 Finance and Resources Committee meeting, it was agreed to transfer part of the funds from the receipt of 329 High Street to be utilised to create the customer hub at 249 High Street, with both properties being Common Good. The project was largely completed during 2020/21 including building clearance, separation, reconfiguration, upgrade, refurbishment and reinstatement works, with all remaining works being completed in 2021/22.
- 4.5 Much of the cash resources of the Common Good are invested with the Council's cash fund, with a balance held within the Council's loans fund to manage day to day cash flow. The interest earned on the investment amounted to £0.006m in 2021/22 (2020/21 £0.013m). The interest was re-invested within the cash fund throughout the year. A balance of £5.195m was held within the Treasury cash fund at 31 March 2022 (2020/21 £5.191m).
- 4.6 Further detail of income, capital funding and expenditure on Common Good properties is shown in Appendix 2.

### Common Good Properties

- 4.7 The properties included in the 2021/22 financial accounts as assets of the Common Good fund are listed in Appendix 3.

- 4.8 The value of Common Good assets is determined in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. In adhering to the code, the valuations for community and heritage assets on the Common Good balance sheet may appear low. As they are based on a historic cost methodology, the valuation often acts as a proxy to log ownership of the asset on the register. Due to the historic nature of the Common Good Asset Register and the fact that there is generally no readily available market valuation for a number of the assets, the figures are indicative for accounting purposes. The valuations are similarly notional rather than reflecting the real economic value.
- 4.9 A response to the Community Empowerment (Scotland) Act 2015 consultation on Common Good matters was approved by the Finance and Resources Committee on 28 September 2017 and submitted to the Scottish Government. The relevant provisions came into force on 27 June 2018, and the Scottish Government published accompanying guidance in July 2018. The Community Empowerment (Scotland) Act 2015 places a duty on local authorities to “establish and maintain a register of property which is held by the authority as part of the common good” (a common good register).
- 4.10 Before establishing a common good register, The Community Empowerment (Scotland) Act 2015 required a local authority to prepare and publish a list of properties that it proposed to include in the register. The Common Good Asset Register for public consultation was approved for issuing at the 27 September 2018 Finance and Resources Committee. The consultation closed on 31 December 2018.
- 4.11 The first version of the Common Good Register was published on the Council’s [Common Good webpage](#) on 28 June 2019, complying with Scottish Government guidance. The Register was subsequently presented and approved by the Finance and Resources Committee on 26 September 2019 as part of the 2018-19 Common Good Annual Performance Report. The web page has been updated to provide contact information for the public, should they wish to make any comments or representations on any potential Common Good assets. The aim is to consider representations within 12 weeks of receipt.
- 4.12 The updated Common Good Asset Register is included at Appendix 4. This is different to Appendix 3 because it includes assets which are partially Common Good, the extent of which has not been determined for inclusion in the 2021/22 Accounts, and assets where legal counsel opinion is being sought. Progress has been hindered by the impact of Covid-19 restrictions.

### **Common Good Property Maintenance**

- 4.13 Stonework safety surveys are carried out regularly and any urgent but minor public safety works identified will be carried out at that time under delegated authority and reported as part of the next Common Good update.

### **Portobello Municipal Clock**

- 4.14 The Council is currently in the process of obtaining estimates for the restoration and re-installation work required on Portobello Municipal Clock, and a further report will be presented to seek funding approval once these are available. This has been delayed due to Covid-related restrictions and capacity issues with contractors.

### **South Queensferry Harbour**

- 4.15 Members of the Finance and Resources Committee, at their meeting on 3 December 2020, approved expenditure of up to £0.500m for urgent repairs to Queensferry Harbour. Listed building consent has been obtained and archaeological surveys completed. Works are proceeding to tender and it is anticipated that these will be completed during 2022/23.

### **Community Asset Transfers**

- 4.16 A [Community Asset Transfer Update](#) was reported to Finance and Resources Committee on 3 March 2022, including a summary of all requests completed, approved or being processed.

## **5. Next Steps**

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- 5.1 The next Annual Performance Report is expected to be reported to Committee in October 2023 following completion of the 2022/23 External Audit.

## **6. Financial impact**

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- 6.1 There is no direct financial impact arising from the content of this report. However, the on-going asset review may have future financial impacts.

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

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- 7.1 The Council's unaudited annual accounts, which include reporting on the Common Good, were published on the Council's website from 1 July 2022 and made available for public inspection for a period of 15 working days in accordance with the provisions of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. This year's inspection process was undertaken largely by electronic means.
- 7.2 Over the last reporting period, there have been no proposals for the change in status of common good assets that would require public consultation.

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

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- 8.1 ['Common Good Planned Maintenance Programme and Common Good Reporting'](#), Finance and Resources Committee, 14 January 2016
- 8.2 ['Common good property: statutory guidance for local authorities'](#), Scottish Government, July 2018
- 8.3 ['2020-21 Common Good Annual Performance Report'](#) , Finance and Resources Committee, 18 November 2021
- 8.4 ['Queensferry Harbour Repairs'](#), Finance and Resources Committee, 3 December 2020
- 8.5 ['Community Asset Transfer Update'](#) , Finance and Resources Committee, 3 March 2022
- 8.6 [Common Good webpage](#) on the City of Edinburgh Council's website

## **9. Appendices**

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- 9.1 2021-22 Common Good Fund Detailed Accounts
- 9.2 2021-22 Common Good Fund Income and Expenditure
- 9.3 2021-22 Common Good Asset Register included within Accounts
- 9.4 Common Good Asset Register with additional information

2020/21		REVENUE ACCOUNT	2021/22	
£	£	Expenditure	£	£
-		<i>Property Costs</i>		
-		Bingham Park		4,332
-		Blackford Hill		22,550
-		Bloomiehall Park		9,612
-		Braidburn Valley Park		40,067
95,623		Bruntsfield Links		57,896
3,229		Burns Monument		-
43,541		Calton Hill / Calton Road		115,594
-		Campbell Park		19,763
100,333		Canongate Tolbooth		91,202
1,443,582		City Chambers		1,958,783
51,942		City Observatory		7,268
-		Colinton Dell		24,706
-		Corstorphine Hill		9,883
-		Davidson's Mains Park		18,784
-		Figgate Burn Public Park		53,966
-		Flodden Wall		91,026
-		Harrison Park		45,836
37,243		Hermitage of Braid Public Park		25,040
60,847		Inch Park		56,557
3,498		Inverleith Park Workshops		3,192
-		Inverleith Public Park		266,335
-		Keddie Gardens and Play Area		18,266
-		King George V Park Eyre Place		9,273
15,682		Lady Stairs House		24,279
-		Leith Links		57,976
-		Liberton Park		9,409
-		Lochend Public Park		30,706
124,542		Meadows		112,095
-		Montgomery Street Park		4,400
-		Murieston Park		2,369
12,299		Nelsons Monument		16,054
-		Pilrig Park		31,442
(4,100)		Portobello Municipal Clock		3,910
4,979		Portobello Park		5,280
641,465		Princes Street Gardens (including Ross Theatre and Scott Monument)		573,726
7,321		Queensferry Harbour		19,785
-		Ravelston Park		1,828
-		Regent Road Park		17,227
33,681		Rosebery Hall		37,776
28,342		Roseburn Park		29,309

2020/21		2021/22
288,678	Saughton Park	201,141
-	Sighthill Park	25,214
-	Spylaw Park	10,618
200	St Bernards Well	554
-	St Margaret's Park	31,882
-	St Mark's Park	8,360
293	Starbank Park	9,603
5,369	Taylor Gardens	6,237
-	Victoria Public Park	85,462
-	Wardie Recreation Ground	25,586
-	White Park	1,117
<u>2,998,589</u>		<u>4,333,278</u>
	<i>Other</i>	
485	Cash Fund Fees	1,563
-	Civic Regalia	612
6,138	Legal costs	5,358
<u>7,604</u>	Central Support Costs	<u>7,991</u>
3,012,815		4,348,802
	<b>Income</b>	
270,759	Rents and Other Income	358,425
141,744	Capital Funding	1,090,298
24,286	Lease Premium	24,286
<u>13,385</u>	Investment Income	<u>6,274</u>
450,175		1,479,283
<u>2,566,141</u>	Recharge to City of Edinburgh Council for Use of Assets	<u>3,929,400</u>
<u>3,016,316</u>		<u>5,408,683</u>
(3,501)	<b>(Surplus) / Deficit for Year</b>	(1,059,881)
-	Transfer to Capital Contribution Reserve	1,071,493
<u>(3,501)</u>	<b>(Surplus) / Deficit for Year after Transfers to Reserves</b>	<u>11,612</u>
	<b>STATEMENT OF MOVEMENT ON THE COMMON GOOD FUND</b>	
£		£
<u>(3,501)</u>	(Surplus) / Deficit for the Year on the Common Good Income and Expenditure Account	<u>(1,059,881)</u>
<u>(3,501)</u>		<u>(1,059,881)</u>
	Whereof:	
-	Transferred to / (from) Capital Contribution Reserve	1,071,493
<u>3,501</u>	Transferred to / (from) Common Good Fund	<u>(11,612)</u>
<u>3,501</u>		<u>1,059,881</u>

**2021-22 Common Good Fund Detailed Accounts**

**Appendix 1**

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31st March 2021	
£	£
	17,822,597
	<u>2,556,873</u>
20,379,470	
0	
0	
0	
<u>20,379,470</u>	
146,100	
	537,965
	451,450
	9,063
	<u>4,653,170</u>
	5,651,648
	<u>0</u>
<u>5,651,648</u>	
<u>26,177,218</u>	
23,521,388	
(12,887)	
0	
<u>23,508,501</u>	
	2,665,216
	<u>3,501</u>
2,668,717	
<u>26,177,218</u>	

**BALANCE SHEET**

**Operational Assets**

Long-Term Debtors  
Community Assets

**Non-Operational Assets**

Assets Under Construction  
Surplus Assets Held for Disposal  
Deferred Charges

**Heritage Assets**

**Current Assets**

Short Term Investments  
Balance with Loans Fund  
Debtors  
Cash and Cash Equivalents

**Less: Current Liabilities**

Creditors

**NET ASSETS**

**Represented by :**

**Revaluation Reserve**  
**Capital Adjustment Account**  
**Disposals / Revaluations**

**Common Good Fund**

Fund at start of year  
Surplus for year / (Deficit)

31st March 2022	
£	£
17,946,882	
<u>2,911,673</u>	
	20,858,555
	1,071,493
	0
	<u>0</u>
	21,930,048
	144,100
	1,456,277
	411,229
	9,063
	<u>3,739,180</u>
	5,615,749
	<u>0</u>
	5,615,749
	<u>27,689,897</u>
	25,045,680
	(12,887)
	0
	<u>25,032,793</u>
	2,668,717
	<u>(11,613)</u>
	2,657,104
	<u>27,689,897</u>

2021-22 Common Good Fund Detailed Accounts

Appendix 1

	Community Assets £	Assets under Construction £	Heritage Assets £
Balance as at 1 April 2021	2,556,873	-	146,100
Additions	-	1,071,493	
Transfer between categories	1,000	-	(1,000)
Transfer from General Fund	353,800	-	-
Revaluations increases/ (decreases) recognised in the Revaluation Reserve	-	-	-
Revaluation decreases recognised in the deficit on the Provision of Services	-	-	-
Depreciation in Year	-	-	-
Depreciation write off to the deficit on the Provision of Services	-	-	-
Derecognition - disposals / transfers	-	-	(1,000)
Balance as at 31 March 2022	<u>2,911,673</u>	<u>1,071,493</u>	<u>144,100</u>

**(B) Revaluation Reserve**

Balance brought forward as at 1 April 2021	(23,521,388)
Capital Adjustment Account to Revaluation Reserve	-
Transfer from Income and Expenditure Account	(1,071,493)
Transfer from General Fund	(353,800)
<u>Revaluation of Assets</u>	
Upward revaluation of assets	(100,000)
Downward revaluation of assets	<u>-</u>
	(100,000)
Derecognition - disposals / transfers	1,001
Balance as at 31 March 2022	<u>(25,045,680)</u>

**(C) Capital Adjustment Account**

Balance brought forward as at 1 April 2021	12,887
Accumulated Depreciation	-
Capital Adjustment Account to Revaluation Reserve	-
Net written out of cost non-current assets consumed in year	<u>12,887</u>
Revaluation Losses on Property, Plant and Equipment	-
Adjusting Amounts w/o of Revaluation Reserve	-
Other Movements	-
Balance as at 31 March 2022	<u>12,887</u>



Common Good Account (Recharged) Income and Expenditure 2021/22									
Property	Revenue Income	Capital Income	Total Income	Description of Income	Revenue Expenditure	Capital Expenditure	Total Expenditure	Description of Expenditure	Notional Recharge to CEO for Use of Common Good Assets
Bingham Park	£0	£0	£0	N/A	£4,332	£0	£4,332	Grounds maintenance costs	£4,332
Blackford Hill	£17,342	£12,972	£30,314	Revenue - income from events; Capital - Nature Restoration Fund	£9,578	£12,972	£22,550	Revenue - grounds maintenance; Capital - grassland restoration /gorse diversification	-£7,764
Bloomiehall Park	£0	£0	£0	N/A	£9,612	£0	£9,612	Grounds maintenance costs	£9,612
Braidsburn Valley Park	£0	£0	£0	N/A	£21,356	£18,711	£40,067	Revenue - grounds maintenance; Capital - path upgrade	£40,067
Bruntsfield Links	£888	£0	£888	Income from programmes and events	£57,896	£0	£57,896	£28k of grounds maintenance costs, £15k of park staff costs, £9k repairs and maintenance, and £6k of other premises costs.	£57,008
Calton Hill	£8,948	£0	£8,948	Income from events held on the Hill	£59,361	£56,233	£115,594	Revenue - park staff costs. Capital - paving works and path upgrade	£106,646
Campbell Park	£0	£0	£0	N/A	£19,291	£472	£19,763	Revenue - grounds maintenance; Capital - replacement equipment and safety surface	£19,763
Canongate Tolbooth	£0	£0	£0	N/A	£91,202	£0	£91,202	Staff costs £77k, repairs and maintenance £5k and other premises costs £9k	£91,202
City Chambers Complex	£108,217	£0	£108,217	Income of £87k from Mary King's Close rental, rechargeable repair costs, fees and charges	£957,318	£1,001,465	£1,958,783	Revenue expenditure consists of £0.664m of premises costs, £0.183m of repairs and maintenance costs, £0.103m of operational costs (mainly staff) and £0.007m of costs at Mary King's Close. Capital expenditure consists of asset management and separation works, including roofing, toilets, alarms, lighting and wiring	£1,850,566
City Observatory	£0	£4,982	£4,982	Collective art centre - grant	£205	£0	£205	Repairs, maintenance and premises costs	-£4,777
Colinton Dell	£0	£0	£0	N/A	£24,706	£0	£24,706	Grounds maintenance costs	£24,706
Corstorphine Hill	£0	£0	£0	N/A	£9,883	£0	£9,883	Grounds maintenance costs	£9,883
Davidson's Mains Park	£0	£0	£0	N/A	£18,784	£0	£18,784	Grounds maintenance costs	£18,784
Figgate Burn Public Park	£0	£0	£0	N/A	£11,440	£42,526	£53,966	Revenue - grounds maintenance costs; Capital - refurbishment of play area	£53,966
Flodden Wall	£0	£0	£0	N/A	£0	£91,026	£91,026	Greyfriars Kirkyard Capital Project	£91,026
Harrison Park	£0	£0	£0	N/A	£42,170	£3,666	£45,836	Revenue - grounds maintenance costs; Capital - safety surface	£45,836
Hermitage of Braid Public Park	£0	£850	£850	Nature Restoration Fund	£24,190	£850	£25,040	Revenue - repairs, maintenance and premises costs; Capital - project outline for pond creation	£24,190
Inch Park	£0	£0	£0	N/A	£55,302	£1,255	£56,557	Grounds maintenance costs. Replacement equipment and safety surface	£56,557
Inverleith Park	£15,673	£0	£15,673	Income from events	£78,631	£190,896	£269,527	Revenue - repairs, maintenance and premises costs. Capital - boardwalk replacement and drainage works	£253,854
Keddie Gardens and Play Area	£0	£0	£0	N/A	£846	£17,420	£18,266	Revenue - grounds maintenance; Capital - wall remediation	£18,266
King George V Park Eyre Place	£0	£0	£0	N/A	£9,273	£0	£9,273	Grounds maintenance costs	£9,273
Lady Stairs House	£0	£0	£0	N/A	£24,279	£0	£24,279	Repairs, maintenance and premises costs £20k and operating costs £4k	£24,279
Leith Links	£1,176	£1,071,493	£1,072,669	Revenue - income from events; Capital - Regeneration Capital Grant Fund	£57,976	£1,071,493	£1,129,469	Revenue - grounds maintenance; Capital - Community Hub - Nourishing Leith/ Earth in Common	£56,800
Liberton Park	£0	£0	£0	N/A	£9,409	£0	£9,409	Grounds maintenance costs	£9,409
Lochend Public Park	£0	£0	£0	N/A	£11,744	£18,962	£30,706	Revenue - grounds maintenance; Capital - Lochend pond - install new header wall and chamber on grass area	£30,706
Meadows	£17,962	£0	£17,962	Income from events and programmes	£111,774	£322	£112,096	Revenue - grounds maintenance costs of £93k and park staff costs of £19k. Capital - safety surface	£94,134
Montgomery Street Park	£0	£0	£0	N/A	£4,400	£0	£4,400	Grounds maintenance costs	£4,400
Murieston Park	£0	£0	£0	N/A	£2,369	£0	£2,369	Grounds maintenance costs	£2,369
Nelson Monument	£0	£0	£0	N/A	£16,054	£0	£16,054	Repairs, maintenance and premises costs £14k and operational costs £2k	£16,054
Pilrig Park	£300	£0	£300	Income from events	£31,442	£0	£31,442	Grounds maintenance costs	£31,142
Portobello Municipal Clock	£0	£0	£0	N/A	£3,910	£0	£3,910	Repairs and maintenance	£3,910
Portobello Park	£0	£0	£0	N/A	£5,280	£0	£5,280	Grounds maintenance costs	£5,280
Princes St Gardens	£147,946	£0	£147,946	Income from outside catering concessions, programmes, events and filming in the gardens	£512,044	£0	£512,044	£418k of grounds maintenance costs, £60k of park staff costs, and £34k of repairs, maintenance, premises and operating costs	£364,098
Ravelston Park	£458	£0	£458	Income from events	£1,828	£0	£1,828	Grounds maintenance costs	£1,370
Regent Road Park	£0	£0	£0	N/A	£17,227	£0	£17,227	Grounds maintenance costs	£17,227
Rosebery Hall	£0	£0	£0	N/A	£37,776	£0	£37,776	Repairs and maintenance £18k and premises costs £20k	£37,776
Roseburn Park	£780	£0	£780	Income from events and programmes	£29,309	£0	£29,309	Grounds maintenance costs	£28,529
Ross Fountain	£0	£0	£0	N/A	£48,236	£0	£48,236	Electricity costs	£48,236
Saughton Park	£218	£0	£218	Income from events	£199,376	£1,765	£201,141	Revenue - grounds maintenance; Capital - Surveyor fees	£200,923
Sighthill Park	£28,374	£0	£28,374	Income from events	£25,214	£0	£25,214	Grounds maintenance costs	-£3,160
Scott Monument	£0	£0	£0	N/A	£13,446	£0	£13,446	Repairs, maintenance and premises costs £8k and operational costs £5k	£13,446
Spylaw Park	£0	£0	£0	N/A	£10,018	£600	£10,618	Revenue - grounds maintenance; Capital - retaining walls inspection and report	£10,618
St Bernards Well	£0	£0	£0	N/A	£554	£0	£554	Repairs and maintenance costs	£554
St Margaret's Park	£750	£0	£750	Income from events	£31,882	£0	£31,882	Grounds maintenance costs	£31,132
St Mark's Park	£0	£0	£0	N/A	£8,360	£0	£8,360	Grounds maintenance costs	£8,360
Starbank Park	£5,443	£0	£5,443	Income from events	£9,603	£0	£9,603	Grounds maintenance and premises costs	£4,160
Taylor Gardens	£0	£0	£0	N/A	£6,237	£0	£6,237	Repairs, maintenance and premises costs	£6,237
Victoria Public Park	£3,750	£0	£3,750	Income from events	£59,499	£25,963	£85,462	Revenue - grounds maintenance; Capital - allotment development and replacement five-a-side football playing surface	£81,712
Wardie Recreation Ground	£0	£0	£0	N/A	£25,586	£0	£25,586	Grounds maintenance costs	£25,586
White Park	£0	£0	£0	N/A	£1,117	£0	£1,117	Grounds maintenance costs	£1,117
<b>Total</b>	<b>£358,225</b>	<b>£1,090,297</b>	<b>£1,448,522</b>		<b>£2,821,325</b>	<b>£2,556,597</b>	<b>£5,377,922</b>		<b>£3,929,400</b>

This is the breakdown of the net expenditure recharged to the Council.

In addition to the above recharges, direct income and expenditure in 2021/22 was as follows:

Queensferry Harbour: income £200; expenditure £19,785

City Observatory: expenditure £7,064

Civic Regalia £612

## 2021-22 Common Good Asset Register included within Accounts

5th Duke Buccleuch Queensberry Memorial	Murieston Public Park
Adam Smith Statue	National Monument Calton Hill
Alexander and Bucephalus Statue	Peoples Story Museum
Barony Street Play Area	Playfair Monument Calton Hill
Bingham Park	Portobello Municipal Clock
Blackford Hill Public Park	Portobello Park
Bloomiehall Public Park	Princes St Gardens (East)
Bonaly Country Park	Princes St Gardens (West)
Bowfoot Well	Promenade Play Area
Braidburn Valley	PSG - Walter Scott Monument -Historic Building
Bruntsfield Links	PSG - Adam Black Statue
Calton Hill	PSG - Allan Ramsay Statue
Campbell Public Park	PSG - David Livingston Statue
Charles II Statue	PSG - Dean Ramsay Memorial Cross
City Chambers Complex	PSG - Floral Clock
City Observatory	PSG - Genius Of Architecture Statue
Colinton Dell	PSG - Robert Louis Stevenson Memorial Grove
Craiglockhart Dell Public Park	PSG - Ross Bandstand
Cramond Park and Foreshore	PSG - Ross Fountain
Custom House ***	PSG - Scottish American War Memorial
David Hume Statue	PSG - Sir James Y Simpson Statue
Davidsons Mains Public Park	PSG (W) - Memorial Stone
Dr Chalmers Statue	PSG -Norwegian Memorial Stone
Dugald Stewart Monument Calton Hill	PSG -Thomas Guthrie Statue
Figgate Burn Public Park	Ravelston Public Park
Flodden Wall	Regent Road Public Park
George Street - George IV Statue	Rocheid Path
Grassmarket - Martyr's Cross Monument	Roseberry Memorial Hall and House
Harrison Park	Roseburn Park
Hermitage Of Braid Public Park	S Queensferry Harbour
Inch Park	Scotland Street Lane
Inverleith Park - Gatepiers (East)	Scott Monument
Inverleith Park - Gatepiers (West)	Session House, Dalmeny
Inverleith Park - Monument (John Charles Dunlop Fountain)	Session Lands, Dalmeny
Inverleith Park - North Archway	South Queensferry Harbour
Inverleith Park - Sundial (Kinloch Anderson)	Spylaw Public Park
Inverleith Public Park	St Bernard's Walkway
Jawbone Arch	St Bernard's Well
John Wilson Statue	St Marks Park
Keddie Gardens	Starbank Public Park
King George V Public Park	Substation Site
Lady Stair's House	Taylor Gardens
Leith Links	The Cross Well
Liberton Public Park	Victoria Public Park
Lochend Public Park	Walled Garden
Meadows	War Memorial
Meadows - Nelson Pillars	Wardie Playing Fields
Meadows - Sundial West	Well - Parliament Square
Memorials - High Street	Well - By John Knox's House
Mercat Cross	White Park
Montgomery Street Public Park	William Pitt Statue

\*\*\* Custom House is an asset of the Common Good Fund but is not Common Good

## Common Good Asset Register

Appendix 4

Name of Asset	Type of Asset	Location	Post Code	Reference	X-Coord	Y-Coord	Former Burgh linked to asset	Additional Information
Ballantyne Road*	Land	20 Ballantyne Road		2198	326468.87	676317.12	Leith	
Bruntsfield Links	Land	Bruntsfield Links	EH10	3127	325036.9	672499.4	Edinburgh	
Calton Hill	Land	(34) Calton Hill	EH7	3512	326240.44	674236.02	Edinburgh	
Calton Hill - City Observatory	Building	38 Calton Hill	EH7	2011	326200.11	674182.31	Edinburgh	
Calton Hill Cannon	Structure	Calton Hill	EH7	745	326224.92	674138.9	Edinburgh	
Calton Crags	Land	6/1 Regent Road	EH1	809	326296.95	673973.51	Edinburgh	
Dugald Stewart Monument	Monument	Calton Hill	EH7	1711	326138.83	674132.69	Edinburgh	
National Monument, Calton Hill	Monument	36 Calton Hill	EH7	2993	326308.2	674154.48	Edinburgh	
Nelson Monument	Monument	Calton Hill	EH7	3508	326253.96	674114	Edinburgh	
Playfair Monument	Monument	38B Calton Hill	EH7	3468	326226.71	674162.95	Edinburgh	
City Chambers	Building	253 High Street	EH1	906	325764.18	673656.58	Edinburgh	
Custom House***	Building	65-67 Commercial Street	EH6	32365	327027.58	676593.66	n/a	
Grassmarket - Martyr's Cross Monument	Monument	(114) Grassmarket	EH1	1862	325482.36	673396.56	Edinburgh	
Grassmarket - Bowfoot Well	Structure	118/1 Grassmarket	EH1	1235	325500.62	673416.66	Edinburgh	
High Street - David Hume Statue	Structure	High Street	EH1	32074	325629.2	673591.26	Edinburgh	
High Street - Adam Smith Statue	Structure	High Street	EH1	32076	325789.69	673615.07	Edinburgh	
High Street - Alexander & Bucephalus Statue	Structure	(253A) High Street	EH1	1984	325768.5	673647.38	Edinburgh	
High Street - The Cross Well	Monument	172/1 High Street	EH1	962	325826.01	673618.1	Edinburgh	Also known as Canongate Well, by Old Assembly Close
High Street - Mercat Cross	Monument	192/1 High Street	EH1	1824	325771.69	673597.89	Edinburgh	
High Street - Stone of Remembrance	Monument	253(A) High Street	EH1	13343	325771.04	673631.18	Edinburgh	Also known as City Chambers War Memorial
High Street - Duke of Buccleuch War Memorial	Monument	253B High Street	EH1	1826	325757.62	673628.4	Edinburgh	
High Street - Netherbow Well	Monument	45/1 High Street	EH1	853	326082.62	673692.41	Edinburgh	Also known as John Knox House Well and Fountain Well
Inch Park*	Land	Gilmerton Road	EH16	13269	327625.43	670824.26	Edinburgh	
Lady Stair's House	Building	3 Lady Stairs Close	EH1	561	325546.55	673607.17	Edinburgh	Also known as Writer's Museum
Meadows	Land	Meadows	EH3	13268	325663.44	672675.08	Edinburgh	
Meadows - Jaw Bone Arch	Structure	West Meadows	EH3	13391	325479.82	672580.89	Edinburgh	
Meadows - Masons Pillars	Structure	Meadows	EH3	1757	325125.28	672760.81	Edinburgh	
Meadows - Nelson Pillars	Structure	(3/1) East Meadows	EH3	1812	326201.07	672567.13	Edinburgh	
Meadows - Sister Cathedral Fountain	Structure	Meadows	EH3	32221	325478.76	672611.58	Edinburgh	Also known as Helen Acquero Memorial Fountain.
Meadows - Sundial	Structure	West Meadows	EH3	32218	325214.7	672730.12	Edinburgh	
Middle Meadow Walk - Gate Piers	Structure	Meadows	EH3	2185	325689.55	673107.88	Edinburgh	
People's Story Museum	Building	161-163 Canongate	EH8	3639	326413.07	673790.52	Edinburgh	Also known as Canongate Tolbooth
Portobello Municipal Clock	Structure	N/A					Portobello; merged Edinburgh 1896	
Portobello Park	Land	(21) Stanley Street	EH15	13257	330559.64	673162.97	Portobello; merged Edinburgh 1896	
Princes Street Gardens (East)	Land	Princes Street	EH2	17739	325538.48	673857.46	Edinburgh	
Princes Street Gardens (West)	Land	Princes Street	EH2	16458	325102.45	673716.7	Edinburgh	
PSG - Walter Scott Monument	Monument	(4A) Princes Street	EH2	2280	325586.11	673905.09	Edinburgh	
PSG - Floral Clock	Structure	(5B) Princes Street	EH2	2279	325336.34	673838.41	Edinburgh	
PSG - Genius of Architecture Statue	Structure	(5C) Princes Street	EH2	2458	325268.61	673755.86	Edinburgh	
PSG - Adam Black Statue	Structure	(4D) Princes Street	EH2	1745	325510.97	673884.98	Edinburgh	
PSG - Allan Ramsay Statue	Structure	(5F) Princes Street	EH2	1783	325329.99	673835.24	Edinburgh	
PSG - David Livingston Statue	Structure	(4E) Princes Street	EH2	2251	325617.83	673912.98	Edinburgh	
PSG - Professor Wilson Statue	Monument	Princes Street	EH2	32085	325446.77	673866.54	Edinburgh	
PSG - Robert Louis Stevenson Memorial Grove	Monument	West Princes Street Gardens	EH2	32082	325009.32	673659.55	Edinburgh	
PSG - Ross Bandstand	Structure	West Princes Street Gardens	EH2	1508	325152.19	673727.29	Edinburgh	
PSG - Ross Fountain	Structure	(5H) Princes Street	EH2	1889	324970.16	673659.55	Edinburgh	
PSG - Royal Scots Greys Monument	Monument	(5L) Princes Street	EH2	1892	325200.25	673795.49	Edinburgh	
PSG - Scottish American War Memorial	Monument	(5N) Princes Street	EH2	1874	325089.93	673766.96	Edinburgh	
PSG - Sir James Young Simpson Statue	Structure	(5P) Princes Street	EH2	2323	324845.2	673699.11	Edinburgh	
PSG - Memorial Stone (W)	Monument	West Princes Street Gardens	EH2	32255	325224.34	673701.02	Edinburgh	Also known as Belsen Liberation & Holocaust Memorial
PSG - Norwegian Memorial Stone	Monument	(5E) Princes Street	EH2	1851	325141.29	673679.46	Edinburgh	
PSG - Thomas Guthrie Statue	Structure	(5D) Princes Street	EH2	1342	324996.09	673741.59	Edinburgh	
South Queensferry Harbour	Structure	(C) Head of Harbour	EH30	3375	312983.8	678500.43	Queensferry	
Scotland Street Lane	Land	(1) Scotland Street Lane East	EH3	2601, 3479 & 35	325559.51	674729.95	Edinburgh	
Streets of Old Town*	Land	Various					Edinburgh	
Streets of New Town*	Land	Various					Edinburgh	
Streets, Ways and Passages of Leith*	Land	Various					Leith, Edinburgh after 1920	
Burns Monument	Monument	Regent Road	EH1	32449	326519.84	674007.84	Edinburgh	
Flodden Wall	Structure	Various	EH8 & EH3	13351 & 52	326236.7	673486.61	Edinburgh	
Mid Terrace, South Queensferry	Land	4/1 Mid Terrace	EH30	3779	313034.64	678314.99	Queensferry	
Parliament Square - Charles II Statue	Monument	(12B) Parliament Square	EH1	335	325748.94	673550.12	Edinburgh	
Parliament Square (West) - 5th Duke of Buccleuch	Monument	(12A) Parliament Square	EH1	245	325675.39	673580.81	Edinburgh	Also known as Queensberry Memorial
Parliament Square Well	Structure	(12C) Parliament Square	EH1	679	325646.81	673577.64	Edinburgh	
Portobello Garden	Land	67A Promenade (John Street)	EH15	514	331162.97	673769.27	Edinburgh	Also known as John Street.
Promenade, Portobello	Land	Promenade	EH15	330729.66	674125.06		Portobello, Edinburgh post 1898	
Rosebery Memorial Hall and House	Building	17 West Terrace, S Queensferry	EH30	2471	312951.36	678337.44	Queensferry, Edinburgh after 1918	
St Bernard's Bridge	Structure	MacKenzie Place - Water of Leith	EH3	2426 & 2956	324483.02	674311.87	Edinburgh	
South Bridge	Structure	Various	EH1		325969.72	673529.99	Edinburgh	
Bingham Park	Land	35 Bingham Avenue	EH15	25015	329947.21	672552.82	Portobello, Edinburgh after 1896	
Blackford Hill Public Park	Land	(4) Charterhall Road	EH9	1979	325609.22	670629.21	Edinburgh	
Bloomiehall Public Park	Land	(13) Juniper Park Road	EH14	1442	319446.68	668763.79	Edinburgh	

Bonaly Country Park*	Land	Bonaly Road	EH14	157	321035.35	666928.47	Edinburgh	
Braidburn Valley Public Park	Land	(168) Comiston Road	EH10	2013	324174.17	669841.22	Edinburgh	
Campbell Park	Land	(114A) Woodhall Road	EH13	2579	320554.3	668679.65	Edinburgh	
Corstorphine Hill Public Park*	Land	(2B) Clermiston Road North	EH4	3258	320481.99	674474.28	Edinburgh	
Craiglockhart Dell Public Park	Land	(31) Lanark Road	EH14	2056	322075.9	670480.76	Edinburgh	
Cramond Park and Foreshore	Land	(2) Cramond Foreshore	EH4	3477	319380.92	677230.17	Edinburgh (part)	
Cramond Walled Garden	Land	20/2 Cramond Glebe Road	EH4	3602	319099.1	676764.57	Edinburgh	
Davidsons Mains Public Park	Land	27 East Barmton Avenue	EH4	3188	320312.54	675255.54	Edinburgh	
Figgate Burn Public Park	Land	Hamilton Drive	EH15	13295	329699.49	673569.53	Edinburgh	
Harrison Park (East and West)	Land	(4) West Bryson Road	EH11	2662 & 31696	323579.38	672000.57	Edinburgh	
Hermitage of Braid Public Park	Land	(163A) Braid Road	EH10	2375	325000.27	670258.76	Edinburgh	
Inverleith Park	Land	8(01) Portgower Place	EH4	2598	324142.74	675174.74	Edinburgh	
King George V Public Park	Land	(13) Logan Street	EH3	2502	325307.07	674823.61	Edinburgh	
Leith Links*	Land	11 Links Place	EH6	21489	327401.82	675936.77	Edinburgh	
Liberton Public Park	Land	Rear of 8-50 Liberton Gardens	EH16	2429	327212.74	669235.34	Edinburgh	
Lochend Public Park*	Land	25 Lochend Road South	EH7	2140	327639.94	674779.4	Edinburgh	
Montgomery Street Park	Land	119A Montgomery Street	EH7	1388	326750.11	674664.51	Edinburgh	
Murieston Public Park	Land	(39) Murieston Crescent	EH11	3267	323456.69	672590.9	Edinburgh	
Pirng Public Park*	Land	69 Pirng Street	EH6	2309	326381.6	675676.61	Edinburgh	
Ravelston Public Park	Land	(17) Keith Crescent	EH4	1411	321873.3	674234.6	Edinburgh	
Regent Road Park	Land	(12) Regent Road	EH7	1873	326813.35	674181.62	Edinburgh	
Roseburn Park	Land	(6) Roseburn Park	EH12	3154	322626.81	673108.51	Edinburgh	
Saughton Public Park*	Land	172(09) Balgreen Road	EH11	3276	321977.15	672003.75	Edinburgh	
Sighthill Public Park*	Land	250 Broomhouse Road	EH11	3590	319721.11	671195.61	Edinburgh	
St Margaret's Park*	Land	(29A) Corstorphine High Street	EH12	3599	319852.3	672568.67	Edinburgh	
Starbank Public Park	Land	(18) Laverockbank Road	EH5	3259	325149.74	676899.01	Leith then Edinburgh 1920	
Victoria Public Park*	Land	(161) Newhaven Road	EH6	3121	325606.76	676442.06	Leith then Edinburgh 1920	
White Park	Land	(1) White Park	EH11	3148	323151.75	672305.95	Edinburgh	
Wardie Playing Fields**	Land	Granton Road	EH5	3	324351.79	676660.15	Leith, originally Leith School Board	
<b>Assets Added Following Representation</b>								
Colinton Village*	Land	Various titles. Only Colinton Dell Park is CG					Edinburgh	
Areas surrounding Water of Leith	Land	Various titles, included above, plus five acres acquired from Charles McKendrick is CG					Edinburgh	
Barony Street Play Area	Land	(2A) Barony Place		13398	325730.36	674593.99	Edinburgh	
Inverleith Park - Gatepiers (East)	Structure	1A Arboretum Place		AIS Rec Rqd	324359.11	675257.91	Edinburgh	
Inverleith Park - Gatepiers (West)	Structure	15A Fettes Avenue East		3153	323891.45	675088.57	Edinburgh	
Inverleith Park - Monument (John Charles Dunlop Fountain)	Monument/Structures	15B Fettes Avenue East		AIS Rec Rqd	324089.23	675160.67	Edinburgh	
Inverleith Park - North Archway	Structure	63 Inverleith Place		2136	323992	675355.14	Edinburgh	
Inverleith Park - Sundial (Kinloch Anderson)	Structure	15C Fettes Avenue East		AIS Rec Rqd	324255.92	674993.98	Edinburgh	
Keddie Gardens and Play Area	Land	1/1 & 1/2 Largo Place		52 & 1699	326365.09	676342.42	Edinburgh	
Rocheid Path	Land	34 Arboretum Avenue		2891	324689.68	675038.79	Edinburgh	
St Mark's Park	Land	(28A) Warriston Road		941	325663.55	675716.28	Edinburgh	
Belford Bridge	Structure	Belford Road		AIS Rec Rqd	323795	673774.52	Edinburgh	
PSG - Gardeners Cottage	Building	5A Princes Street		2230	325333.27	673803.31	Edinburgh	
George Street - Dr Chalmers Statue	Structure	107A George Street		505	324944.3	673924.54	Edinburgh	
George Street - William Pitt Statue	Structure	69A George Street		554	325141.42	673980.82	Edinburgh	
George Street - George IV Statue	Structure	31A George Street		194	325357.95	674035.99	Edinburgh	
Taylor Gardens Public Park	Land	(176) Great Junction Street		1571	326639.14	676319	Edinburgh	
Spylaw Public Park*	Land	25(A) Spylaw Street		5775			Edinburgh	
<b>Non-Heritable Assets</b>								
Car registration S 0	Car reg plate							
Car registration S 10	Car reg plate							
All Burgh Charters	Books & records							

Information fields	Detail
Name of asset	The name by which the asset is generally known by
Type of asset	A brief description of what the asset is e.g. land, building, fund.
Former Burgh	The former Burgh to which the asset originally belonged
Location	The most detailed information that the local authority has about the location of the asset e.g. grid reference, map or description

Key	Description
Identifier	
*	Asset is listed as Common Good but there are exceptions
**	Formerly school board property
***	An asset of the Common Good the fund but is not Common Good
PSG	Princes Street Gardens

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Revenue Monitoring 2022/23 – month five position

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

- 1.1 Members of the Finance and Resources Committee are recommended to:
- 1.1.1 note that, as of month five, an overall overspend of £5.092m is being forecast and that failure to break even would increase the savings requirement in 2023/24;
  - 1.1.2 note the potential for further expenditure pressures to emerge during the remainder of the year and thus, given the deterioration in the overall position within Directorates since month three, the urgent need for pressures, savings delivery shortfalls and risks to be fully and proactively managed within all Directorates and the Health and Social Care Partnership;
  - 1.1.3 note continuing discussions with the UK and Scottish Governments on the provision of further funding to address in full significant additional costs incurred as part of the Council's response to the Ukraine crisis;
  - 1.1.4 note that, in light of the above, regular updates will continue to be provided to members of the Committee during the remainder of the year; and
  - 1.1.5 refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

**Richard Carr**

Interim Executive Director of Corporate Services

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## Revenue Monitoring 2022/23 – month five position

### 2. Executive Summary

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- 2.1 The report sets out the projected Council-wide revenue budget position for the year, based on analysis of the first five months' financial data and projections of income and expenditure for the remainder of the year. At this stage, an overall overspend of £5.092m is being forecast but with the potential for further risks to emerge during the remainder of the year, particularly in respect of the 2022/23 teachers' pay award and other inflationary uplifts. Additional certainty is also still required with regard to securing full funding for the significant additional costs being incurred as part of the Council's response to the Ukraine crisis.
- 2.2 Particularly given the deterioration in the overall position within Directorates since month three, it therefore remains crucial that Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership fully manage pressures, risks and savings delivery shortfalls within their respective core budgets and review all discretionary expenditure if a balanced position is to be achieved by the end of the year.

### 3. Background

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- 3.1 On 24 February 2022, Council approved a balanced revenue budget for 2022/23 based on the Council's provisional grant funding allocation and a 3% increase in Council Tax rates. This grant funding allocation was then confirmed following approval of the Local Government Finance Order for 2022/23 on 2 March 2022.
- 3.2 Subsequent in-year updates have been considered by members of the Committee on 3 March, 16 June and 8 September 2022. The most recent of these updates pointed to an anticipated overall overspend of £5.627m, with the potential for further expenditure pressures to emerge during the remainder of the year, particularly regarding the 2022/23 employee pay award and other inflationary uplifts. In light of this position, the report emphasised the importance of pressures, savings delivery shortfalls and risks being fully and proactively managed within all Directorates and the Health and Social Care Partnership in order to achieve a balanced position by the year-end and thus not add to future years' savings requirements.

## 4. Main report

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### COVID-related impacts

- 4.1 Monitoring in the current year will continue to focus not only on core service activity but how the projected expenditure and income impacts of the pandemic compare to the provisions contained within the revised budget. The budget approved by Council on 24 February 2022 provided for the following sums:

Area of expenditure pressure/income loss	£m
Reductions in parking income	6.0
Lothian Buses - loss of dividend	6.0
Reductions in commercial rental income	3.0
Additional support for Edinburgh Leisure	3.0
Homelessness <sup>1</sup>	3.0
ALEOs – other	1.0
Personal Protective Equipment	1.0
Other income/expenditure	2.3
<b>Total funding for COVID impacts</b>	<b>25.3</b>

- 4.2 **At this stage and based on the actual COVID-related requirement in 2021/22, the approved level of provision continues to be assessed as sufficient.**
- 4.3 **Parking income** for the year to date remains around £0.1m per month lower than in 2019/20, the last full largely pre-pandemic year. While these shortfalls are in addition to income from inflationary uplifts that would have been anticipated over the intervening period, they are still expected to fall within the £6m budget framework income loss provision in this area.
- 4.4 Transport Scotland has confirmed the provision until October 2022 of additional funding to **bus operators** through the Network Support Grant (NSG) Plus initiative, a temporary scheme to support services and protect fares while patronage continues to recover from the impacts of the pandemic. Lothian Buses has previously indicated that it does not anticipate being in a position to pay any dividend to the Council for the foreseeable future, an assumption that is consistent with the budget framework.
- 4.5 Equivalent funding has not, however, been made available to **Edinburgh Trams**, with overall patronage sitting at around 75% of pre-COVID levels. Tram revenues are also being affected by the expansion of free travel to under 22s. It is anticipated, however, that the remaining element of the £0.500m of investment to support the expansion of younger person's free travel included in the 2021/22 budget motion will be sufficient to address, in full, the resulting loss of income in the current financial year.

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<sup>1</sup> The £3m shown forms part of an overall level of budgetary provision that is £17.6m higher than was approved, pre-pandemic, for 2020/21.

- 4.6 As approved by the Transport and Environment Committee on 6 October 2022, the Council has agreed not to support financially the free travel for under 22s on Edinburgh Trams scheme beyond 31 March 2023 pending the outcome of Transport Scotland's on-going Fair Fares Review and wider consideration of resource availability as part of the 2023/24 budget process. Given that in-year liabilities are expected to be met in full from the £0.500m noted above, it is proposed to retain within reserves the £2m approved to support the policy as part of the agreed budget motion for 2022/23, with the allocation of this sum then contributing on a one-off basis towards addressing the 2023/24 budget gap. Final confirmation will, however, be provided in the report to the Committee's next meeting in late January 2023 should Executive Directors' proposed actions not be sufficient to provide confidence of a breakeven position being achieved in 2022/23.
- 4.7 Through a combination of an element of carry-forward from 2021/22 and the in-year allocation of £3m, it is not anticipated that the level of assumed financial support for **Edinburgh Leisure** will be exceeded.
- 4.8 The Council's **commercial rental portfolio** has proved resilient to wider economic conditions and the level of provision for reductions in income received is assessed to be sufficient at this time, although this will be kept under active review given current challenging economic conditions.
- 4.9 The position in respect of **homelessness services** is covered in more detail later within the report.

#### **Directorate projections**

- 4.10 In addition to monitoring the on-going or residual impacts of the pandemic, Executive Directors continue to oversee the delivery of approved savings and management of pressures within their respective areas. The approved budget for 2022/23 contains relatively few service-specific savings and also made some additional provision for service pressures. While these measures provide a degree of contingency against the emergence of significant in-year pressures within services, it remains the role of Executive Directors to manage these fully when they do arise and to maintain expenditure within budgeted levels.

#### **Education and Children's Services**

- 4.11 As of period five, the Executive Director of Education and Children's Services is projecting a net pressure of £4.0m, a deterioration of £1.5m from the position reported to the Committee's previous meeting. Significant elements within the forecast include a projected net pressure of £2.4m within the budget for Children's Services, including residential and secure accommodation, reflecting continuing increases in the numbers of young people being supported across the service and limited capacity to free up places within internal provision to return young people to the Council's care. The forecast is based on numbers of young people and families being supported as of the end of August and so any further increase in demand for support over the remainder of the year will result in an additional pressure.



- 4.12 Pressures of £1.2m are also forecast within Home to School Transport, reflecting shortfalls against previously approved budget savings relating to the Transport Review and costs for additional routes which were put in place in response to the pandemic. Routes are being reviewed following the start of the new school term, including the impact of under 22 free bus travel, with any changes in the current forecast then reported to the Committee's next meeting in January.
- 4.13 The majority of the remaining Directorate variance relates to a small element of uninsured costs following settlement of the insurance claim relating to the fire at Liberton Primary School in February 2020.
- 4.14 The Executive Director of Education and Children's Services is fully committed to continuing to deliver mitigations to reduce the existing pressures and to identify and implement management actions required to address these. A further update will therefore be included in the period eight report.

### **Corporate Services**

- 4.15 As outlined in a report elsewhere on today's agenda, the Interim Executive Director of Corporate Services is projecting an overall service underspend of £0.090m, in the main attributable to staffing-related savings. As agreed at the Committee's last meeting, the overall position now reflects the provision of one-off investment funding of £0.961m for Enterprise Resource Planning (ERP) infrastructure upgrades.

### **Place**

- 4.16 The Executive Director of Place is forecasting an overall pressure of £2.7m as of period five. This position reflects the combined impact of inflationary pressures in excess of those for which corporate budgetary provision has been made (totalling £1.9m) and a range of other net pressures across the Directorate of £0.8m.
- 4.17 The Executive Director and his Senior Management Team will continue to consider regular updates and develop corresponding actions, such that net expenditure is brought back within approved levels. These actions include a specific focus on those areas of the Directorate where "business as usual" operations indicate an anticipated overspend with a view to identifying, as a matter of urgency, mitigating actions both to address these current-year pressures and enhance the stability of the budget framework going forward.

### **Homelessness Services**

- 4.18 Revenue monitoring reports throughout 2021/22 highlighted pressures within Homelessness Services and, such is the extent of these pressures, the approved budget for 2022/23 contains £17.6m of additional investment relative to the equivalent budget for 2020/21. Despite this additional investment, further pressures totalling £8.0m (increased from £5.5m at month three) are now apparent in 2022/23, mainly comprising:

- (i) projected growth in client numbers, with an overall in-year increase of 307 households now forecast relative to assumed growth of 120 as of month three;
- (ii) claims for increased rates from providers due to changes in market rates (Private Sector Leasing), inflationary increases (spot purchasing) and revision of current terms (contracted suppliers), the majority of which represent a pass-through of increased energy costs;
- (iii) costs of the Haymarket Welcome Centre, funding for which remains to be confirmed;
- (iv) increased Council costs for Housing First;
- (v) a reduction in the assumed Housing Benefit recovery rate for those accommodated in dispersed flats relative to projections as of period three; and
- (vi) net costs to accommodate current and future increases in homeless Ukrainian households following the end of initial six-month hosting arrangements.

### **Edinburgh Integration Joint Board (EIJB)**

- 4.19 The EIJB Chief Finance Officer presented an update on the 2022/23 Financial Plan to the Board's meeting on 18 October 2022.
- 4.20 At its meeting in March 2022, the EIJB agreed the financial plan for 2022/23. At that point, the budget was out of balance by £16.9m and the board recognised that IJB officers would work with partner bodies to address the gap as the year progressed. In setting a budget with a deficit, the IJB recognised the clear risk that agreeing stringent additional savings at a time of significant uncertainty could lead to unnecessary public concern as well as a material deterioration in performance.
- 4.21 Decisions made at the Board's meeting on 9 August resulted in a reduction in the residual gap to £10.8m. The update to the October meeting of the Board indicates a further decrease in the gap to £7.9m. The position will be closely monitored by the EIJB Chief Officer and Chief Finance Officer, working with the finance teams from the Council and NHS Lothian, with a view to bridging the in-year shortfall by the year-end.

### **Savings delivery**

- 4.22 The approved budget for 2022/23 is underpinned by the delivery of approved savings of £19.2m. As shown in Appendix 2, 92% of these savings by value remain assessed as green, with most of the remainder rated as amber. Assessments of the deliverability of the latter, and where necessary identification of mitigating offsetting measures, remain in progress.

## **Service investments**

4.23 As part of setting the Council's budget on 24 February 2022, members approved £9.860m of additional service investments. Appendix 3 shows the current assessment of these investments and the associated outcomes sought. Any in-year underspends against these investments will not be carried forward into 2023/24 and thus be considered in the context of offsetting future years' savings requirements.

## **Employee pay award, 2022/23**

4.24 On 2 September, a revised pay award was made to SJC (non-teaching) staff comprising consolidated elements as follows:

- (i) an increase of £2,000 for those earning up to £20,500, based on a thirty-six hour working week;
- (ii) an increase of £1,925 for those earning between £20,500 and £39,000;
- (iii) a 5% increase for those earning between £39,000 and £60,000; and
- (iv) a maximum increase of £3,000 for those earning above £60,000<sup>2</sup>.

4.25 The revised offer also included the removal of Scottish Social Services Council (SSSC) registration fees and an additional day's leave, each on a recurring basis.

4.26 Consideration of the offer was subject to a ballot of members of UNISON, Unite and the GMB, with all indicating acceptance.

4.27 The Scottish Government has identified, on a recurring basis, total additional funding of £261m to support the revised offer<sup>3</sup>. When added to the 3% already included in the Council's budget framework for 2022/23, this results in an unfunded element of 0.5% across the teaching<sup>4</sup> and non-teaching awards, giving rise to an in-year and recurring pressure of £3.1m. At this stage, pending formal clarification on the availability and nature of any associated revenue and capital financial flexibilities agreed as part of the overall pay settlement, none of this liability is assumed to be offset through utilisation of such measures.

4.28 Discussions in respect of the teaching, Chief Officer and craft pay awards are continuing. The EIS is consulting with its members on a 5% undifferentiated offer, with the ballot closing on 8 November. Should this be rejected and subsequent negotiations result in an improved offer without the provision of full additional funding by the Scottish Government, this would increase the pressure of £3.1m

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<sup>2</sup> This element was based on an assumed thirty-seven hour working week and is thus pro-rated to the Council's thirty-six hour working week.

<sup>3</sup> The total of £261m comprises two elements. £140m was initially provided across the SJC and SNCT (teaching) bargaining groups to increase the employer's offer by around 1.5%. This was then supplemented by a further £120.6m specifically to support a further improvement of the SJC offer. Edinburgh's confirmed share of this total is £20.961m.

<sup>4</sup> Based on the current undifferentiated offer of 5%.

noted above. By means of illustration, each unfunded additional 1% increase in the settlement for teachers would result in a further pressure of some £2.2m.

- 4.29 Given the evolving nature of discussions and the EIS ballot closing date, a verbal update will be provided at the meeting.

### **Operation Unicorn**

- 4.30 Following the death of Her Majesty the Queen on 8 September, the Council assumed the lead co-ordinating role in the safe implementation of Operation Unicorn, the programme of ceremonial and other events taking place in Scotland prior to her coffin being transported to London.
- 4.31 As part of these events, the Council incurred a range of additional costs, or losses of income, including internal and external stewarding and crowd management costs, road closures and diversions, additional street cleansing and parking enforcement. These costs are currently being collated and will be reported to members of Council in December. Discussions have also been initiated, through COSLA, with both the Scottish and UK Governments concerning appropriate reimbursement of these costs, with an initial claim now submitted.
- 4.32 Following the declaration of a national public holiday to coincide with the Queen's state funeral on 19 September, the Council also incurred additional staffing costs in respect of necessary essential service cover. Collation of these costs (which are not recoverable) is also continuing but estimated to be around £0.5m, with this sum reflected in overall monitoring projections.

### **Ukraine response**

- 4.33 The Council is undertaking a key role in welcoming displaced Ukrainians to Scotland and thereafter temporarily resettling a number of these within the city. As of the end of October, almost 10,000 arrivals had been triaged at the Council-operated Welcome Hub, with over 800 Ukrainians now residing in Edinburgh with hosts under the Homes for Ukraine scheme.
- 4.34 While some elements of funding have been received, the Council has also incurred significant expenditure in establishing and operating what are essentially national facilities. Urgent discussions are therefore continuing at a senior level with both the Scottish and UK Governments to ensure these costs are understood and funded, with no further commitments to be entered into until this assurance has been received. These discussions are also seeking to clarify the provision of relevant funding beyond the current financial year.
- 4.35 Firm or in-principle approval to provide funding has now been received for around 70% of the estimated total costs of £13.3m in 2022/23, with discussions continuing between the Scottish and UK Governments on the remaining items. There is nonetheless a risk that an element of these costs, particularly those incurred prior to Ukrainian Displaced Persons (UDPs) moving in to settled accommodation (the trigger for funding allocations), is not fully recognised, giving rise to an estimated

pressure of £4.0m in 2022/23, with the potential to extend into future years of the budget framework.

### **Inflationary pressures**

4.36 The report considered by the Committee on 16 June highlighted a range of inflationary pressures affecting the Council, most materially energy cost increases but also including food, fuel, home-to-school transport and uplifts affecting a number of its contracts. At this stage, the level of these remains broadly unchanged, with a pressure of some £8.9m in respect of energy assumed within the overall outturn<sup>5</sup>. The projected outturn for the Homelessness Service also reflects £2m of additional contract uplift requests from other providers. Other inflationary pressures, where their impact cannot be fully mitigated, are reflected in service outturns.

### **Corporate budget savings**

4.37 Given the extent of inflation-related and wider pressures within services, opportunities to address these through available savings in corporate areas continue to be examined. As of period five, the following anticipated mitigations have been identified, representing an overall increase of £4.4m since the period three position as shown in the table at Paragraph 4.38:

- (i) **Council Tax** - based on confirmed 2021/22 income levels, analysis of subsequent changes in the size and profile of the Council Tax base and estimated movements in discounts and exemptions over the remainder of the financial year, a £3.5m positive variance is now being forecast in 2022/23;
- (ii) **Loans charges/interest and investment income** - based on analysis of the 2021/22 outturn, planned in-year capital spend and debt redemption, available cash balances and an expectation not to need to borrow in 2022/23, an overall saving of £3m is anticipated;
- (iii) **application of the budget framework risk contingency, available inflation provisions and other timing-related savings** – together releasing total funding to offset in full energy-related pressures of £8.9m;
- (iv) **Millerhill Recycling and Energy Recovery Centre** - the Council's share of net revenue from electricity generation is estimated at £3.8m in 2022/23;
- (v) **National Insurance** – following the announcement by the UK Government on 22 September that the 1.25% increase in employer's rates will be reversed with effect from 6 November, in-year savings of some £1.6m relative to previous forecasts are now anticipated; and

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<sup>5</sup> Based on qualifying criteria and the wholesale price of energy within its contracts, it is not anticipated at this stage that the Council will receive any significant support from the Energy Bill Relief Scheme. Any update will be provided at the Committee's meeting.

- (vi) projected underspends against the **approved investment in the 2021/22 and 2022/23 budget motions** totalling £1.264m.

### Overall position

- 4.38 Taken together, the net impact of anticipated pressures in service areas less corporate or other savings is a projected overspend of £5.092m as shown in the table below. This marks a slight improvement of £0.535m in the overall position since period three.

	Period 5		Period 3	
	£m	£m	£m	£m
<b>Net pressures in service areas:</b>				
Homelessness Services	8.040		5.500	
Education and Children's Services	4.000		2.500	
Place	2.700		3.600	
Corporate Services	(0.090)		(0.279)	
Energy	8.859		8.859	
Employee pay award, 2022/23	3.100		3.100	
Additional costs of public holiday on 19 September	0.500		n/a	
		<b>27.109</b>		<b>23.280</b>
<b>Savings in corporate budgets:</b>				
Application of budget framework risk contingency, available inflation provision and other timing-related savings	(8.853)		(7.853)	
Millerhill - gainshare income	(3.800)		(3.800)	
Council Tax	(3.500)		(3.000)	
Loans charges/interest and investment income	(3.000)		(3.000)	
Savings in employer's National Insurance	(1.600)		n/a	
Savings in members' investment	(1.264)		n/a	
		<b>(22.017)</b>		<b>(17.653)</b>
<b>Net projected pressure</b>		<b>5.092</b>		<b>5.627</b>

- 4.39 As noted in the preceding sections, there is the potential for further risks to emerge during the remainder of the year, particularly regarding the 2022/23 teachers' pay award and other inflationary uplifts. Additional certainty is also required with regard to securing full funding for significant additional costs being incurred as part of the Council's response to the Ukraine crisis.

- 4.40 *The position above reflects a worsening of £3.3m in the projected outturn of the Council's Executive Directorates.* It is therefore crucial that Executive Directors and

the Chief Officer of the Edinburgh Health and Social Care Partnership fully manage pressures, risks and savings delivery shortfalls within their respective core budgets and review all discretionary expenditure if a balanced position is to be achieved by the end of the year.

- 4.41 To this end, revised arrangements for staff recruitment have been implemented with effect from 3 August 2022, requiring all recruitment to secure written approval from both the relevant Head of Service and Service Director. The need to recruit should also be more explicitly scrutinised, including consideration of whether the relevant service could be delivered in a different way within current capacity.
- 4.42 Executive Directors have additionally been asked to identify a range of other in-year savings measures, including the development of specific mitigation plans in areas of overspend, reconsideration of all discretionary spend and identification of any opportunities for further savings relative to approved levels of investment. A number of measures to reduce energy consumption have also been implemented.

## **5. Next Steps**

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- 5.1 Given the range of pressures outlined within the report, Executive Directors will require to bring forward measures to offset residual service pressures and risks within their respective areas of responsibility during 2022/23. The adequacy of budget framework provision in respect of the on-going financial impacts of the pandemic will also be kept under close review with a view to taking any necessary remedial action.

## **6. Financial impact**

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- 6.1 As of Period 5, an overall overspend of £5.092m is forecast, with a range of further pressures identified. Failure to break even in 2022/23 would increase the savings requirement in 2023/24 due to a need to reinstate the General Fund unallocated reserve. The report therefore acutely emphasises the importance of proactive management of pressures and delivery of approved savings in maintaining the integrity of the budget framework. Given the extent of subsequent years' funding gaps, early action is also required to deliver robust savings proposals, aligned to the priorities set out in the Council's business plan, sufficient to meet these requirements.

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

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- 7.1 There is no direct relevance to the report's contents.

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

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- 8.1 [Finance Update](#), Edinburgh Integration Joint Board, 18 October 2022
- 8.2 [Revenue Monitoring 2022/23 – month three position](#), Finance and Resources Committee, 8 September 2022

- 8.3 [Revenue Budget 2022/27 Framework: progress update](#), Finance and Resources Committee, 16 June 2022
- 8.4 [Revenue Budget Update 2022/23 – Update](#), Finance and Resources Committee, 3 March 2022
- 8.5 [Coalition Budget Motion 2022/23](#), The City of Edinburgh Council, 24 February 2022

## **9. Appendices**

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- 9.1 Appendix 1 – 2022/23 Revenue Budget – Projected Expenditure Analysis
- 9.2 Appendix 2 – Approved savings, 2022/23 – current status
- 9.2 Appendix 3 – Approved service investments, 2022/23 – current status



	Revised Budget	Period Budget	Period Actual	Period Variance	Projected Outturn	Outturn Variance	Percentage Variance
Directorate / Division	£000	£000	£000	£000	£000	£000	
Corporate Services (including Chief Executive's Office)	87,408	40,713	39,821	(892)	87,318	(90)	(0.1)
Education and Children's Services	434,149	206,567	208,397	1,830	438,149	4,000	0.9
Health and Social Care	285,022	132,216	135,277	3,061	285,022	0	0.0
Place	193,897	87,688	89,107	1,419	196,597	2,700	1.4
Homelessness Services	50,640	21,402	24,059	2,657	58,680	8,040	15.9
Lothian Valuation Joint Board	3,817	1,591	1,591	0	3,817	0	0.0
<b>Directorate / Division total</b>	<b>1,054,933</b>	<b>490,177</b>	<b>498,252</b>	<b>8,075</b>	<b>1,069,583</b>	<b>14,650</b>	<b>1.4</b>
<b>Non-service specific areas</b>							
Loan Charges / interest and investment income	86,950				83,950	(3,000)	(3.5)
Other non-service specific costs less sums to be disaggregated:	23,932				16,084	(7,848)	(32.8)
- Non-Domestic Rates (poundage uplift)	1,005				0	(1,005)	n/a
- Energy tariff uplift	1,141				10,000	8,859	n/a
- Discretionary Rates	720				720	0	0.0
Additional Investment to disaggregate	20,507	0	0	0	19,243	(1,264)	(6.2)
Tram Shares	8,500	0	0	0	8,500	0	0.0
Council Tax Reduction Scheme	28,800	n/a	n/a	n/a	28,800	0	0.0
Staff early release costs	2,500	n/a	n/a	n/a	2,500	0	0.0
Net Cost of Benefits	(127)	n/a	n/a	n/a	(127)	0	0.0
Pay award - unfunded pressure	0	n/a	n/a	n/a	3,100	3,100	n/a
Public holiday, 19 September - estimated additional costs	0	n/a	n/a	n/a	500	500	n/a
Millerhill - electricity generation income	0	n/a	n/a	n/a	(3,800)	(3,800)	n/a
National Insurance - reduction in employer's rate from 6 November 2022	0	n/a	n/a	n/a	(1,600)	(1,600)	n/a
<b>Non-service specific areas total</b>	<b>173,927</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>167,869</b>	<b>(6,058)</b>	<b>(3.5)</b>
<b>Movements in reserves</b>							
Net contribution to / (from) earmarked funds	(45,632)	0	0	0	(45,632)	0	0.0
<b>Movements in reserves total</b>	<b>(45,632)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(45,632)</b>	<b>0</b>	<b>0.0</b>
<b>Sources of funding</b>							
General Revenue Funding	(609,735)	(152,434)	(152,434)	0	(609,735)	0	0.0
Non-Domestic Rates	(249,861)	(62,465)	(62,465)	0	(249,861)	0	0.0
Council Tax	(323,632)	(80,908)	(80,908)	0	(327,132)	(3,500)	(1.1)
<b>Sources of funding total</b>	<b>(1,183,228)</b>	<b>(295,807)</b>	<b>(295,807)</b>	<b>0</b>	<b>(1,186,728)</b>	<b>(3,500)</b>	<b>(0.3)</b>
<b>In-year (surplus) / deficit</b>	<b>0</b>	<b>194,370</b>	<b>202,445</b>	<b>8,075</b>	<b>5,092</b>	<b>5,092</b>	<b>0.4</b>

## Approved savings, 2022/23 - current assessed status

	Directorate	£m	Current RAG status			Comments where full delivery not assumed
			£m	£m	£m	
Borrowing costs	Corporate	12.000	12.000	0.000	0.000	
Corporate budgets reprioritisation/realignment	Corporate	5.000	5.000	0.000	0.000	
Procurement	Corporate	0.100	0.100	0.000	0.000	
<b>Total Corporate</b>		<b>17.100</b>	<b>17.100</b>	<b>0.000</b>	<b>0.000</b>	
Continuation of 5% increase in discretionary fees and charges	Council-wide	1.000	0.120	0.880	0.000	An assessment of the deliverability of the Place element of this saving remains in progress taking into account service demand and other relevant factors.
Chief Officers and Senior/Middle Management Review	Council-wide	0.218	0.000	0.000	0.218	
<b>Total Council-wide</b>		<b>1.218</b>	<b>0.120</b>	<b>0.880</b>	<b>0.218</b>	
Statutory Consents	Place	0.025	0.025	0.000	0.000	
Increase in garden waste charge based on full-cost recovery (full-year effect)	Place	0.160	0.160	0.000	0.000	
Development and Business Services Operating Model	Place	0.300	0.000	0.300	0.000	
Library efficiencies	Place	0.050	0.000	0.000	0.050	
Edinburgh Shared Repairs - Management Resource and Income Generation	Place	0.007	0.000	0.007	0.000	
<b>Total Place</b>		<b>0.542</b>	<b>0.185</b>	<b>0.307</b>	<b>0.050</b>	
Digital delivery	Corporate Services	0.190	0.150	0.040	0.000	Verification for Print, Mail and Scan Strategy Development element of saving being progressed with other Council services.
Renting of assets for 5G nodes	Corporate Services	0.050	0.000	0.050	0.000	One-off mitigating saving has been identified in Digital Services budget.
Directorate Workforce Savings	Corporate Services	0.110	0.110	0.000	0.000	
<b>Total Corporate Services</b>		<b>0.350</b>	<b>0.260</b>	<b>0.090</b>	<b>0.000</b>	
<b>Total pre-approved savings</b>		<b>19.210</b>	<b>17.665</b>	<b>1.277</b>	<b>0.268</b>	
			92.0%	6.6%	1.4%	

	Service	Investment	Nature of spend	Key outcomes sought (where applicable)	Current status	Comments where status not green
1	Improvements to HR systems	£2,000,000	Subject to the development of an accompanying full business case, the funding will serve as a contribution towards the cost of upgrading the Council's HR systems to support implementation of the recommendations from the independent inquiry and whistleblowing and organisational culture review.	Investment in an upgraded HR system will enable all employees to have access to organisational information, such as the Orb and myLearning Hub. Our current HR system has no core case management functionality and does not enable triage or offer the ability to perform complex data analysis e.g. spotting trends. A core HR solution that can administer all aspects of cases from logging, sending electronic letters and meeting notifications to allowing access to named individuals at certain points only, etc. is required in order to fulfil all the recommendations outlined.		There is delivery risk associated with this project which will not be mitigated until a fully-costed business case is produced. Additional details were included in <a href="#">the update report to Council</a> considered on 25 August 2022. An updated business case is included elsewhere on today's agenda.
2	Easing the cost of living crisis	£1,100,000	The investment will provide capacity and resources to help Edinburgh citizens on low incomes manage the increasing cost of living in 2022 by providing direct financial support; advice to maximise income and entitlements; and prevention measures for those experiencing high energy costs and at risk of falling into arrears and debt. Further details were included in <a href="#">a report to Council</a> considered on 25 August 2022.	The investment will: * Deliver on commitments in the Council Business Plan * Prevent poverty and hardship * Make the experience of seeking help more compassionate and more dignified * Improve income or reduce living costs for poorest citizens * Improve opportunities to access or progress in fair employment, learning or training * Improve physical and mental health and reduce health inequalities		
3	Deep cleaning the city, graffiti removal and street cleaning	£1,072,000	£72,000 of this funding will be used to purchase a new hot wash vehicle for city centre close cleaning. £200,000 will be used to procure a contract for the deep cleaning of the city centre. This will incorporate the cleaning of closes, steps, pavements and street furniture as well as the removal of graffiti from CEC property. £800,000 will be used to employ additional temporary staff and vehicles in the Street Cleansing service to undertake deep cleans of residential areas across the city.	This will improve the appearance of the city and send a message to residents and businesses that the Council is committed to improving local communities and supporting business recovery following COVID-19.		
4	Roads and pavements maintenance	£1,000,000	The package of funding includes £450,000 in permanent patching repairs across 10,000m <sup>2</sup> of carriageways across the city; £300,000 to carry out footpath resurfacing across the city; and £250,000 for traffic signal infrastructure improvements for which works are due to commence in October 2022, with all sites completed by April 2023.	This will visibly improve the condition of roads and pavements across the city and will increase pedestrian safety.		
5	Children's Services - additional investment	£1,000,000	Given the unforeseen duration of the pandemic's impacts and the continued restricted ability to move young people from their current placements, a budget pressure exists within 2021/22 and will extend into 2022/23. With children unable to move across the last two years, they have become settled in existing out-of-authority placements and it would be poor practice to disrupt their progress – and we would be unlikely to persuade the Children's Hearing to move them back into Edinburgh.	While a range of mitigating measures to address the overarching Children's Services pressure has been identified, the £1m investment will allow time for these measures to bed in.		
6	Net-zero	£500,000	The Council is leading on the development and delivery of net-zero community pilots based in geographies with different demographic profiles and community capacity. The pilots will be collaborations between property owners to scope a scalable approach to retrofitting private housing using models that focus on community empowerment and supporting a just transition to net zero.	The investment will: * Deliver on political commitments in the net-zero strategy * Strengthen co-production approach and citizen capacity building to deliver net-zero agenda * Model net-zero community action with open source data and open source technical solutions for wider adoption * Provide a scalable financial model to support the financial route map to net-zero * Derive quantifiable co-benefits and nature-based economic benefits		
7	Social care adaptations	£500,000	Further discussion is required to scope this investment proposal and relevant discussions have been initiated.			No delivery plan for this initiative has yet been developed.

	Service	Investment	Nature of spend	Key outcomes sought (where applicable)	Current status	Comments where status not green
8	Park facilities improvements	£450,000	The safety of residents visiting parks is extremely important. £300,000 of this funding will allow the employment of additional Trees and Woodlands staff to deal with Ash Dieback and reduce the risk of tree failures causing harm to members of the public. Recognising the importance of proper lighting for the safety of visitors to our parks, the remaining funding will be used to install additional lighting in some of our parks.	This additional lighting will help to make parks safer to visit. An updated draft trees in the city 2022-2032 strategy and a new workforce and resources plan for the Forestry Service has been developed to assess requirements to tackle the challenges of ash dieback. The work has identified the need for two additional arborist squads for ash dieback work. The budget will be used to begin to build up this resource and required equipment.		
9	Play parks (CFCR)	£325,000	This funding will be converted to capital to be used to invest in play park equipment in each ward across the city. Play park renewal projects are progressing and total £1.2M for 22/23. The £325k fund is expected to be fully allocated.	Residents will be encouraged to visit and spend time in play parks across the city as modern, accessible play equipment is introduced.		
10	Neighbourhood Action Team	£250,000	The investment will help to tackle hot spot areas of unkept land, dealing with dumping, vegetation and other issues to improve the look and feel of areas in need of additional attention.	An action plan has been developed and the sums will be fully utilised in-year.		
11	Local community festivals and events	£200,000	Based on experience of local city-wide community events/festivals funding, the investment would be targeted towards capacity building and resilience. Given this would be a one-off fund, the proposal would be for larger individual funding awards to support more substantively event stability and establish a robust business and event model going forward - principally to support (i) identifying baseline funding models and partners and (ii) the creative and programme development opportunities presented by the event or festival.	The approach reflects both the current events strategy, and culture funding targeted towards resilience and creative practitioner skills development/support/retention.		
12	Energy for Edinburgh	£200,000	The money will be spent on a combination of CEC staff time/capacity building and consultants' time that will be used to develop a business plan for Energy for Edinburgh, including outline scope(s) for potential community energy generation projects as part of the development of a local heat and energy efficiency strategy.	A business plan for Energy for Edinburgh; a draft local heat and energy generation strategy, and hopefully as a result, active and profit-making local energy generation projects.		This investment aims to explore the role of Energy for Edinburgh and identify initial project activity so the ESCO can begin to deliver heat and energy solutions for the city. Progress against this project will be dependent upon current Council capacity to deliver and reported to Council in due course.
13	Temporary toilets in premier parks	£200,000	The investment will allow for the continuation of hiring of temporary toilets for The Meadows, Inverleith Park and Leith Links.	Creation of a more welcoming and active travel-friendly environment, along with reductions in antisocial behaviour.		
14	Hostile vehicle mitigation barriers	£180,000	£0.180m was included within the budget motion to provide funding to cover potential costs of retaining temporary Hostile Vehicle Mitigation arrangements while a long-term solution is agreed to protect the High Street and other areas following the withdrawal of support from the Home Office. Further discussion is required to scope this investment proposal and relevant discussions have been initiated.	The National Counter Terrorism Security Office (NaCTSO) has recently confirmed that they will not charge the Council rental on the continued deployment of the National Barrier Asset (NBA). Therefore, the investment allocated will now all be used towards related equipment for the City. Work on this procurement has started and will be completed by the end of the financial year.		
15	Taxi regulation and enforcement	£160,000				
16	Short-term lets regulation and monitoring	£150,000				

	Service	Investment	Nature of spend	Key outcomes sought (where applicable)	Current status	Comments where status not green
17	Food growing	£130,000	A proposal on the allocation of this spend was agreed by the Policy and Sustainability Committee on 30 August 2022, comprising match-funding for Edible Edinburgh's Sustainable Food Co-Ordinator Post and support for the Council's Food Growing Strategy priorities, in line with officer capacity available to support project development and delivery and/or management of allocations to external organisations.			
18	Defibrillators in schools	£112,000	Budget has been allocated to roll out defibrillators to much of the school estate where not currently in place. However, work needs to be done in the next six to twelve months to identify the best locations to site them – this may be schools or a mix of schools, community centres and care homes.			Work still required to identify optimal locations. Progress will depend upon current capacity within Council to support the project. It is accepted that there will be continued risk while this is not taken forward.
19	Participatory Budgeting support	£100,000	The investment will allow the Council to work effectively with communities in delivering a robust local process, building community skills and capacity as part of the Council's commitment to progress community empowerment. Specifically it will support capacity building with communities and local community groups, communications and promotion of participatory budgeting activity, training for staff, delivery of local deliberation processes and IT support to underpin local decision-making.	<ul style="list-style-type: none"> <li>* Delivery of political commitments on community engagement</li> <li>* Delivery of nationally-agreed 1% target</li> <li>* Supports effective service design based on service user needs</li> <li>* Strengthened local democracy and community cohesion</li> <li>* Improved quality of life for people and communities</li> </ul>		
20	Portobello Kilns restoration	£61,000	The allocation represents seed funding to demonstrate the Council's commitment to the project and lever in external funding contributions for the estimated £645k of total funding required, including potential contributions from Historic Environment Scotland, Heritage Lottery Fund, Place-Based Investment Fund and the Wolfson Foundation.	Restoration of a key local landmark and listed ancient monument		Delivery of full restoration is dependent on the identification of partner funding, discussions on which remain in progress.
21	Pentland Park Rangers	£60,000	This funding will be used to employ additional Park Rangers and improve visitor facilities in the Pentland Hills Regional Park.	As well as improving conditions for local residents and land managers, this funding will help reduce anti-social behaviour and prevent loss of livestock.		
22	Libraries re-opening support	£60,000	The outline proposal for spend at this stage is to support the following: <ul style="list-style-type: none"> <li>* Additional book / media fund expenditure</li> <li>* Provision of replacement furniture/ fittings</li> <li>* Fund to support development and delivery of service in response to an engagement programme with young people</li> <li>* City-wide communications campaign to highlight the message that libraries are open</li> <li>* Temporary library provision for Leith at The Fort Community Centre</li> <li>* Costs to support reopening of the remaining four libraries</li> </ul>	Attracting people back in to the library service and reaching new members/audiences - building up use and visits		
23	"Forever Edinburgh" website development	£50,000	New website to replace the existing www.edinburgh.org	<p>An updated website which acts as a gateway to the city for visitors, residents, investors and students alike. A new Forever Edinburgh website will provide many benefits to the Council and city including:</p> <ul style="list-style-type: none"> <li>* Improved staff efficiencies and timesaving by automating some of the content management processes that are currently being done manually</li> <li>* Improved user experience as the website will be reliable and designed for purpose</li> <li>* Better insights on user behaviours through improved functionality</li> <li>* Possible reduction in ongoing hosting and maintenance costs</li> <li>* A reliable and professional website that supports the reputation we want to create and set for residents and visitors</li> <li>* The possibility of generating income from the website through digital advertising sales.</li> </ul>		
		<b>£9,860,000</b>				

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Corporate Services Directorate: Revenue Budget Monitoring 2022/23 – Month Five position

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

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- 1.1 It is recommended that the Finance and Resources Committee notes:
  - 1.1.1 that a favourable budget variance of £0.090m is forecast for services delivered by Corporate Services Directorate for 2022/23;
  - 1.1.2 measures will continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn expenditure in line with the approved revenue budget for 2022/23 and,
  - 1.1.3 the ongoing risks to the achievement of a balanced revenue budget projection for services delivered by Corporate Services Directorate.

#### Richard Carr

Interim Executive Director of Corporate Services

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# Finance and Resources Committee

## Corporate Services Directorate - Revenue Budget Monitoring 2022/23 – Month Five position

### 2. Executive Summary

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- 2.1 The report sets out the projected five-month revenue budget monitoring position for services delivered by Corporate Services Directorate and the Chief Executive's Office, based upon actual expenditure and income to the end of August 2022 and expenditure and income projections for the remainder of the financial year.
- 2.2 A favourable budget variance of £0.090m is forecast for services delivered by Corporate Services Directorate for 2022/23.
- 2.3 Measures will continue to be progressed to fully deliver approved savings targets and to offset budget pressures to achieve outturn expenditure in line with the approved revenue budget for 2022/23. The attainment of this position is subject to active management of risks and pressures.

### 3. Background

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- 3.1 The Council's Financial Regulations require submission of quarterly monitoring reports on service financial performance to the Finance and Resources Committee.
- 3.2 This report advises on the projected outturn for services delivered by Corporate Services Directorate and the Chief Executive's Office after five months of the financial year.

### 4. Main report

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- 4.1 Corporate Services Directorate revenue budget for 2022/23 is £87.186m. This includes a range of Council-wide contracts, including the Council's ICT contract, external audit fee and Scotland Excel membership. The Directorate provides directly delivered Council services, including Customer Contact services and



professional support services for Finance and Procurement, Human Resources, Legal, Strategic Policy Support and Corporate Communications.

- 4.2 This budget monitoring report also includes financial performance of the Chief Executive's Office.
- 4.3 The period five forecast is for a favourable budget variance of £0.090m for Corporate Services Directorate. An analysis of the budget and forecast by Corporate Services Directorate Divisions and for the Chief Executive's Office is shown in Appendix 1.
- 4.4 Significant forecast variances include:
- 4.4.1 Customer and Digital Services – £0.560m one-off saving from reduced ICT licence costs and a saving of £0.080m from the severance release of a senior manager.
  - 4.4.2 Human Resources – a favourable variance of £0.319m from employee cost savings and salary sacrifice income.
  - 4.4.3 Strategy and Communications – a favourable variance of £0.088m from employee cost savings, which are subject to ongoing review with service managers
  - 4.4.4 Enterprise Resource Planning (ERP) project implementation costs – the favourable variances identified contribute to one-off investment funding of £0.961m for ERP infrastructure upgrades.
- 4.5 The approved 2022/23 revenue budget requires Corporate Services Directorate to achieve incremental savings of £0.391m as detailed in Appendix 2.
- 4.6 £0.301m (77%) of approved savings are forecast to be on track for full delivery and are assessed as 'Green', with £0.090m (23%) assessed as 'Amber'. No savings are assessed as 'Red' or 'Black'.
- 4.7 At this stage in the financial year, the principal financial risks identified for Corporate Services Directorate services are:
- 4.7.1 Cost of response to the Ukraine crisis – the impact of demand for services and additional staff costs is estimated at £0.354m.
  - 4.7.2 Cost of Living Award (£0.072m) - Scottish Government Administration funding requires confirmation.

- 4.7.3 Cost of Living Crisis – the impact of demand for welfare payments and additional staffing required to administer these payments.
- 4.7.4 Digital Delivery – Print, Mail and Scan Strategy Development – achievement of the savings target of £86,000 requires confirmation with other Council services.
- 4.7.5 Legal and Assurance employee costs – costs are being reviewed to address cost pressures to support service demand.
- 4.8 All current and emerging risks will be subject to ongoing tracking, development of mitigation measures and review for the remainder of 2022/23.
- 4.9 The following additional investment is allocated to Corporate Services Directorate for 2022/23:
  - 4.9.1 £2.0m for improvements to the Council’s Human Resources system, in response to the recommendations of the Independent Inquiry and Review of Organisational Culture. A report on this project is contained elsewhere on the agenda.
  - 4.9.2 £1.100m to support easing of the Cost-of-Living Crisis.
  - 4.9.3 £0.500m to support the City-wide 2030 Net Zero Strategy.
  - 4.9.4 £0.130m to support Food Growing and to recognise the increase in demand for local food.

## **5. Next Steps**

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- 5.1 Continuing work to identify mitigating measures through workforce and discretionary expenditure controls to manage financial risks and take timely remedial action, where adverse variances become apparent.

## **6. Financial impact**

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- 6.1 This report forecasts a favourable budget variance of £0.090m for Corporate Services Directorate for 2022/23.

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

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- 7.1 Whilst the report provides a financial monitoring update on the Corporate Services Directorate revenue budget, it should be noted that these costs are directly associated within the provision of a range of front-line and corporate services that have been essential to support citizens, businesses, and communities throughout the COVID19 pandemic, Cost of Living Crisis, and Ukrainian Crisis. The Directorate has enabled and continues to enable the Council to maintain and adapt core services across the City, as well as responding to the need to provide entirely new and additional services on behalf of the Scottish Government. All these activities have had varying degrees of impact upon the community or key stakeholders.

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

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- 8.1 [Revenue Budget 2022/27 Framework: progress update](#), Finance and Resources Committee 16 June 2022
- 8.2 [Corporate Services Directorate: Revenue Budget Monitoring 2022/23 – Month Three position](#), Finance and Resources Committee 8 September 2022

## **9. Appendices**

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- 9.1 Appendix 1 – Corporate Services Directorate and Chief Executive’s Office Revenue Budget Monitoring 2022/23 - Month Five position
- 9.2 Appendix 2 – Corporate Services Directorate: Approved Revenue Budget Savings 2022/23

# Appendix 1

## Corporate Services Directorate and Chief Executive's Office

### Revenue Budget Monitoring 2022/23

#### Month Five position

#### Forecast Revenue Outturn by Division

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Customer and Digital Services	56,860	56,220	(640)	FAV
Finance and Procurement Services	7,337	7,266	(71)	FAV
Human Resources	8,084	7,765	(319)	FAV
Legal and Assurance	9,222	9,257	35	ADV
Strategy and Communications	5,375	5,287	(88)	FAV
Directorate and service-wide costs.	308	340	32	ADV
Enterprise Resource Planning (ERP) project - implementation costs		961	961	
<b>Total Net Expenditure</b>	<b>87,186</b>	<b>87,096</b>	<b>(90)</b>	<b>FAV</b>
<b>Chief Executive's Office</b>	<b>222</b>	<b>222</b>	<b>0</b>	

# Appendix 2

## Corporate Services Directorate: Approved Revenue Budget Savings 2022/23

Division	Saving Description	2022/23 £'000	Red/Amber/Green/Black assessment
Customer and Digital Services	Digital Delivery - ICT	150	
Customer and Digital Services	Digital Delivery – Print, Mail and Scan Strategy Development	40	Savings verification being progressed with other Council services.
Customer and Digital Services	Renting of Assets for 5G Nodes	50	One-off mitigating saving identified in Digital Services budget.
Finance and Procurement	Workforce Savings	110	
Service-Wide	Increase in discretionary fees and charges	41	
	<b>TOTAL</b>	<b>391</b>	

SUMMARY	£'000	%
Green assessed	301	77
Amber assessed	90	23
Red assessed	0	0
Black Assessed	0	0
<b>TOTAL</b>	<b>391</b>	<b>100</b>

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Capital Monitoring 2022/23 - Month Five Position

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

- 1.1 To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month five of the 2022/23 financial year;
- 1.2 To note the Prudential Indicators in appendix 3.
- 1.3 To note that it has been agreed that the Finance and Resources Committee has oversight for and approval of the whole Capital Investment Programme; and
- 1.4 To refer the report to the Governance, Risk and Best Value Committee as part of its work programme.

#### Richard Carr

Interim Executive Director of Corporate Services

Contact: Matt Jones, Senior Accountant,

Finance and Procurement, Corporate Services Directorate

E-mail: [Matt.Jones@edinburgh.gov.uk](mailto:Matt.Jones@edinburgh.gov.uk) | Tel: 07863 561145

## Capital Monitoring 2022/23 - Month Five Position

### 2. Executive Summary

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- 2.1 The report provides the capital expenditure and funding position as at month five and full-year outturn projections for the 2022/23 financial year, providing explanations for key variances.
- 2.2 At month five, the General Fund is projecting capital expenditure of £225.999m and capital income of £114.560m, resulting in a net requirement of £111.439m in loans fund advances. This is £2.809m lower than the revised budget update provided in month three due to updated cashflows across the programme.
- 2.3 At month five, the Housing Revenue Account (HRA) is projecting capital expenditure of £118.108m and capital income of £38.992m, resulting in a net requirement of £79.116m in loans fund advances.
- 2.4 An additional report is brought to the Finance and Resources Committee on this agenda assessing the significant financial pressure faced by the capital programme due to by current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects.

### 3. Background

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- 3.1 The Sustainable Capital Budget Strategy 2022-2032 was approved by Council on 24th February 2022. This report detailed priorities for council capital investment of £1,459.874m, in alignment with the Council Business Plan, over the medium to long-term and set out a plan on how they could be funded.
- 3.2 The Capital Strategy - Annual Report was approved by Council on 17th March 2022. This report sets out the proposed capital strategy, which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.
- 3.3 The month three capital monitoring position and the revised 2022/23 capital budget strategy position was reported to Finance and Resources Committee on 8th September 2022. This report incorporated outturn slippage from 2021/22 and rolled forward the capital investment programme for the period 2022-2032 to create the



revised capital budget. In creating the revised budget, realignments were made between financial years to reflect the most up to date cash flow projections available. The budget was also adjusted to reflect funding received since the Council set its budget in February.

## 4. Main report

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### Capital Monitoring 2022/23 – Month Five Position

#### General Fund Capital

- 4.1 At month five, general fund expenditure is projected to be £225.999m, compared against a budget of £228.988m, resulting in projected capital expenditure slippage of £2.989m. Grants and other capital income are forecast to be £114.560m with the remaining expenditure being funded by loans fund advances of £111.439m. This is £2.809m lower than the revised budget update provided in month three reflecting updated cashflows received across the programme. A breakdown by directorate is provided in Appendix 1, with additional commentary provided in sections 4.2 to 4.7.
- 4.2 Within Education and Children's Services, there has been capital expenditure of £19.490m as at month five. Expenditure relates primarily to Early Years projects, Boroughmuir High School, Trinity Academy and Wester Hailes Education Centre. There is also now forecast slippage of £12.526m in the year, which relates predominantly to Rising School Rolls. The Learning Estate strategy is experiencing significant financial pressure due to current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs.
- 4.3 Within Place, there has been capital expenditure of £30.609m as at month five. Expenditure relates primarily to North Bridge £5.652m, Carriageways and Footways £6,161m, City Centre West East Link (CCWEL) Active Travel project £2.259m and the spending of the Development Funding Grant £3.669m. The projected outturn variance of £3.969m for the year primarily relates to;
- Housing and Regeneration slippage of £2.143m due to construction industry materials and labour shortages affecting the Granton Station Town Centre and Powderhall Stables programmes;
  - Depot Review slippage of £1.859m and Roads and Footways slippage of £1.008m both due to construction delays for the reasons noted above; and
  - North Bridge budget acceleration of £1.203m in line with latest forecasts.
- 4.4 Within Place – Trams to Newhaven, the project is forecasting in line with budget and is expected to complete on time in Spring 2023, within the approved budget of £207.3m.
- 4.5 Within Place - Lending there has been capital expenditure of £3.096m as at month five for completed units which have transferred to Edinburgh Living LLP.

- 4.6 Within Asset Management Works Programme, there has been capital expenditure of £4.143m as at month five across various projects, with outturn slippage of £8.973m against a budget of £22.102m. This is due to delays to the Enerphit programme £4.275m and general slippage £4.698m due to the shared experience of shortages in materials and labour in the construction industry.
- 4.7 An additional report is brought to the Finance and Resources Committee on this agenda assessing the significant financial pressure faced by the capital programme due to current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects.

### **Housing Revenue Account (HRA) Capital**

- 4.8 The month five monitoring shows HRA capital expenditure of £28.535m for the financial year to date across various programmes and workstreams relating to the Council housebuilding programme and improvements to existing council homes and estates, with forecast capital expenditure slippage of £0.647m in the year. A breakdown by programme is provided in Appendix 2, with additional commentary provided in sections 4.9 to 4.13.
- 4.9 The forecast capital expenditure outturn on the Council Housebuilding Programme is acceleration of £1.383m which is primarily due to the rephasing of Western Villages development stages.
- 4.10 The forecast capital expenditure outturn on the Land element of the Council Housebuilding Programme is in line with budget, with the purchase of Liberton Hospital expected to complete within the year.
- 4.11 The forecast capital expenditure outturn against Improvements to Council Homes and Estates is slippage of £1.989m primarily due to supply chain disruption, including shortages of materials and contractor availability.
- 4.12 Previously, delays were reported in the Improvements to Council Homes and Estates programme because of the refusal of tenants to allow access to properties because of Covid concerns. Although this remains to some extent, the impact on the programme is much reduced.
- 4.13 The month five monitoring shows HRA capital income of £6.794m for the financial year so far, primarily from capital receipts from sales to Edinburgh Living LLP and additional disposals through the Acquisitions and Disposals Programme. The projected Capital income is £38.992m, which is £2.567m more than the revised budget, reflecting these additional disposals. The amount to be funded through the Loans Fund Advance is projected to be £79.116m, a reduction of £3.214m in line with overall HRA programme slippage and the additional income.

## 5. Next Steps

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- 5.1 This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.
- 5.2 Finance staff will continue work with project and programme managers to monitor capital budgets.
- 5.3 Further reports will be presented to Finance and Resource Committee at month 8 and month 12 showing the position against the revised 2022/23 capital budget.

## 6. Financial impact

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- 6.1 The 2022/23 General Fund projected outturn outlines loans fund advances of £111.439m. The overall loan charges associated with this over a 30-year period would be a principal amount of £111.439m, interest and expenses of £85.291m, resulting in a total cost of £196.731m based on a loans fund interest rate of 4.00%. The average annual cost would be £6.558m for 30 years.
- 6.2 The 2022/23 HRA projected outturn outlines loans fund advances of £79.116m. The overall loans charges associated with this over a 30-year period would be a principal amount of £79.116m, interest of £64.855m, resulting in a total cost of £143.971m based on a loans fund rate of 4.25%. The average annual cost would be £4.799m for 30 years.
- 6.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 6.4 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.

## 7. Stakeholder/Community Impact

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

## 8. Background reading/external references

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- 8.1 [Sustainable Capital Strategy 2022-32 – Annual Report](#), Finance and Resources Committee, 3 March 2022
- 8.2 [2022-32 Sustainable Capital Budget Strategy – Outturn 2021/22 and Revised Budget 2022/23](#), Finance and Resources Committee, 8 September 2022

## 9. Appendices

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- 9.1 Appendix 1 – 2022/23 Capital Monitoring Month Five – General Fund
- 9.2 Appendix 2 – 2022/23 Capital Monitoring Month Five – HRA

## Appendix 1 - 2022/23 Capital Monitoring

### General Fund Summary

#### Period 5

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£000	£000	£000	£000	£000	£000	%
Education and Children's Services	33,040	15,722	48,762	19,490	36,236	12,526	25.69%
Place	104,983	(1,454)	103,529	30,609	99,560	3,969	3.83%
Place - Lending	16,972	3,057	20,029	3,096	20,029	-	0.00%
Place - Tram York Place to Newhaven	39,503	15,197	54,700	21,733	55,238	(538)	-0.98%
Place - Asset Management Works	29,425	(7,323)	22,102	4,143	13,129	8,973	40.60%
Corporate Services	807	469	1,276	228	1,524	(247)	-19.39%
Edinburgh Health and Social Care Partnership	-	284	284	160	284	-	0.00%
Contingency	-	-	-	-	-	-	0.00%
Slippage Assumption	(21,694)	-	(21,694)	-	-	(21,694)	100.00%
<b>Total Gross Expenditure</b>	<b>203,036</b>	<b>25,952</b>	<b>228,988</b>	<b>79,459</b>	<b>225,999</b>	<b>2,989</b>	<b>1.31%</b>
<b>Funding</b>	<b>Approved Budget</b>	<b>Adjustments</b>	<b>Revised Budget</b>	<b>Actual to Date</b>	<b>Projected Outturn</b>	<b>Projected Outturn Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
<i>Capital Receipts</i>							
General Asset Sales	3,000	16,391	19,391	946	19,391	-	0.00%
Ringfenced Asset Sales	-	-	-	122	122	122	N/A
Capital from Current Revenue	-	2,670	2,670	1,170	2,670	-	0.00%
Less Fees Relating to Receipts	-	-	-	-	-	-	N/A
Less Fees Relating to General Receipts	-	-	-	-	-	-	N/A
<b>Total Capital Receipts from Asset Sales</b>	<b>3,000</b>	<b>19,061</b>	<b>22,061</b>	<b>2,238</b>	<b>22,183</b>	<b>122</b>	<b>0.55%</b>
<i>Drawdown from/ (to) Capital Fund</i>	-	-	-	-	-	-	N/A
<i>Developer Contributions</i>							
Developers Contributions Transferred to Investments	-	1,133	1,133	7,907	-	(1,133)	0.00%
<b>Total Developer Contributions</b>	<b>-</b>	<b>1,133</b>	<b>1,133</b>	<b>7,907</b>	<b>-</b>	<b>(1,133)</b>	<b>N/A</b>
<b>Total Capital Receipts and Contributions</b>	<b>3,000</b>	<b>20,194</b>	<b>23,194</b>	<b>10,144</b>	<b>22,183</b>	<b>(1,011)</b>	<b>-4.36%</b>
<i>Grants</i>							
Scottish Government General Capital Grant	40,221	-	40,221	17,089	40,221	-	0.00%
Other Grants and Contributions	-	-	-	1,373	1,373	1,373	N/A
Cycling, Walking and Safer Streets	2,310	1,068	3,378	-	3,378	-	0.00%
Town Centre Funding / Place Based Investment Programme	1,735	-	1,735	2,223	2,223	488	28.13%
Transfer of Management of Development Funding (TMDF)	45,182	-	45,182	1,118	45,182	-	0.00%
Early Years and Childcare - Expansion	-	-	-	-	-	-	N/A
Regeneration Funding - Powderhall Stables	-	-	-	-	-	-	N/A
Other Government Grants	-	-	-	(1,234)	-	-	N/A
Capital Grants Unapplied Account Drawdown	-	-	-	-	-	-	0.00%
<b>Total Grants</b>	<b>89,448</b>	<b>1,068</b>	<b>90,516</b>	<b>20,569</b>	<b>92,377</b>	<b>1,861</b>	<b>2.06%</b>
<b>Total Funding</b>	<b>92,448</b>	<b>21,262</b>	<b>113,710</b>	<b>30,713</b>	<b>114,560</b>	<b>850</b>	<b>0.75%</b>
<i>Borrowing</i>							
New Prudential Borrowing in Year	9,340	4,270	13,610	-	5,765	(7,845)	-57.64%
New On-Lending in Year	16,972	3,057	20,029	-	20,029	-	0.00%
New Capital Advance - Trams to Newhaven	39,503	15,197	54,700	-	55,238	538	0.98%
New Capital Advance - General Fund	44,773	(18,864)	25,909	48,746	30,407	4,498	17.36%
<b>Balance to be funded through Loans Fund Advance</b>	<b>110,588</b>	<b>3,660</b>	<b>114,248</b>	<b>48,746</b>	<b>111,439</b>	<b>(2,809)</b>	<b>-2.46%</b>

## Appendix 2 - 2022/23 Capital Monitoring

### Housing Revenue Account

#### Period 5

Expenditure	Approved	Adjustments	Revised	Actual to	Projected	Projected Outturn	
	Budget		Budget	Date	Outturn	Variance	
	£000	£000	£000	£000	£000	£000	%
New Homes Development	43,332	(5,608)	37,724	7,807	39,107	1,383	3.7%
New Homes Land Costs	16,800	(2,456)	14,344	46	14,303	(41)	-0.3%
Improvement to Council Homes and Estates	66,687	-	66,687	20,683	64,698	(1,989)	-3.0%
<b>Total Gross Expenditure</b>	<b>126,819</b>	<b>(8,064)</b>	<b>118,755</b>	<b>28,535</b>	<b>118,108</b>	<b>(647)</b>	<b>-0.5%</b>

Income	Approved	Adjustments	Revised	Actual to	Projected	Projected Outturn	
	Budget		Budget	Date	Outturn	Variance	
	£000	£000	£000	£000	£000	£000	%
Capital Receipts and Other Contributions	-	-	-	2,567	2,567	2,567	0.0%
Capital Funded from Current Revenue	23,300	(2,456)	20,844	-	20,844	-	0.0%
Receipts from LLPs	6,444	-	6,444	3,042	6,444	-	0.0%
Scottish Government Subsidy	4,137	-	4,137	1,185	4,137	-	0.0%
Specific Capital Grant	5,000	-	5,000	-	5,000	-	0.0%
<b>Total Income</b>	<b>38,881</b>	<b>(2,456)</b>	<b>36,425</b>	<b>6,794</b>	<b>38,992</b>	<b>2,567</b>	<b>7.0%</b>

<b>Balance to be funded through Loans Fund Advance</b>	<b>87,938</b>	<b>(5,608)</b>	<b>82,330</b>	<b>21,741</b>	<b>79,116</b>	<b>(3,214)</b>	<b>0%</b>
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**2022/23 Revised Budget Prudential Indicators****Indicator 1 - Estimate of Capital Expenditure**

The actual capital expenditure that was incurred in 2021/22 and the estimates of capital expenditure to be incurred for the current and future years:

	<b>Capital Expenditure - General Services</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Rolled Forward Capital Investment Programme</b>						
Education and Children's Services	95,726	36,236	71,215	103,555	83,314	31,563
Place	176,181	99,560	130,679	79,059	75,997	20,223
Place - Lending	4,167	20,029	62,413	70,500	41,793	10,804
Place - Trams to Newhaven	68,486	55,238	3,507	0	0	0
Place - Asset Management Works	23,236	13,129	26,441	33,677	31,484	20,473
Corporate Services	3,155	1,524	4,091	1,597	669	678
Edinburgh Health and Social Care Partnership	164	284	0	0	0	0
Contingency	0	0	0	0	5,000	5,000
General Slippage in Programme	0	0	-18,660	-5,573	4,574	17,928
<b>Total General Services Capital Expenditure</b>	<b>371,115</b>	<b>225,999</b>	<b>279,685</b>	<b>282,814</b>	<b>242,831</b>	<b>106,669</b>

The Place - Trams to Newhaven figures include capitalised interest following a change in accounting policy approved by Finance and Resources Committee on 21 January 2021. Note that the 2022-2027 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Rolled Forward Capital Investment Programme</b>						
Housing Revenue Account	64,850	118,108	174,587	266,705	512,713	515,030

**Indicator 2 - Ratio of Financing Costs to Net Revenue Stream**

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2021/22 are:

	<b>Ratio of Financing Costs to Net Revenue Stream</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
General Services	6.8%	12.8%	8.1%	8.2%	8.2%	8.2%
Housing Revenue Account (HRA)	32.0%	35.7%	37.7%	40.5%	44.2%	47.9%

Note: Figures for 2023/24 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years. The figures for General Services are based on the current long term financial plan. HRA figures are based on the business plan which was reported to Finance and Resources Committee on 2 February 2021.

The estimates of financing costs include current commitments in the capital plans set out in Appendices 3 and 4.

**Indicator 3 - Capital Financing Requirement**

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2022 are:

	<b>Capital Financing Requirement</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Services (including Finance Leases)	1,411	1,450	1,501	1,546	1,579	1,546
Housing Revenue Account (HRA)	394	458	542	646	788	941
NHT LLPs	56	32	15	15	0	0
Edinburgh Living LLPs	42	61	123	192	234	244
<b>Total Capital Financing Requirement</b>	<b>1,903</b>	<b>2,001</b>	<b>2,180</b>	<b>2,400</b>	<b>2,601</b>	<b>2,731</b>

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all of the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

The capital financing requirement for the NHT LLPs includes an estimate for repayments of advances. Exit strategies are still to be finalised for the remaining three LLPs, however four have repaid their loans in full.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.

In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

	<b>Gross Debt and the Capital Financing Requirement</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Gross Debt	1,780	1,720	1,670	1,622	1,548	1,474
Capital Financing Requirements	1,903	2,001	2,180	2,400	2,601	2,731
<b>(Over) / under limit by:</b>	<b>123</b>	<b>282</b>	<b>510</b>	<b>778</b>	<b>1,052</b>	<b>1,257</b>

The authority does not currently envisage borrowing in excess of its capital financing requirement over the next few years. This takes into account current commitments, existing plans and assumptions around cash balances and the proposals in this budget. The figures do not include any expenditure and associated funding requirements, other than projects specifically approved by Council, for the Local Development Plan (LDP) or City Deal.

In 2022/2023, the Authority will apply IFRS 16 Leases as adopted by the Code of Accounting Practice. This will subsequently have an impact on the Capital Financing Requirement (CFR) as from the 2022/23 financial year. Therefore, it should be expected to see an increase in the CFR in future years. This will similarly have an impact on the authorised limit and operational boundary for external debt.



**Indicator 4 - Authorised Limit for External Debt**

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. In respect of its external debt, the following authorised limits for its total external debt gross of investments for the next four financial years was approved in February 2022. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council have approved these limits and to delegate authority to the Service Director for Finance and Procurement, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

	<b>Authorised Limit for External Debt</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	1,690	1,919	2,256	2,708	3,194	3,613
Credit Arrangements (including leases)	289	284	279	274	268	262
<b>Authorised Limit for External Debt</b>	<b>1,980</b>	<b>2,203</b>	<b>2,535</b>	<b>2,982</b>	<b>3,462</b>	<b>3,875</b>

These authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely (but not worst case) scenario with sufficient headroom to allow for operational treasury management. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

**Indicator 5 - Operational Boundary for External Debt**

The Council has also approved, in February 2022, the following operational boundary for external debt for the same period. The proposed operational boundary equates to the estimated maximum of external debt. It is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and credit arrangements are separately identified. The Council has also delegated authority to the Service Director for Finance and Procurement, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and credit arrangements, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	<b>Operational Boundary for External Debt</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	1,640	1,869	2,206	2,658	3,144	3,563
Credit Arrangements (including leases)	289	284	279	274	268	262
<b>Operational Boundary for External Debt</b>	<b>1,930</b>	<b>2,153</b>	<b>2,485</b>	<b>2,932</b>	<b>3,412</b>	<b>3,825</b>

The Council's actual external debt at 31 March 2021 was £1,347m of borrowing (including sums repayable within 12 months).

**Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans**

Under the changes to the Prudential Code which came into force in December 2017, the requirement to measure and report on the incremental impact on the Council Tax / rents was removed from the Code. The authority can set its own local indicators to measure the affordability of its capital investment plans. The Service Director for Finance and Procurement considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2022/23 and for future years will be considered as part of the longer term financial frameworks.

	<b>Loans Charges Liability</b>					
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Actual £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £001</b>
<b>General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances</b>						
Loans Fund Advances in year	147,789	35,119	101,942	109,404	104,655	41,977
Year 1 - Interest Only	2,997	712	2,067	2,218	2,122	851
Year 2 - Interest and Principal Repayment	8,597	2,043	5,930	6,364	6,088	2,442
<b>Housing Revenue Account (HRA) - New Loans Fund Advances</b>						
Loans Fund Advances in year (excl. LLP programme *)	35,364	82,330	104,216	127,158	167,115	182,537
Year 1 - Interest Only	761	1,772	2,243	2,737	3,597	3,929
Year 2 - Interest and Principal Repayment	2,120	4,935	6,247	7,622	10,017	10,941

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\* The loans charges associated with the borrowing required for the house building programme for onward transferred to the LLPs will be met from the LLPs and does therefore not have a net impact on the HRA or General Services revenue budget. Tram repayments are based on the income model and will commence in 2023/24 when the line to Newhaven becomes operational.

**Consideration of options for the capital programme**

In considering its programme for capital investment, Council is required within the Prudential Code to have regard to:

- affordability, e.g. implications for Council Tax or house rents;
- prudence and sustainability, e.g. implications for external borrowing;
- value for money, e.g. option appraisal;
- stewardship of assets, e.g. asset management planning;
- service objectives, e.g. strategic planning for the authority;
- practicality, e.g. achievability of the forward plan.

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## Finance and Resources Committee

10.00am, Thursday, 10 November 2022

### Revenue Budget Framework 2023/27: progress update

Executive/routine  
Wards

#### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
- 1.1.1 note the updates to financial planning assumptions set out in the report, resulting in increased overall estimated savings requirements before mitigations of £76.5m in 2023/24 and £158.6m over the period to 2026/27 respectively;
  - 1.1.2 note the further risks outlined in the report, particularly those in respect of demand-led services, inflation and the level of grant funding settlement;
  - 1.1.3 note the proposed measures and savings presented within the report, the combined impact of which would reduce the estimated residual funding gap in 2023/24 to £21.2m and £110.1m in 2026/27, albeit with a need to provide for an additional contingency in 2023/24 of at least £10m against the risks noted above;
  - 1.1.4 note that a further update, incorporating the impact of the provisional 2023/24 Local Government Finance Settlement and presenting further proposals to address the resulting residual savings requirement, will be brought to the Committee's next meeting on 26 January 2023;
  - 1.1.5 note that these proposals are likely to involve increasingly difficult choices about the Council's priorities, including service reductions, across all service areas to maintain expenditure in line with available income;

- 1.1.6 note the initiation of a number of further longer-term strategic and cross-cutting workstreams to develop proposals to contribute towards subsequent years' savings requirements; and
- 1.1.7 refer this report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

**Richard Carr**

Interim Executive Director of Corporate Services

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## Revenue Budget Framework 2023/27: progress update

### 2. Executive Summary

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- 2.1 The report updates members on the outcome of the most recent review of the Council's financial planning assumptions, resulting in an increased estimated savings requirement before mitigations of £76.5m in 2023/24 and £158.6m by 2026/27. A number of further risks are highlighted, particularly those in respect of demand-led services, inflation and the Council's level of grant funding settlement.
- 2.2 A range of proposed measures, including corporate mitigations, budget realignment and savings relating to decisions already agreed by, or recommended to, members is presented for consideration. Alongside initial tactical savings developed through the Medium-Term Financial Plan (MTFP), if all approved, these measures would reduce the estimated residual funding gap in 2023/24 to £21.2m and £110.1m in 2026/27 albeit with a need to provide for an additional contingency of at least £10m against the risks noted above.
- 2.3 In view of this remaining gap, a further update, incorporating the impact of the provisional 2023/24 Local Government Finance Settlement and presenting further proposals to address the resulting residual savings requirement, will be brought to the Committee's next meeting on 26 January 2023. These proposals are likely to involve increasingly difficult choices about the Council's priorities, including service reductions, across all service areas to maintain expenditure in line with available income. The report will also update members on the development of further longer-term strategic and cross-cutting workstreams to develop proposals to contribute towards subsequent years' savings requirements.

### 3. Background

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- 3.1 At the Committee's previous meeting on 8 September 2022, members considered an update on the Council's revenue budget framework, including the results of a review of financial planning assumptions over the period to 2026/27. The report indicated an increased estimated savings requirement of £70.4m in 2023/24 and £152.9m by 2026/27. The report also provided an update on the development of the Council's Medium-Term Financial Plan (MTFP).

- 3.2 Given continuing significant levels of volatility in the external environment, this report apprises members of the results of a further review of planning assumptions for the Council’s key expenditure and income drivers. In addition, it presents a number of proposed measures and savings, the effect of which would be to reduce significantly the residual gap in 2023/24 and subsequent years.

## 4. Main report

- 4.1 The report to the Committee’s meeting on 16 June highlighted the main contributing factors to the gap between anticipated expenditure requirements and available funding over the period to 2026/27. The Council continues to face significant financial pressures resulting from increased demand for services, inflation and legislative reform, as well as the on-going financial impacts of the pandemic. These factors are set against a backdrop of core grant funding (accounting for around three quarters of the Council’s overall income) that is not increasing. Based on the planning assumptions assumed in the most recent update considered by the Committee on 8 September, significant cumulative recurring savings are therefore required as shown below:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<b>Estimated funding gap, September 2022</b>	70.4	99.2	125.8	152.9

### Changes in planning assumptions since previous forecast

- 4.2 The Council’s planning assumptions are regularly reviewed against a range of independent sources and those of other Scottish local authorities, with any material variation from these considered and justified, or the assumptions revised, as appropriate.
- 4.3 As part of the latest review, three specific changes have been incorporated, with two generic changes applying to all of Scotland’s authorities and one specific to Edinburgh as set out in the following sections.

### Non-Domestic Rates revaluation

- 4.4 The next revaluation of non-domestic property in Scotland is due to take effect from 1 April 2023 based on rental values as at 1 April 2022. At revaluation, Scottish Assessors review rateable values resulting in a new valuation roll for all non-domestic properties in Scotland, with the effect of this revaluation being broadly neutral in overall terms. The Council pays Non-Domestic Rates on most of its non-housing properties, with total annual budgeted spend of some £20m.
- 4.5 Indicative forecasts suggest an overall valuation increase of between 15% and 20% for councils’ property estates, with the precise impact varying depending on the make-up of individual authorities’ property portfolios. On this basis, it is considered prudent to include a further £4m provision, based on an average



overall increase of 20%, within the budget framework from 2023/24 onwards to address these liabilities.

- 4.6 Empty Property Relief for non-domestic properties will also be devolved to local authority control with effect from April 2023. It has been agreed that corresponding funding for 2023/24 and 2024/25 will be distributed to councils based on existing levels of relief granted. On this basis and in the absence of any decision to amend the Council’s policy in this area, no change in the overall savings requirement is being assumed as a result of this devolution of powers to local authorities.

### National Insurance

- 4.7 Employer’s National Insurance rates increased by 1.25% from April 2022, with the additional sums raised earmarked to support further health and social care investment. The UK Government has confirmed, however, that this increase will be reversed with effect from 6 November 2022, with the associated investment instead being funded through general taxation. This change gives rise to in-year savings in 2022/23 of around £1.6m, increasing to £4m in 2023/24.

### Homelessness services

- 4.8 The current-year revenue monitoring report elsewhere on today’s agenda points to an increased estimated pressure of £8.0m in respect of homelessness services in 2022/23. The budget framework also incorporates a reduction of £3m in the level of homelessness service investment in 2023/24 relative to 2022/23, based on an assumption that demand would begin to reduce following the relaxation of public health restrictions introduced at the outset of the COVID pandemic.
- 4.9 The report to the Committee’s last meeting estimated that gross pressures in 2023/24 had increased to £13m above the base budget assumption. Extrapolating the current year’s increased projection, these pressures have now grown to £19.1m, comprised as follows:

	£m
Full-year effect of actual and projected growth in 2022/23	7.3
Assumed growth in 2023/24, based on continuation of current year's growth	3.0
Effect of reduction in 2023/24 budget base as noted above	3.0
Energy-related increases for spot purchases and contracted accommodation	3.0
Other inflationary uplifts for Private Sector Leasing, commissioned services and temporary accommodation	1.8
Additional accommodation required for homeless Ukrainian households following ending of initial hosting arrangements	1.0
	<b>19.1</b>

- 4.10 Given that the pressure above is expressed after the provision of an additional £14.6m relative to the pre-COVID 2020/21 approved budget, the total net expenditure requirement in this area will have more than doubled as shown in the table below:

	£m	Cumulative increase (£m)	Cumulative increase (%)
Approved budget, 2020/21	31.0	n/a	n/a
Approved budget, 2021/22	43.0	12.0	38.7
Approved budget, 2022/23	48.6	17.6	56.7
Projected budget, 2023/24	64.7	33.7	108.7

- 4.11 Opportunities to expand existing preventative and demand management activity, including income maximisation work and property purchasing to lessen the need to use more expensive temporary accommodation, will continue to be examined. Approved changes with regard to eligibility for those with No Recourse to Public Funds (NRPF) will also deliver savings as noted later in this report. There is a risk, nonetheless, that the sum above will increase further should additional accommodation be required for homeless Ukrainian households following the ending or breakdown of current hosting arrangements.

#### Revised gap before mitigations

- 4.12 Taken together, the above factors increase the savings requirement in 2023/24 before mitigations to £76.5m as shown in the table below.

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<b>Updated estimated funding gap, September 2022</b>	<b>70.4</b>	<b>99.2</b>	<b>125.8</b>	<b>152.9</b>
<b>Factors increasing overall gap:</b>				
Homelessness services - increased pressures (from £13m to £19.1m)	6.1	6.1	6.1	6.1
Non-Domestic Rates - impact of April 2023 revaluation	4.0	4.0	4.0	4.0
<b>Factors reducing overall gap:</b>				
Reduction in employer's National Insurance contributions with effect from November 2022	(4.0)	(4.1)	(4.3)	(4.4)
<b>Updated gap prior to application of mitigations</b>	<b>76.5</b>	<b>105.2</b>	<b>131.6</b>	<b>158.6</b>

- 4.13 At this stage, all other financial planning assumptions are assumed to remain unchanged, including a 3% annual increase in Council Tax across the period of the framework. While the position may become clearer following publication of the UK Government's Autumn Statement on 17 November, there is however the potential

for reductions in grant funding relative to current assumptions, particularly as the current “flat-cash” projection was based on indications contained within the Scottish Government’s Resource Spending Review in May 2022. Since that time, increases in inflation have eroded the spending power of the Scottish Budget (with, for example, substantial additional sums required to fund public sector pay awards) whilst also increasing sums required to support those most at risk from the effects of the cost of living crisis.

- 4.14 A sector-wide funding allocation for Local Government will be confirmed as part of the Scottish Budget provisionally scheduled for 15 December, with authority-specific allocations then provided as part of the Local Government Finance Settlement early the following week. The Scottish Government has indicated that, in the absence of any additional block grant funding provided in recognition of these inflationary pressures, it can only improve pay deals for public sector workers in Scotland through cuts to public services. As has been indicated in previous reports, while opportunities for efficiencies will be examined in the first instance, members will therefore likely need to make increasingly difficult choices about the Council’s priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income.
- 4.15 The assumptions underpinning the above gaps remain subject to considerable uncertainty with regard, in particular, to the level of the employee pay award and grant funding settlement. The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to September 2022<sup>1</sup>, up from 9.9% in August, with the Retail Prices Index (RPI) increasing by 12.3% over the same period. Inflation rates are expected to remain at high levels for the majority of 2023, fuelling higher wage claims, increasing the cost of contract uplifts and exerting upward pressure on a range of other costs incurred by the Council.

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<sup>1</sup> Of this total, two thirds of the headline rate is accounted for by housing and household (including energy), food and transport costs.

4.16 Given that they represent the factors with the biggest impact on the overall savings requirement, the table below indicates the effect of 1% and 2% upward and downward movements in the level of grant settlement and employee pay awards respectively from current assumptions on the estimated overall 2023/24 gap. In view of the potential for the overall savings requirement to increase should the pay award be higher and/or grant settlement lower than currently assumed, it is therefore considered prudent to seek savings options in 2023/24 exceeding this requirement by £10m.

		Pay awards				
		1%	2%	3%	4%	5%
Grant funding settlement	+2%	47.9	54.4	60.9	67.4	73.9
	+1%	55.7	62.2	68.7	75.2	81.7
	“Flat cash”	63.5	70.0	76.5	83.0	89.5
	-1%	71.3	77.8	84.3	90.8	97.3
	-2%	79.1	85.6	92.1	98.6	105.1

### Corporate mitigations

- 4.17 As indicated in the report to the Committee on 8 September, given the extent of the overall savings requirements, a thorough review of corporate budgets and reserves has been undertaken, including considering any favourable variances apparent in 2022/23 that would be expected to recur. A number of these variances were incorporated within the updated gap reported to the Committee’s previous meeting.
- 4.18 Following further consideration and technical modelling, additional measures are now proposed as set out in the following paragraphs.

### COVID reserves funding

- 4.19 In recognition that the income and expenditure impacts of the COVID pandemic would likely last at least into the medium term, in addition to COVID-specific grant funding provided by the Scottish Government in early 2021, the Council supplemented these sums by reprioritising its own reserves and identifying savings in service and corporate budgets during 2020/21, given uncertainty over the availability of external funding until late in the financial year.
- 4.20 Available COVID-specific reserves were then drawn upon in 2021/22, with a further drawdown assumed in setting the 2022/23 budget. The level of required drawdowns has, however, been lower than originally assumed, meaning that some £30m is expected to remain as of 31 March 2023<sup>2</sup>. Given that the budget framework assumes provision for COVID-related pressures (specifically the continuing loss of the Lothian Buses dividend, on-going reductions in parking income and increased support for the Council’s Arm’s-Length External

<sup>2</sup> This sum assumes £25.3m is drawn down in respect of COVID-specific impacts in 2022/23.

Organisations, in particular Edinburgh Leisure) of £11m/£9m/£9m/£9m over the period from 2023/24 to 2026/27, it is proposed to address these requirements through corresponding drawdowns of £10m/£8m/£6m/£6m over the same period.

- 4.21 A review of the Council's other earmarked reserves has also been undertaken to reprioritise £5m of existing funds to address the overall savings requirement on a one-off basis in 2023/24. These funds will be supplemented by the retention centrally, following full repayment by the Directorates concerned, of £0.5m of budgets previously required to support service-specific prudential borrowing.

#### **Service concession financial flexibility**

- 4.22 The report to the Committee's meeting on 16 June confirmed that the Cabinet Secretary for Finance and the Economy had agreed to the main elements of COSLA's request on changes to accounting for service concession arrangements, thus allowing councils to spread the principal element of capital repayments over the (longer) life of the asset as opposed to the existing contract term. The Scottish Government issued a corresponding Finance Circular on 20 September 2022 outlining the basis of the change, ensuring the intended flexibility can be effectively applied in practice.
- 4.23 In order to apply this flexibility, a recommendation must be taken to full Council for approval, setting out the reason for the change in policy and demonstrating that the change is prudent, sustainable and affordable over the life of the asset. Should members agree, a recommendation to adopt the service concession flexibility will therefore be presented to Council on 23 February 2023 for approval as part of the Council's overall budget-setting process.
- 4.24 It is important to emphasise that the service concession flexibility mechanism is a timing-related one that merely spreads an unchanged overall level of liability over a longer period. Modelling undertaken to date by the Council's external advisors points to an estimated retrospective benefit up to 31 March 2023 of some £94.7m. It is proposed to apply this retrospective benefit equally over a five-year period, starting in 2023/24. Timing-related savings generated going forward will be ringfenced both to provide for additional repairs and maintenance liabilities when the assets revert to Council ownership, consistent with the assumed extended asset lives, and to mitigate future principal repayment liabilities, with the aim of demonstrating prudence, affordability and sustainability. This is, however, a highly technical area and discussions are continuing at national level to develop a thorough understanding of a number of complex issues.

4.25 In combination, these corporate mitigations have the effect of reducing the cumulative savings requirements as shown in the table below:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<b>Updated underlying funding gap</b>	<b>76.5</b>	<b>105.2</b>	<b>131.6</b>	<b>158.6</b>
Application of remaining COVID reserves funding	(10.0)	(8.0)	(6.0)	(6.0)
Review of reserves	(5.0)	0.0	0.0	0.0
Prudential funding budgets retained centrally	(0.5)	(0.5)	(0.5)	(0.5)
Application of provisional service concession financial flexibility (assumed over five years)	(18.9)	(18.9)	(18.9)	(18.9)
<b>Updated gap after application of corporate mitigations</b>	<b>42.1</b>	<b>77.8</b>	<b>106.2</b>	<b>133.2</b>

#### **Savings resulting from decisions already agreed by, or recommended to, members**

4.26 A number of further savings would, or could, be delivered from decisions already approved by, or recommended to, members as indicated in the table below.

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<b>Updated gap after application of corporate mitigations</b>	<b>42.1</b>	<b>77.8</b>	<b>106.2</b>	<b>133.2</b>
<b>Factors reflecting decisions previously approved by, or recommended to, members:</b>				
Roads Construction Consent Inspections <sup>3</sup>	(0.4)	(0.4)	(0.4)	(0.4)
Strategic Review of Parking <sup>4</sup>	(2.0)	(3.0)	(3.0)	(3.0)
Homelessness - No Recourse to Public Funds <sup>5</sup>	(3.0)	(3.0)	(3.0)	(3.0)
Under 22s tram concessions	(3.0)	(3.5)	(3.5)	(3.5)
Edinburgh Bike Scheme	(0.5)	(0.5)	(0.2)	0.0
<b>Updated gap after decisions previously approved by, or recommended to, members</b>	<b>33.2</b>	<b>67.4</b>	<b>96.1</b>	<b>123.3</b>

<sup>3</sup> [Proposed Changes to Charging Mechanism for Road Construction Consent Inspections](#), Transport and Environment Committee, 18 August 2022

<sup>4</sup> [Strategic Review of Parking – Results of Advertising of Phase 1 Traffic Order](#), Transport and Environment Committee, 18 August 2022

<sup>5</sup> As agreed at meeting of Housing, Homelessness and Fair Work Committee, 29 September 2022

- 4.27 As approved by the Transport and Environment Committee on 6 October 2022, the Council has agreed not to support financially free travel for under 22s on Edinburgh Trams beyond 31 March 2023 pending the outcome of Transport Scotland's Fair Fares Review and consideration of wider resource availability as part of the 2023/24 budget process.
- 4.28 Members agreed, as part of the 2022/23 approved budget, to set aside within reserves £2m of funding pending additional discussions with the Scottish Government to extend financial support for free travel for Under 22s to include Edinburgh Trams. The budget framework provides for a further £1m in 2023/24 and £1.5m (i.e. cumulative provision of £3.5m) in 2024/25 recognising respectively the part- and full-year effects of additional estimated financial liabilities linked to the tram extension. Subject to external discussions and/or members' priorities, these sums could be made available as a contribution to address future years' gaps.
- 4.29 In May 2021, members approved £2.3m of investment over four years, aligned to the intended term of the renewed external contract, to support Edinburgh's Bike Scheme. However, in September 2021, the previous scheme ended and therefore the Transport and Environment Committee agreed to investigate options for future delivery and to support local community initiatives in the short term. Recognising the extent of current financial challenges, however, it is proposed to stop investigating future options for a cycle hire scheme for the city and to release the funding set aside for this purpose.

## Budget re-alignment and other use of one-off measures

4.30 A further element of savings may be delivered primarily through a combination of one-off balances and budget realignment, taking into account available Scottish Government funding as shown in the table below.

	2023/24	2024/25	2025/26	2026/27
<b>Updated gap after decisions previously approved by, or recommended to, members</b>	<b>33.2</b>	<b>67.4</b>	<b>96.1</b>	<b>123.3</b>
Education Recovery funding - application of one-off residual balance	(2.5)	0.0	0.0	0.0
Instrumental music service - unallocated Scottish Government funding	(0.2)	(0.2)	(0.2)	(0.2)
Education Recovery funding - continuing element	(1.6)	(1.6)	(1.6)	(1.6)
Schools Digital Learning – anticipated Scottish Government funding	0.0	0.0	0.0	(2.0)
Property rationalisation and income	(0.5)	(1.0)	(1.0)	(1.0)
Garden waste income – consolidation	(0.4)	(0.4)	(0.4)	(0.4)
Bus lane camera income – consolidation	(0.6)	(0.6)	(0.6)	(0.6)
Other adjustments	(0.5)	(0.7)	(0.3)	(1.5)
<b>Updated gap after budget re-alignment/use of one-off measures</b>	<b>26.9</b>	<b>62.8</b>	<b>92.0</b>	<b>116.0</b>

## Savings proposals developed through the Medium-Term Financial Plan

4.31 To address the financial challenges it faces, the Council is developing a four-year Medium Term Financial Plan (MTFP) and a Change Programme to deliver it. This reflects the scale and longevity of the financial challenge and the need to have in place both near-term and longer-term proposals to address the extent of this challenge.

4.32 The financial strategy is therefore based on:

- (i) Directorate and short-term budget measures designed to close the gap for 2023/24. These measures also include tactical and one-off actions that will contribute to the 2023/24 budget ahead of the medium-and-long term options for delivering the MTFP;
- (ii) Strategic and cross-cutting options to address the four-year challenge, where savings will primarily be delivered in 2024/25 and beyond and implemented via a Change Programme; and
- (iii) Using the Business Plan strategic priorities as a guide to inform resource allocation over the four-year period, including securing efficiencies and



implementing service reductions in areas of lower impact and strategic priority and exploring options to deliver all services differently.

- 4.33 Adopting a medium-term approach to savings and their delivery creates the opportunity to re-shape how the Council operates, how it is organised and how it can improve its efficiency. This is one of the key priorities in the Council's Business Plan.
- 4.34 The Directorate proposals for 2023/24 reflect changes and initiatives that can be delivered relatively quickly, without significant lead times in terms of design, consultation or implementation. Many of the proposals either formalise policy changes that have already been presented and/or are operational changes to how services are delivered or sourced.
- 4.35 More fundamental changes involving significant service re-design will form part of the strategic options being developed for future years. It is recognised that work needs to start promptly on these to allow for the lead times involved.
- 4.36 The Directorate proposals for 2023/24 developed thus far are summarised in Appendix 1. If these were all approved, they would have the effect of reducing the incremental gaps over the four-year period as follows:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<b>Updated gap after budget re-alignment/use of one-off measures</b>	<b>26.9</b>	<b>62.8</b>	<b>92.0</b>	<b>116.0</b>
Initial savings developed through MTFP	(5.7)	(5.9)	(5.9)	(5.9)
<b>Revised gap if all savings approved</b>	<b>21.2</b>	<b>56.9</b>	<b>86.1</b>	<b>110.1</b>

- 4.37 It is clear that additional savings proposals are still required. These proposals will require members to make increasingly difficult choices about the Council's priorities, including service reductions, across all service areas to maintain expenditure in line with available income. Additional proposals to close the 2023/24 gap and provide a further element of contingency will therefore be presented to the Committee's meeting on 23 January 2023. Members should note that the required level of savings will increase if additional investment is made in core Council HR and SWIFT (social care) systems.
- 4.38 As noted in the preceding sections of this report, the position for 2023/24 and subsequent years is subject to a number of risks, including but not limited to:
- (i) **the current unbalanced position for 2022/23**, with the potential to add to the incremental savings requirement in 2023/24. Executive Directors have therefore been asked to bring forward mitigating actions to manage material known and anticipated pressures fully and on a recurring basis;

- (ii) **further pressures in demand-led services**, particularly homelessness and the Council's Ukraine response. There is a risk that unfunded costs in respect of the latter, discussed in more detail in the revenue monitoring report elsewhere on today's agenda, similarly add to future years' savings requirements;
- (iii) **the level of grant funding settlement for Edinburgh**, including the extent of support received from the stability and 85% funding floors, given likely required savings in public expenditure and inflation- and cost of living-related pressures on the Scottish Budget;
- (iv) **the adequacy of provision for employee pay awards and contract uplifts**, as well as wider inflationary pressures. The Scottish Government has reiterated that, without the provision of compensating resources from the UK Government, no further funding is available to support improved public sector pay awards for local government staff in 2023/24;
- (v) the impact of contract inflation and increasing interest rates on **the affordability of the capital programme**; and
- (vi) development and delivery of a balanced budget for the **Edinburgh Integration Joint Board (EIJB)**.

4.39 In view of these risks, it is strongly recommended that members seek to identify savings options to provide for an additional contingency of at least £10m in 2023/24.

#### **Future years' savings requirements**

- 4.40 The approach for securing future savings will be more strategic and cross-cutting than has had to be necessary for 2023/24. Setting a balanced budget for 2023/24 will, however, provide time to plan, design and deliver the long-term strategic options that are being developed. It will also enable a range of options to be discussed with elected members.
- 4.41 The refreshed Council Business Plan will provide the guide for identifying and scoping these longer-term options. This includes what services should be prioritised because they have the biggest impact and/or most closely align to the priority and the areas that could be de-prioritised, including service reductions. Given the extent of the financial challenge, however, even priority services will be in-scope of consideration for reform, change and re-design if there are better ways to deliver the desired outcomes.
- 4.42 As well as resident-facing services, creating a fit-for-purpose organisation with the right capacity, skills and processes is critical. For this reason, organisational reform across the Council is a key priority in the Business Plan and within the proposed programme of strategic and cross-cutting options. This will result in a smaller and leaner council, increasingly digitally enabled and operating from fewer but better

buildings. A Change Programme will need to be established to deliver the strategic options.

4.43 Strategic Options for savings will include:

- (i) **cross-cutting and organisational reform options which will be about improving the efficiency and effectiveness of the organisation** through the use of and investment in technology, the rationalisation of our assets (“fewer but better buildings”, improved resident access, prevention and early intervention, working with public sector partners and driving value from our external spend (including areas such as transport).
- (ii) **strategic Directorate options to be delivered over the next three to four years.** These could involve service re-design, organisational reviews, service reductions (in non-priority areas), alternative sourcing or delivery models, subsidy reduction and/or commercial income generation. These options will primarily deliver savings from 2024/25 and will require programme support.

4.44 More work is required to develop these options and an early action for the Change Programme will be to agree with Directorates the prioritisation and scoping of these options. These longer-term options (both directorate and cross-cutting) will be prioritised and phased to create a rolling work programme. It is envisaged this will be based on phases of work that are refreshed each year; as some projects finish, others will be added.

### **Edinburgh Integration Joint Board (EIJB)**

4.45 The Chief Finance Officer of the EIJB presented a Finance Update to the Board’s most recent meeting on 18 October 2022. While focusing primarily on achieving a balanced position for 2022/23, the need to develop a sustainable medium-term plan has been acknowledged and corresponding updates will therefore be provided to the Board as this progress develops.

### **Capital Accounting Review**

4.46 The Scottish Government has previously confirmed the appointment of an independent chair for the Capital Accounting Review (CAR) which will consider, amongst other things, the on-going appropriateness of statutory mitigation provisions<sup>6</sup> alongside alignment to the Code of Practice on Local Authority Accounting. The Council will be represented on the CAR’s working group by the Service Director: Finance and Procurement in his capacity as Chair of the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

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<sup>6</sup> Statutory mitigation is statutory guidance issued by Scottish Ministers for the accounting treatment for specified transactions or types of transactions undertaken by a local authority. It is usually issued where the accounting practice under the Code has been determined to result in an improper charge against the General Fund in the Local Authority financial statements and thus has a consequential impact on the funding available for the provision of local services.

- 4.47 While the Scottish Government has re-emphasised that there is no predetermined outcome of the review, there is nonetheless a risk that this outcome will result in a need to review the affordability of councils' existing capital programmes. Given wider volatility and uncertainty in the external environment and following representations from local authorities, the Minister for Public Finance, Planning and Community Wealth has confirmed that the review will now be delayed for twelve months, reconvening in September 2023, with a view to concluding the Review and presenting recommendations to Scottish Ministers in October 2024, for implementation from 1 April 2025.

## **5. Next Steps**

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- 5.1 The assumptions within the budget framework will continue to be the subject of regular review and material changes reported to members as appropriate.
- 5.2 There is an urgent need to identify and develop potential options to address increasing future years' savings gaps. This reports sets out a basis on which the residual requirement in 2023/24 could be reduced to £21.2m, albeit with a range of remaining risks such that creation of a contingency of at least £10m is strongly recommended. Given the previous low rates of delivery associated, in particular, with generic Council-wide savings, these proposals need to detail specific steps and measures to support delivery within each Directorate.
- 5.3 Executive Directors and Service Directors will also require to continue to manage proactively risks and pressures as they relate to their respective areas of responsibility. To this end, Executive Directors have been asked to bring forward mitigating actions to manage material known and anticipated pressures fully and on a recurring basis. As with the savings listed in Appendix 1, these will be the subject of proportionate Integrated Impact Assessments (IIAs).

## **6. Financial impact**

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- 6.1 The Council continues to face significant financial pressures resulting from increased demand for services, inflation and legislative reform, as well as the continuing financial impacts of the pandemic. These factors are set against a backdrop of core grant funding (accounting for around three quarters of the Council's overall income) that is not increasing.
- 6.2 While the Council has approved a balanced budget for 2022/23, it faces significant financial challenges going forward. The revised projections in this report indicate a need to deliver at least £77m of recurring savings in 2023/24, increasing to £159m over the period to 2026/27.

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

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- 7.1 Proposed savings decisions will be subject to Integrated Impact Assessments (IIAs). Opportunities will also be examined, subject to staffing resource availability, to supplement existing processes with gender budgeting and related analysis.

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

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- 8.1 [Finance Update](#), Edinburgh Integration Joint Board, 18 October 2022
- 8.2 [Revenue Budget Update 2023/27: Progress Update](#), Finance and Resources Committee, 8 September 2022
- 8.3 [Revenue Budget Framework 2022/27: progress update](#), Finance and Resources Committee, 16 June 2022
- 8.4 [Revenue Budget Update 2022/23 – Update](#), Finance and Resources Committee, 3 March 2022
- 8.5 [Coalition Budget Motion 2022/23](#), The City of Edinburgh Council, 24 February 2022
- 8.6 [Revenue Budget 2022/23 – Risks and Reserves](#), Finance and Resources Committee, 3 February 2022

## **9. Appendices**

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Appendix 1 – Initial savings proposals developed through the Medium-Term Financial Plan

## Initial savings proposals developed through the Medium-Term Financial Plan

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<b>Corporate Services Directorate</b>				
Customer - promotion of online services	(0.165)	(0.165)	(0.165)	(0.165)
Staffing savings - vacancy and turnover management	(1.173)	(1.173)	(1.173)	(1.173)
Management savings	(0.223)	(0.223)	(0.223)	(0.223)
Salary Sacrifice savings	(0.225)	(0.225)	(0.225)	(0.225)
<b>Education and Children's Services Directorate</b>				
Review and realignment of pupil support	(0.900)	(0.900)	(0.900)	(0.900)
Speech and Language Therapy	(0.850)	(0.850)	(0.850)	(0.850)
Multi-System Therapy Service	(0.500)	(0.500)	(0.500)	(0.500)
Wellington School Former Monies	(0.340)	(0.340)	(0.340)	(0.340)
Review of contracted spend to ensure efficiency with partners to remove areas of duplication	(0.904)	(1.110)	(1.110)	(1.110)
<b>Place Directorate</b>				
Taxicard	(0.120)	(0.120)	(0.120)	(0.120)
Non-core cultural grants	(0.250)	(0.250)	(0.250)	(0.250)
	<b>(5.650)</b>	<b>(5.856)</b>	<b>(5.856)</b>	<b>(5.856)</b>

Proposed savings measures will be subject to Integrated Impact Assessment (IIA) analysis.

## Finance and Resources Committee

10.00am, Thursday, 10 November 2022

### Sustainable Capital Budget Strategy 2023-2033

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

- 1.1 To note the priorities for capital expenditure outlined in this report which are aligned to the Council Business Plan;
- 1.2 To note the financial pressures due to challenging market conditions, and the proposed reductions required to bring the programme into a balanced position;
- 1.3 To note the announcement of the provisional Local Government Finance Settlement is expected in December 2022;
- 1.4 To note that delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget;
- 1.5 To note that a further report on the Sustainable Capital Budget Strategy 2022-2032 will be presented to this Committee in early 2023 prior to Council budget setting in February 2023; and
- 1.6 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

**Richard Carr**  
Executive Director of Corporate Services

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## Sustainable Capital Budget Strategy 2022-2032

### 2. Executive Summary

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- 2.1 The Sustainable Capital Budget Strategy sets out priorities for £1.28bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.
- 2.2 The Capital Budget Strategy is experiencing significant financial pressure due to by current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects.
- 2.3 Funding assumptions have been reviewed, but there are limited opportunities to increase the level of fund to address inflationary pressures.
- 2.4 It is therefore proposed that, where possible, budgets are cash limited, uncommitted learning estate projects are only progressed following the development of fully funded business plans and Balerno High School undergoes a retrofit, rather than a full replacement.

### 3. Background

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- 3.1 The [Sustainable Capital Budget Strategy 2022-2032](#) was reported to Finance and Resources Committee on 3 February 2022. This report detailed priorities for Council capital investment of £1,459.874m, in alignment with the Council Business Plan, over the medium to long-term and set out a plan on how they could be funded.
- 3.2 However, this report recognised that the Strategy was expected to come under significant financial pressure as a result of higher tender prices caused by external factors including COVID-19 and Brexit. It was also noted that if a funding gap emerged, then further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs to deliver the Capital Budget Strategy will be required ahead of future budget setting to comply with the terms of the Prudential Code. This could potentially mean that later phases of the programme could not be delivered within the ten-year strategy.
- 3.3 At its meeting of 8 September, this committee approved the [revised Capital Budget Strategy for 2022-23](#), which took account of expenditure slippage from the previous financial year as well as additional funding received. However, it did not address the



increasing difficult market conditions affecting capital budgets. A separate report detailing the period five capital monitoring position is also included on this agenda.

- 3.4 This report provides an update on the financial challenges facing the Council's capital budget and sets out the steps required to reach a balanced position ahead of Council budget meeting in February 2023. This report should be read in parallel with the revenue budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget.
- 3.5 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account were included in an update on the [Housing Revenue Account Business Plan 2023-24](#) to Housing, Homelessness and Fair Work Committee on 29 September 2022. Updates will be provided to future meetings of that Committee and thereafter to Finance and Resources Committee as part of the budget setting process in February 2022.

## 4. Main report

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### Capital Expenditure Priorities and Pressures

- 4.1 Priorities for capital investment for the period 2023-2033 have been reviewed and continue to align with wider Council priorities over the medium to long-term. The level of capital expenditure required takes account of revised expenditure forecasts for projects in the existing Sustainable Capital Budget Strategy. It also rolls forward the programme for an additional year.
- 4.2 The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects. It is not unusual for tenders to be received which are 30% higher than the pre-tender estimate. This increase in prices has been reflected in the costing of priorities set out in this report.
- 4.3 The Council has also commissioned Faithful and Gould to review cost estimates in the context of deteriorating economic conditions. The results of this work will be presented to a future meeting of this committee and used to inform budget development.
- 4.4 Expansion and improvements to the Council's Learning Estate continue to be the most significant cost for the programme. There is an opportunity for the learning estate buildings across the city to become anchor facilities for wider joined up service delivery in local communities and to help address the net zero challenge. For all new learning estate projects currently in development, options for wider service delivery from the facility are being considered during the design phase with flexible working space included as budgets allow. This process is most advanced at the replacement Currie High School and Liberton High School projects and the new Maybury Primary School project where the Passivhaus certified standard will also be adopted.

- 4.5 This process will continue as the remainder of the planned projects included in the Sustainable Capital Budget Strategy are progressed. It is essential to ensure the strategic briefs for these projects outline the teaching, learning and wider community requirements from the outset to ensure the buildings constructed are fit for purpose.
- 4.6 The costs to deliver the of learning estate programme is estimated at £596m, an increase of £145m, compared with previous assumptions. This additional cost can be met by additional funding and programme savings detailed in paragraphs 4.21 and 4.24 **Error! Reference source not found.** below.
- 4.7 The remaining budgets within the capital programme have been cash limited. This includes investment in roads, transport and active travel, improvements to existing Council buildings as well as the delivery of cultural projects. Inflationary pressures will be met by rephasing and reprioritisation (including reduction in scope of works) and external funding, where available.
- 4.8 To become carbon neutral by 2030, the city will need to tackle its largest sources of carbon emissions. The transport sector is one such significant source and road transport accounts for 68% of total transport emissions. Investing in active travel infrastructure provides the city's residents, visitors and businesses a means of transport that is low carbon and can efficiently move people and goods around the city. Active travel not only has a lower carbon footprint than private vehicles, it is also better for the city's air quality. To work towards the target of being carbon neutral by 2030 there is council capital funding of £73m to deliver Public Transport, Road Safety and Active Travel infrastructure which will be augmented by external funding.
- 4.9 The programme also includes £57m of investment in the Council's Enerphit programme, of which £10m will be supported by Scottish Government's Green Growth Accelerator initiative. This initiative is planned to retrofit 12 Council buildings in order to significantly reduce carbon emissions and improve building user comfort.
- 4.10 In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its assets. There is also an opportunity for facilities to be adapted in order that wider services can be delivered from these locations. The Sustainable Capital Budget Strategy 2022-32, as set out in Appendix 1, includes £141m for the existing operational estate to continue the positive impact of the Asset Management Works Programme as reported to Committee elsewhere on this agenda.
- 4.11 There is also a further £151m allocated towards carriageways and footways as well as continuing investment in specific assets such as North Bridge. The North Bridge refurbishment project is experiencing significant cost pressures and can no longer be contained within the budget allocated as part of the 2022-23 Sustainable Budget Strategy. Revised forecasting is underway as part of the 2023-24 budget-setting process and will be reported in early 2023. Any additional costs of the project will require further reprioritisation of the roads and transportation budget.

- 4.12 The programme includes £14m of investment in cultural facilities, with a £5m contribution to the Dunard Centre as part of the Edinburgh and South East Scotland City Deal and a £4m contribution and a £5m loan for the refurbishment of the King's Theatre. The King's Theatre project is experiencing funding challenges due to current economic conditions, but no additional funding is included within the capital budget.
- 4.13 While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme distributes grant funding to social landlords on behalf of Scottish Government. It also provides £209.707m for lending to Edinburgh Living LLPs which is included within this Strategy. These projects are self-financing using income from affordable rents. Investment will therefore only take place based on a viable business case. Further information on the risks of this on-lending are included in paragraph 4.22 below.
- 4.14 A summary of capital investment priorities and available funding is included at Appendix 1.

### **Capital Funding Assumptions**

- 4.15 The funding assumptions for Sustainable Capital Budget Strategy 2023-2033 have been thoroughly reviewed line by line, to provide an up-to-date estimate of funding available. Funding available is currently estimated at £1.3bn. Detailed analysis of funding is provided in Appendix 1 with the under-pinning assumptions set out in Appendix 2.
- 4.16 The provisional Local Government Finance Settlement is expected to be announced in December 2022. However, it is not expected that Capital Funding will change significantly from current levels of around £40m per annum in general grant.
- 4.17 The general grant is supported by specific capital grants from Scottish Government and other bodies for specific initiatives. While this funding is only formally recognised in the budget when the amount and timing of receipts are confirmed, all capital pressures in this report are presented net of any anticipated funding. There are likely to be further opportunities for the Council to secure additional grant funding towards its priorities, particularly in areas such as net zero, active travel and regeneration.
- 4.18 In addition to general and specific capital grants, the Scottish Government is increasingly supporting capital investment with revenue-based funding models, linked to the achievement of agreed outcomes. New secondary schools in Currie, Liberton and Wester Hailes as well as the Enerphit programme will receive this outcome-based funding via the Learning Estate Investment Programme and the Green Growth Accelerator Model respectively. It is currently assumed that all outcomes will be achieved and funding will be received in full, but there is a risk that the funding could be reduced in the event that outcomes are not fully achieved.
- 4.19 It is assumed that developers' contributions will partially offset some of the costs of supplying an increased learning estate and additional transport infrastructure to meet the needs of a growing city. This funding stream will be kept under review as

the Wave 4 schools, Local Development Plan and subsequently City Plan infrastructure progress.

- 4.20 The Capital Budget Strategy assumes Capital Receipts from Asset Sales of £3m per year which will be closely monitored. There is a risk that if capital receipts are not received, or not received in the same financial year as the expenditure is incurred, additional funding pressures will occur. It also assumes a drawdown of £20m from the capital fund, based on receipts received in previous years.
- 4.21 A significant proportion of the programme is funded from loans fund advances, with the associated borrowing costs met from the Council's loans charges revenue budget. The funding available for loans charges in the medium-term financial plan have been reviewed and, although interest rates have increased from historic lows seen in recent years, the budget is still sufficient to support the level and profile of expenditure set out in this report. This is due, in part, to proactive treasury management, which has enabled the Council to benefit by borrowing at low rates, when they were available. The revenue budget framework provides additional funding to meet an additional £23m of inflationary pressures taking general loans fund advances to £415m, but no further funding is available beyond this. Furthermore, it should be noted that the Council's ability to meet the costs of loans charges is dependent on the achievement of a balanced revenue budget. Any shortfall in revenue budget savings could result in a reduction in capital investment.
- 4.22 At present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLP up to 2023-24 for a total of £248m. In addition, both the Housing Revenue Account (HRA) Business Plan and General Fund on-lending assume continuation of the consent beyond this point, in the form of capital receipts in the HRA and borrowing in the General Fund. Work is underway to understand future viable models for mid-market and market rent, taking into account development costs, availability of grant funding and consents. However external factors highlighted elsewhere in this report, together with proposed rent freezes create viability challenges for Edinburgh Living. Capital expenditure on new homes and associated borrowing will only be incurred on the basis of robust business cases.

### **Funding Gap and Approach to Capital Expenditure Savings**

- 4.23 Based on the above analysis of capital priorities and available funding, there is currently a funding gap of £123m.
- 4.24 As this pressure arises from the increased cost of the Learning Estate, the following reductions are proposed:
- Removal of uncommitted local development plan schools from the programme. This comprises the proposed new west Edinburgh secondary school and new primary schools at Buiyleon Road, Gilmerton Station Road, Granton and East of Milburn Tower. These schools will now only go ahead following the development of fully funded business cases.

- A full retrofit for Balerno High School, rather than a replacement as had previously been planned. This approach will ensure that pupils benefit from improved facilities, but is less costly and more environmentally sustainable.

Details of proposed reductions are set out in Appendix 3.

- 4.25 As noted in 4.7 above, other budgets will be cash limited and will be reprioritised to ensure expenditure remains within budget. The proposed reprioritisations will be reported to the relevant service committees.

### **Unfunded Capital Priorities and Pressures**

- 4.26 There is no capacity to fund additional projects that are not included in the current capital programme and previously reported unfunded projects remain in that category. New projects, including ICT infrastructure, will require external funding and the Council will continue to progress opportunities for grant funding, where it is available.
- 4.27 Appendix 4 sets out a revised programme, taking proposed savings into account.

## **5. Next Steps**

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- 5.1 This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.
- 5.2 Finance will continue work with project and programme managers to monitor capital budgets.
- 5.3 The capital budget strategy will be developed further, and detailed budget proposals will be submitted to this Committee prior to the Council setting its budget in February 2023.

## **6. Financial impact**

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- 6.1 This report sets out capital expenditure and funding of £1.28bn based on the assumptions set out above, including the generation of savings and additional income in revenue budgets. These assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.
- 6.2 Investment in additional property assets is likely to result in increased running costs borne by the Council's service areas. [A report on the associated cost implications of changes in the size and profile of the Council's operational property estate](#) was considered by this Committee on 23 May 2019. The report noted the need to provide for the additional revenue costs of several demand- and condition-led school replacements and new-builds. Based on the cost projections intimated in that report and sums provided within the budget framework in respect of known rising school rolls projects, the Wave Four schools programme (as set out in the original 2018 business case) and additional, or expanded, facilities linked to the Local Development Plan, this level of provision was anticipated to be sufficient to meet, in full, these additional costs at that time.

- 6.3 There is, however, a continuing need to assess, based on best-available expenditure and income projections for the projects concerned, the adequacy of sums provided within the budget framework in respect of known and emerging potential commitments. As a result, all projects will be required to produce a detailed business case, setting out both capital and revenue costs and demonstrating how they will be funded prior to project commencement as part of the wider Gateway process requirement.

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

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- 7.1 Consultation on the capital budget will be undertaken as part of the Council's wider budget setting process.
- 7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.
- 7.3 Carbon and wider environmental impacts are being considered in more detail across the strategy and as part of business cases for projects and will be reported in future updates to committee.

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

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- 8.1 [Sustainable Capital Budget Strategy 2022-2032](#), Finance and Resources Committee, 3 February 2022
- 8.2 [2022-32 Sustainable Capital Budget Strategy - Outturn 2021/22 and Budget 2022/33](#), Finance and Resources Committee, 8 September 2022
- 8.3 [Housing Revenue Account Budget Strategy 2023/24](#), Housing, Homelessness and Fair Work Committee, 29 September 2022
- 8.4 [Changes to the Operational Property Estate: Life Cycle Costs Forecast](#), Finance and Resources Committee, 23 May 2019

## **9. Appendices**

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- 9.1 Appendix 1 – Capital Expenditure Priorities and Available Funding
- 9.2 Appendix 2 – Capital Budget Funding Assumptions – 2023-33
- 9.3 Appendix 3 – Savings Proposals
- 9.4 Appendix 4 – Capital Budget Summary, incorporating proposed savings

**A Sustainable Capital Budget Strategy 2023 - 2033**  
**Capital Expenditure Priorities and Available Funding**

Expenditure Priorities	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget
<b>Project Area</b>	<b>Total</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Primary Schools	24.360	5.329	10.775	8.256	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wave 4 Schools	332.602	59.776	87.029	78.021	40.947	2.466	36.996	25.888	1.479	0.000	0.000
New Schools and Extensions for Population Growth	239.332	26.125	28.168	36.937	50.743	50.165	27.406	18.873	0.915	0.000	0.000
Libraries	0.500	0.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sports Facilities	1.650	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Depots	6.182	6.182	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Parks, Greenspace and Cemeteries and Other Environment	4.539	2.739	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Fleet Replacement	4.082	4.082	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads and Transport Infrastructure (including North Bridge)	151.233	32.982	13.057	13.690	13.072	13.072	13.072	13.072	13.072	13.072	13.072
Energy Efficiency Street Lighting Project and Traffic Signals Prudential	12.671	1.369	1.238	1.238	1.238	1.238	1.238	1.284	1.450	1.140	1.238
Public Transport, Road Safety and Active Travel	72.645	23.532	11.436	12.413	4.644	3.437	3.437	3.437	3.437	3.437	3.437
Tram Life Cycle Replacement	4.814	2.359	1.658	0.287	0.069	0.071	0.073	0.076	0.079	0.092	0.050
IMPACT	5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
King's Theatre	9.000	9.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Culture	0.162	0.162	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Asset Management Works	140.850	13.500	14.000	14.000	14.000	14.000	14.000	14.000	14.000	15.350	14.000
EnerPHit	56.575	12.941	19.677	17.484	6.473	0.000	0.000	0.000	0.000	0.000	0.000
Edinburgh Living	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other Housing and Regeneration	150.862	48.273	47.420	48.169	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Tram to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ICT	8.880	4.091	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Contingency <sup>1</sup>	30.000	0.000	0.000	5.000	5.000	5.000	5.000	5.000	5.000	0.000	0.000
Slippage Adjustment <sup>2</sup>	17.857	-17.168	-23.908	1.176	23.284	21.508	3.666	2.338	4.139	2.109	0.713
<b>Total Expenditure</b>	<b>1,462.811</b>	<b>301.857</b>	<b>288.011</b>	<b>279.499</b>	<b>172.317</b>	<b>112.937</b>	<b>106.869</b>	<b>85.948</b>	<b>44.935</b>	<b>36.565</b>	<b>33.875</b>
<b>Available Funding</b>	<b>Revised Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>	<b>Indicative Budget</b>
<b>Funding Stream</b>	<b>Total</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Asset Sales (Unringfenced)	30.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Capital Fund Drawdown	20.014	20.014	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
General Capital Grant	454.716	39.080	41.287	41.849	46.000	46.500	47.000	47.500	48.000	48.500	49.000
Specific Grants	146.781	48.572	48.730	49.479	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions	65.078	1.158	9.893	2.055	4.888	12.794	19.237	15.053	0.000	0.000	0.000
Loans Fund Advances - Prudential	19.143	14.354	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Loans Fund Advances - On-Lending	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - Trams to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - General	415.399	109.098	114.542	126.825	67.110	19.628	17.553	2.220	-8.515	-14.935	-18.125
	<b>1,340.148</b>	<b>301.196</b>	<b>289.549</b>	<b>265.670</b>	<b>132.480</b>	<b>82.537</b>	<b>87.405</b>	<b>68.388</b>	<b>42.485</b>	<b>36.565</b>	<b>33.875</b>
<b>Funding Deficit / (Surplus)</b>	<b>122.663</b>	<b>0.661</b>	<b>-1.538</b>	<b>13.828</b>	<b>39.837</b>	<b>30.400</b>	<b>19.464</b>	<b>17.560</b>	<b>2.451</b>	<b>0.000</b>	<b>0.000</b>

<sup>1</sup> Contingency provision relates to projects in current programme and is not available for additional investment

<sup>2</sup> Slippage provision relates to phasing of expenditure and takes account of projects slipping from 2022-2023. It is not available for additional investment

### Capital Budget Funding Assumptions – 2023-33

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
General Capital Grant	454.716	Grant based on indicative sums from Scottish Government Local Government Finance Circular for the next three years: 2023/24: £39.080m 2024/25: £41.287m 2025/26: £41.849m From 2026/27 it is assumed the grant will increase to £46m, similar to levels received in previous years, and increase by £0.5m a year thereafter. This assumption will be kept under review in line with wider political and economic considerations.	Feb 22	Dec 22
Specific Capital Grants	146.781	Grant based on indicative sums in the Scottish Government Local Government Finance Circular for the next three years. This relates to Transfer of the Management of Development Funding (TMDF) for social housing and funding for Cycling Walking and Safer Routes (CWSR). All other capital grant income will only be including in the budget when timing and amount is confirmed.	Feb 22	Dec 22
Asset Sales	30.000	Sales of £3m a year are assumed, based on assessment by the Head of Estates	Oct 22	Feb 23
Capital Fund	20.014	The capital fund contains the proceeds of previous years' asset sales. The balance currently stands at £42.531m. Once other commitments are taken account, £20.014m is available to fund the capital programme.	Oct 22	Feb 23
Developers Contributions	65.078/ 6.369	Developers contributions are assumed at 40% of the cost of schools required by the local development plan, as calculated in February 2022. This was considered a prudent assumption, as contributions collected are rarely enough to cover the costs of a new school, due to timings of planning decisions and site viability issues. Contributions have not been inflated to reflect the significant increases in tender prices, as legal agreements are already in place with developers. Two figures are calculated; one for the original programme and the other reflecting the savings proposals.	Feb 22	Feb 23



Appendix 3

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
Loans Fund Advances - General	415.399	Borrowing assumptions and cash flow reviewed against revenue budget framework to ensure affordability.	Oct 22	Feb 23
Loans Fund Advances – Outcome-based funding	(included in general figure above)	Learning Estate Investment Programme (LEIP) – £18.7m has been assumed for Currie High School, based on the most recently received funding letter and prorated amounts have been assumed for Liberton and Westhales, based on the sizes of the proposed schools. Enerphit - £10m has been assumed based on the business case for the programme.	Oct 22	Feb 23
Loans Fund Advances – Prudential	19.143m	This is based on approved business cases for Fleet Replacement, Depots Review and ICT programmes.	Feb 22	Feb 23
Slippage	-17.857	Based on previous outturn positions, it is assumed that the February budget position will slip by at least 10%. This is therefore built into the budget assumptions, moving 10% of budgeted capital expenditure into the following year. This allows us to gain a truer picture of the underlying need to borrow to finance the capital programme. Slippage Assumption Expenditure following on from the above, it is assumed that roughly half the expenditure will fall into the year immediately following the original planned budget and the remainder into the year after. The negative position report here, is due to the large amount of slippage anticipated from financial year 2022-23.	Oct 22	Feb 23

**A Sustainable Capital Budget Strategy 2023-2033**  
**Savings Proposals**

Project	Total	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
		Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<i>New Schools</i>											
Builyeon Road Primary School (S Queensferry)	29.172	1.023	7.559	10.590	10.000	0.000	0.000	0.000	0.000	0.000	0.000
Kirkliston/West Edinburgh Secondary Provision	60.000	0.000	0.000	0.000	3.375	24.567	29.200	2.859	0.000	0.000	0.000
Gilmerton Station Road Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.080	7.861	9.344	0.915	0.000
Granton Waterfront Primary School	19.200	0.000	0.000	0.000	1.123	8.176	9.718	0.183	0.000	0.000	0.000
East of Milburn Tower Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.168	8.503	9.529	0.000	0.000
Less: adjustment to assumed developers contributions	-58.709	-0.362	-9.097	-1.259	-4.092	-11.998	-18.441	-14.257	0.796	0.000	0.000
	<b>88.063</b>	<b>0.661</b>	<b>-1.538</b>	<b>9.331</b>	<b>10.406</b>	<b>20.745</b>	<b>22.724</b>	<b>5.150</b>	<b>19.669</b>	<b>0.915</b>	<b>0.000</b>
<i>Balerno High School</i>											
Cost of School Replacement	69.200	0.000	0.000	0.000	2.371	2.466	36.996	25.888	1.479	0.000	0.000
Less: cost of full renovation and retrofit	-34.600	0.000	0.000	0.000	-1.185	-1.233	-18.498	-12.944	-0.740	0.000	0.000
	<b>34.600</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.185</b>	<b>1.233</b>	<b>18.498</b>	<b>12.944</b>	<b>0.740</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Proposed Savings</b>	<b>122.663</b>	<b>0.661</b>	<b>-1.538</b>	<b>9.331</b>	<b>11.591</b>	<b>21.978</b>	<b>41.222</b>	<b>18.094</b>	<b>20.409</b>	<b>0.915</b>	<b>0.000</b>

**A Sustainable Capital Budget Strategy 2023-2033**  
**Capital Budget Summary, incorporating proposed savings**

Expenditure	Total	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
		Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Project Area		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Early Years	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Primary Schools	24.360	5.329	10.775	8.256	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wave 4 Schools	298.002	59.776	87.029	78.021	39.761	1.233	18.498	12.944	0.740	0.000	0.000
New Schools and Extensions for Population Growth	92.560	25.101	20.609	21.850	8.000	9.000	8.000	0.000	0.000	0.000	0.000
Libraries	0.500	0.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sports Facilities	1.650	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Depots	6.182	6.182	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Parks, Greenspace and Cemeteries and Other Environment	4.539	2.739	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Fleet Replacement	4.082	4.082	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads and Transport Infrastructure (including North Bridge)	151.233	32.982	13.057	13.690	13.072	13.072	13.072	13.072	13.072	13.072	13.072
Energy Efficiency Street Lighting Project and Traffic Signals Prudential	12.671	1.369	1.238	1.238	1.238	1.238	1.238	1.284	1.450	1.140	1.238
Public Transport, Road Safety and Active Travel	72.645	23.532	11.436	12.413	4.644	3.437	3.437	3.437	3.437	3.437	3.437
Tram Life Cycle Replacement	4.814	2.359	1.658	0.287	0.069	0.071	0.073	0.076	0.079	0.092	0.050
IMPACT	5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
King's Theatre	9.000	9.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Culture	0.162	0.162	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Asset Management Works	140.850	13.500	14.000	14.000	14.000	14.000	14.000	14.000	14.000	15.350	14.000
EnerPHit	56.575	12.941	19.677	17.484	6.473	0.000	0.000	0.000	0.000	0.000	0.000
Edinburgh Living	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other Housing and Regeneration	150.862	48.273	47.420	48.169	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Tram to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ICT	8.880	4.091	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Contingency	30.000	0.000	0.000	5.000	5.000	5.000	5.000	5.000	5.000	0.000	0.000
Slippage Adjustment	17.857	-17.168	-23.908	1.176	23.284	21.508	3.666	2.338	4.139	2.109	0.713
<b>Total Expenditure</b>	<b>1,281.439</b>	<b>300.834</b>	<b>280.452</b>	<b>264.411</b>	<b>128.388</b>	<b>70.539</b>	<b>68.964</b>	<b>54.131</b>	<b>43.281</b>	<b>36.565</b>	<b>33.875</b>

Funding	Total	Revised	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative	Indicative
		Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Funding Stream		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Asset Sales (Unringfenced)	30.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Capital Fund Drawdown	20.014	20.014	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
General Capital Grant	454.716	39.080	41.287	41.849	46.000	46.500	47.000	47.500	48.000	48.500	49.000
Specific Grants	146.781	48.572	48.730	49.479	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions	6.369	0.796	0.796	0.796	0.796	0.796	0.796	0.796	0.796	0.000	0.000
Loans Fund Advances - Prudential	19.143	14.354	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Loans Fund Advances - On-Lending	185.510	62.413	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - Trams to Newhaven	3.507	3.507	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - General	415.399	109.098	114.542	126.825	67.110	19.628	17.553	2.220	-8.515	-14.935	-18.125
<b>Total</b>	<b>1,281.439</b>	<b>300.834</b>	<b>280.452</b>	<b>264.411</b>	<b>128.388</b>	<b>70.539</b>	<b>68.964</b>	<b>54.131</b>	<b>43.281</b>	<b>36.565</b>	<b>33.875</b>

<sup>1</sup> Contingency provision relates to projects in current programme and is not available for additional investment

<sup>2</sup> Slippage provision relates to phasing of expenditure and takes account of projects slipping from 2022-2023. It is not available for additional investment

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Finance and Procurement Policies – Assurance Statement

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

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- 1.1 Members of the Finance and Resources Committee are asked to note and be assured that the Finance and Procurement policies detailed in this report have been reviewed and are considered to remain current, relevant and fit-for-purpose, subject to the ongoing review of Contract Standing Orders being undertaken in light of new Scottish Procurement Policy Notes issued by the Scottish Government.

**Richard Carr**

Interim Executive Director of Corporate Services

Contact: Hugh Dunn, Service Director: Finance and Procurement

Finance and Procurement Division, Corporate Services Directorate

E-mail: [hugh.dunn@edinburgh.gov.uk](mailto:hugh.dunn@edinburgh.gov.uk) | Tel: 0131 469 3150

## Finance and Procurement Policies – Assurance Statement

### 2. Executive Summary

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- 2.1 In accordance with the Council's policy review framework, the Service Director: Finance and Procurement has undertaken an annual review of the suite of policies falling within his remit. This review has attested to their on-going currency, relevance and appropriateness.

### 3. Background

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- 3.1 Council policies are key governance tools. They help to realise the Council's vision, values, commitments and outcomes and are critical to its operations, ensuring that statutory and regulatory obligations are met in an efficient and accountable manner.
- 3.2 To strengthen arrangements in this area, a corporate policy framework was approved in September 2013 to ensure that all current policies are easily accessible and created, revised and renewed in a consistent manner and to an agreed standard.
- 3.3 In order that Council policies remain current and relevant, all Directorates and Service Directors are required to review those policies falling within their respective remits on an annual basis. This report sets out the conclusions of the most recent year's review of policies falling within the remit of the Service Director: Finance and Procurement in his capacity as the Council's designated statutory Chief Financial Officer, in accordance with Section 95 of the Local Government (Scotland) Act 1973.

### 4. Main report

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- 4.1 A critical element of the policy framework is to ensure that all Council policies remain fit-for-purpose. This requires Service Directors to review, on an annual basis, all policies within their respective remits and to provide the necessary level of assurance that these remain current and relevant.

- 4.2 Six distinct polices fall within the remit of the Service Director: Finance and Procurement. A short update on the past year's review activity in respect of each is set out below, with a summary provided in the appendix. It should be noted that some non-statutory developmental work associated with these policies, as with all Directorates, required to be deferred whilst resources were focused on addressing the immediacy of the impacts of the coronavirus pandemic, however, work has now resumed.

### **Financial Regulations**

- 4.3 The City of Edinburgh Council operates under a set of documents that governs and guides the decisions made by the Council and its officers and ensures that robust, clear and accountable organisational frameworks are in place. The Council's Financial Regulations form an integral part of these key documents, with their content reviewed on an at-least six-monthly basis.
- 4.4 The [Regulations](#) outline, at a summarised level, the arrangements the Council has put in place to discharge its responsibilities under section 95 of the Local Government (Scotland) Act 1973. Section 95 states that every local authority shall make arrangements for the proper administration of its financial affairs and shall secure that the proper officer of the authority (termed the Section 95 Officer) has responsibility for the administration of those affairs.
- 4.5 A number of minor amendments to the Regulations' content, primarily to ensure continuing alignment to the Council's organisational and senior management structures and job titles were incorporated as part of a review undertaken in September 2022. Updates were made to areas including insurance and internal audit, however, the basic principles set out within the Regulations remain unchanged and are crucial in securing the Council's on-going financial sustainability.
- 4.6 While previously assessed as comprehensive by the Council's external auditor, the Regulations' content will be further reviewed and, where necessary, expanded as part of a wider assessment of compliance with the CIPFA Financial Management (FM) Code, which is an ongoing process and a benchmark for good and sustainable financial management in local authorities. The first full compliance year for the FM Code was 2021/22.
- 4.7 The Financial Regulations are supplemented by a more detailed set of Finance Rules outlining the procedures to be adopted across a wide range of finance-related activity including budget monitoring, income collection, supplier payment, treasury management and insurance. Minor amendments were also made to the Finance Rules as part of a review carried out in September 2022, with updates made to areas including international travel and standard conditions for the award of Council grant funding.

### **Contract Standing Orders**

- 4.8 As with the Financial Regulations above, the Council's [Contract Standing Orders](#) (CSOs) form part of the Council's core set of governance-related documents. The contents are subject to regular scrutiny and review, with briefing sessions held as

appropriate for both staff and elected members. The CSOs also incorporate the previously-separate Guidance on the Appointment of Consultants.

- 4.9 The CSOs apply (with certain exceptions) to all contracts made by or on behalf of the Council for the procurement of the execution of works, the supply of goods and materials and/or the provision of services. The overarching aim of the CSOs is to improve purchasing controls such that Best Value is delivered and the Council's statutory obligations are observed.
- 4.10 Following the coming into force of The Procurement Reform (Scotland) Act 2014, Public Contracts (Scotland) Regulations 2015 and Procurement (Scotland) Regulations 2016, the CSOs were fully updated and approved by Council in June 2016 to ensure continuing compliance with legislative requirements. Since that time, a number of further changes have been made to provide greater clarity on the appropriate use of waivers and managers' responsibilities with regard to contract management and contract award notifications.
- 4.11 The results of [the most recent review of the Council's CSOs](#) were reported to, and approved by, Council on 4 February 2021. These related, in the main, to changes required as a result of the Council's adoption of the Sustainable Procurement Strategy in March 2020 and the UK's withdrawal from the European Union in January 2020. As in previous years, the detail of these changes, including updates to intranet content, was cascaded to Council staff, along with further information on their rationale and implications. Adherence to the CSOs, including use of contracted suppliers and initiation of expenditure by means of purchase order, is monitored on a monthly basis and captured within service "dashboards" communicated to Directorates.
- 4.12 A review of the current CSOs is being undertaken in light of new Scottish Procurement Policy Notes issued by the Scottish Government and will include an examination of the financial approval thresholds and whether these are set at the most appropriate levels for effective scrutiny and governance.

### **Anti Money-Laundering Policy**

- 4.13 While less formal arrangements were already in operation, the Corporate Policy and Strategy Committee approved the Council's [Anti Money-Laundering Policy](#) on 13 May 2014. The policy sets out procedures for mitigating the risk that money-laundering affects the Council's activities and monitoring their effectiveness. Where relevant activity is suspected, however, the policy also clarifies reporting routes and the resulting investigative action that will be undertaken.
- 4.14 The contents of the policy have previously been communicated to staff in those areas most susceptible to money-laundering activity and on-going requirements in this area, taking into account changes in staffing and responsibilities, continue to be regularly considered. Review of the policy's content in September 2022 identified a number of minor changes in applicable legislation and organisational structures and these will be reflected in an updated version of the policy maintained on the Council's website.



## **Fraud Prevention Policy**

- 4.15 The Council's [Policy on Fraud Prevention](#) was approved by the Finance and Resources Committee on 31 October 2013. This policy is supplemented on an annual basis by a review of external fraud prevention and detection activity, with the [2020/21 Annual Report](#) presented to the Finance and Resources Committee on 9 December 2021 and the 2021/22 Annual Report included elsewhere on today's agenda. An update to the complementary [Anti-Bribery Policy](#) was approved by the Corporate Policy and Strategy Committee on 28 March 2017.
- 4.16 The Fraud Prevention policy forms part of a core set of employee policies and, as such, was included in recent years' mandatory policy refresh exercises, with all staff required to confirm that they had read and understood its contents. This assurance has been strengthened by continuing targeted training in areas more susceptible to fraud-related activity. Working closely with Internal Audit colleagues, specific consideration has also been given, since the onset of the pandemic, to developing appropriate systems controls and procedures for both continuing home-working and a number of quickly-introduced new grant funding streams.
- 4.17 Awareness of the anti-bribery policy, in addition, forms part of staff induction procedures, with a corresponding e-learning module available. As with the anti-money laundering policy, its contents primarily comprise guiding principles and reporting procedures and, as such, following review and updating for revised organisational structures, these remain relevant to all staff, with no substantive changes required at this time.

## **Corporate Debt Policy**

- 4.18 The Council's [Corporate Debt Policy](#) was approved by the Corporate Policy and Strategy Committee on 3 September 2013. The policy covers the principal income streams of Council Tax, Non-Domestic Rates, house rents and sundry (miscellaneous) debt and outlines how the Council will seek to strike an appropriate balance between its financial needs and the social needs of its customers.
- 4.19 The policy is reviewed annually as part of the Service Director: Customer and Digital Services' assurance statement and reported separately.

## **Corporate Charging Policy**

- 4.20 In recognising the need for greater consistency and transparency in the setting of charges for Council services, the Council's [Corporate Charging Policy Framework](#) was approved by the Finance and Resources Committee on 5 June 2014. One change effected by approval of the policy was the application of a standardised uplift to charges for all services unless prevented by the existence of pre-existing plans, legal requirements or other compelling service considerations. This change was once again reflected in the February 2022 budget motion and a comprehensive [register of fees and charges](#) levied by the Council has subsequently been published on the Council's website.

- 4.21 In common with most of the other policies falling within the Finance and Procurement remit, the Corporate Charging Policy primarily sets out broad principles and these remain valid, with no substantive changes required at this time.

### **Annual Treasury Strategy and review of risks and reserves as part of budget process**

- 4.22 While not considered policies in the sense of the others included within this document, the [Annual Treasury Management Strategy](#) was approved by Council on 17 March 2022 and the [Council's Risks and Reserves Strategy](#) approved as part of setting the Council's 2022/23 budget on 24 February 2022. Review of the existing policies to ensure their on-going applicability was implicit in these reports, including an updated profile of the Council's usable reserves to reflect the anticipated on-going financial impacts of the pandemic.

## **5. Next Steps**

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- 5.1 The policies set out within this report will continue to be subject to a process of on-going review, with corresponding reporting to the Finance and Resources and/or other relevant Committees in the case of any material, policy-related proposed changes.

## **6. Financial impact**

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- 6.1 There are no direct financial impacts as a result of this report, although maintenance and active promotion of policies contributes to effective financial management.

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

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- 7.1 The process of review outlined above will continue to seek to strike an appropriate balance across transparency, accessibility, fairness and equity of the Council's activities.

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

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- 8.1 Relevant reading and references are hyperlinked within the main body of the report.

## **9. Appendices**

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1. Assured Policies

## Appendix 1 – Assured Policies

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<b>Policy title:</b>	Financial Regulations
<b>Approval date:</b>	<i>25 October 2012 (date of original approval)</i>
<b>Approval body:</b>	<i>Council</i>
<b>Review process:</b>	<i>Content reviewed by Service Director: Finance and Procurement</i>
<b>Change details:</b>	<i>Minor amendments to reflect continuing alignment to the Council's organisational and senior management structures and job titles and updates made to areas including insurance and internal audit.</i>

<b>Policy title:</b>	Contract Standing Orders
<b>Approval date:</b>	<i>25 October 2012 (date of original approval)</i>
<b>Approval body:</b>	<i>Council</i>
<b>Review process:</b>	<i>Content reviewed by Head of Commercial and Procurement Services, liaising as appropriate with senior service contacts and the Service Director: Legal and Assurance</i>
<b>Change details:</b>	<i>As part of the annual review process, changes required as a result of (i) the Council's adoption of the Sustainable Procurement Strategy in March 2020 and (ii) the UK's withdrawal from the European Union in January 2020 were approved by Council on 4 February 2021. No further substantive changes are required at this time.</i>

<b>Policy title:</b>	Anti-Money Laundering Policy
<b>Approval date:</b>	<i>13 May 2014</i>
<b>Approval body:</b>	<i>Corporate Policy and Strategy Committee</i>
<b>Review process:</b>	<i>Content reviewed by policy authors, liaising as appropriate with affected service areas and Human Resources</i>

<b>Change details:</b>	<i>Minor changes covering management structures have been incorporated within an updated policy.</i>
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<b>Policy title:</b>	Fraud Prevention Policy
<b>Approval date:</b>	<i>31 October 2013</i>
<b>Approval body:</b>	<i>Finance and Resources Committee</i>
<b>Review process:</b>	<i>Content reviewed by policy authors, liaising as appropriate with affected service areas and Human Resources</i>
<b>Change details:</b>	<i>No substantive changes are required at this time.</i>

<b>Policy title:</b>	Corporate Debt Policy
<b>Approval date:</b>	<i>3 September 2013 (with a number of subsequent amendments)</i>
<b>Approval body:</b>	<i>Corporate Policy and Strategy Committee</i>
<b>Review process:</b>	<i>Content reviewed by policy authors</i>
<b>Change details:</b>	<i>Following the establishment of a working group comprising representation from across the Council, an updated policy, including the Pay Policy, was approved by the Policy and Sustainability Committee on 10 November 2020. No substantive changes are required at this time.</i>

<b>Policy title:</b>	Corporate Charging Policy Framework
<b>Approval date:</b>	<i>5 June 2014</i>
<b>Approval body:</b>	<i>Finance and Resources Committee</i>
<b>Review process:</b>	<i>Content fully reviewed in light of Council policy, legislative requirements and wider policy environment</i>
<b>Change details:</b>	<i>No substantive changes are required at this time.</i>

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Professional Services Expenditure 2021/22

Executive/routine	Routine
Wards	n/a
Council Commitments	n/a

### 1. Recommendations

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The Finance and Resources Committee is recommended to note:

- 1.1 payments made to Professional Services providers for the provision of Professional Services during 2021/22.

**Richard Carr**  
Interim Executive Director of Corporate Services

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## Professional Services Expenditure 2021/22

### 2. Executive Summary

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- 2.1 This report provides details of expenditure for the provision of professional services during 2021/22.
- 2.2 Payment of £12.260m was made to Framework providers for the provision of Professional Services to support the Council's Technical services in delivering construction, maintenance and repair programmes.
- 2.3 Revenue expenditure of £3.804m and capital expenditure of £6.762m was incurred during 2021/22 for provision of other specialist professional services, which sit out with the technical services specialisms included in the Professional Services Framework. All specialist professional services were procured in line with the Council's Contract Standing Orders.
- 2.4 External income was received, which either wholly or partly-fund £4.070m of the expenditure that is noted in paragraphs 2.2 and 2.3.

### 3. Background

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- 3.1 At its meeting on 25 August 2009, the Finance and Resources Committee noted the intention to report Council expenditure on consultants on an annual basis.
- 3.2 The purchase of professional services provided by consultants is governed by relevant procurement legislation and Council Contract Standing Orders (CSOs). CSOs were reviewed and approved by Council on 27 June 2019 and updated on 4 February 2021.
- 3.3 The CSO's define a range of professional services provided to the Council.
- 3.4 This report provides details of expenditure on professional services for 2021/22 and includes payments made to Professional Services Framework providers. The Professional Services Framework was approved by Finance and Resources Committee on 29 October 2020. 2021/22 is the first full year of the Framework, which took effect in January 2021.

- 3.5 Professional services are purchased externally where the service cannot be provided by Council staff, either due to a requirement for specialist expertise or to service capacity constraints.

## 4. Main report

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- 4.1 The review of Council Contract Standing Orders of 27<sup>th</sup> June 2019 re-defined consultants providing professional services as specialists “who charge a fee for providing advice or services such as, but not limited to:
- business or project management,
  - human resources,
  - environment,
  - communication,
  - information technology,
  - property and estates and
  - financial services”.
- 4.2 The definition excludes:
- agency, secondments and temporary workers,
  - professional services provided by solicitors, counsel and actuaries and
  - technical or specialist services required for works contracts or proposed works contracts such as quantity surveyors, cost consultants, design engineers and architects.
- 4.3 The exclusion of the appointment of technical or specialist services required for works contracts or proposed works contracts from the consultancy services definition was to mitigate against the risk of a procurement delay leading to a delay in the progression of works contracts. It was noted that the reporting requirement of such expenditure to Finance and Resources Committee would continue.
- 4.4 On 29 October 2020, Finance and Resources Committee approved the award of a multi-lot framework agreement for the provision of Professional Services to support the Council’s technical services in delivering construction, maintenance and repair programmes. The framework consisted of 12 Lots with an estimated value to the Council of £95 million over a maximum four-year term.
- 4.5 The Council implemented a new management structure on 1<sup>st</sup> July 2021. Expenditure for all of 2021-22 is presented according to the Council’s new management structure.
- 4.6 The reported expenditure includes payments to a supplier exceeding £2,500 across all Council services.
- 4.7 The level of expenditure in any one year is dependent on service and project requirements and is not comparable between financial years.
- Professional Services Framework**
- 4.8 2021-22 is the first full year of the Professional Services Framework approved by Committee on 29 October 2020 to support delivery of construction, maintenance

and repair programmes. Payment of £12.260m was made to Framework providers. Appendix 1 provides detail of the service providers, services provided and outcomes.

4.9 Professional services were provided by Framework contractors to progress delivery of Capital Investment Programme projects, which included the following areas:

4.9.1 Secondary school building projects - £3.592m. Projects included Boroughmuir, Castlebrae, Currie, Liberton and Trinity High School.

4.9.2 Transportation projects - £2.153m. Projects included George Street and First New Town, cycle projects, Local Development Plan roads projects, LED Street Lighting and North Bridge.

4.9.3 Primary school building projects - £1.309m. Projects included Builyeon, Maybury and New South Edinburgh Schools.

4.9.4 Council House Building Programme - £0.829m.

4.9.5 Expansion of Early Years Provision - £0.517m.

4.10 Professional services were provided by Framework contractors to progress delivery of revenue projects in the following services:

4.10.1 Operational Property Planned Preventative Maintenance - £0.835m. Expenditure was incurred to address the findings of the Property Condition Surveys reported to Finance and Resources Committee on 23 January 2018.

4.10.2 Housing Services - £0.395m. Projects included Forth Quarter and development projects.

4.10.3 Transport Services - £0.236m.

### **Specialist Professional Services out with the Professional Services Framework**

4.11 Revenue expenditure of £3.804m was incurred during 2021/22 for provision of specialist professional services, which sit out with the out with the range of technical services specialisms included in the Professional Services Framework. Appendix 2 provides detail of the service providers, services provided and outcomes. Services provided included:

4.11.1 Traffic Modelling and Transport Planning Services - £0.815m.

4.11.2 Commercial Excellence, Council Transformation and Intelligent Automation projects – £0.554m of contractually agreed gainshare expenditure payments across all programmes. The Commercial Excellence programme and subsequent work by Commercial and Procurement Services has delivered approximately £190m of savings in recent years, while the Council Transformation Programme has achieved cumulative savings of £70m. The Intelligent Automation project implemented cross-Council robotic process



automation and digital transformation, delivering essential service capacity and cumulative savings of £4.380m.

4.11.3 Acceleration of target operating model work by Edinburgh Health and Social Care Partnership to implement the One Edinburgh vision - £0.442m.

4.11.4 Internal Audit Co-Source - resource and specialist advice to support delivery of Internal Audit Plan - £0.405m.

4.12 Expenditure of £6.762m was incurred on delivery of projects in the Capital Investment Programme (CIP) during 2021-22 for provision of specialist professional services, which sit out with the range of technical services specialisms included in the Professional Services Framework. Appendix 3 provides detail of the service providers, services provided and outcomes.

4.12.1 Edinburgh Tram to Newhaven project - £2.880m. Progression of construction. Fees are for Project Director and Assurance Services, Project and Commercial Management Services and Technical Advisory and Design Services. Award of contract for these services was approved by Finance and Resources Committee on 10 October 2019. Clerk of Works costs are also included in the cost.

4.12.2 Support for delivery of a range of Cycle Projects, including West Edinburgh Active Travel Network - £0.896m.

4.13 External income was received, which either wholly or partly-fund £4.070m of the expenditure noted in this report. Capital Investment Programme expenditure of £3.175m and revenue expenditure of £0.895m was incurred on projects where external income was received by the Council. Income received included Scottish Government grant funding, grant income from Sustrans and contributions from other bodies.

## **5. Next Steps**

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5.1 Expenditure on provision of professional services will continue to be closely reviewed as part of the revenue and capital expenditure monitoring arrangements for each service during 2022/23.

## **6. Financial impact**

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6.1 The costs set out in this report were contained within the Council's approved revenue budget and Capital Investment Programme for 2021/22.

6.2 Revenue expenditure on external professional services was 0.5% of the revenue outturn reported to Finance and Resources Committee on 8 September 2022.

- 6.3 Expenditure incurred on external professional services to progress Capital Investment Programme projects was 3.9% of the outturn reported to Finance and Resources Committee on 8 September 2022.

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

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- 7.1 There is no direct relevance to the report's contents. The Council undertook a budget engagement exercise when developing the 2021/22 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 and Capital Investment Programme include expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development.

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

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- 8.1 [Use of Consultants 2008/09 – Finance and Resources Committee – Tuesday 25 August 2009](#)
- 8.2 [Operational Governance: Review of Contract Standing Orders - City of Edinburgh Council - Thursday 27 June 2019](#)
- 8.3 [Operational Governance: Annual Review of Contract Standing Orders – City of Edinburgh Council – Thursday 4 February 2021](#)
- 8.4 [Award of Contract for Professional Services Framework – Finance and Resources Committee - Thursday, 29 October 2020](#)
- 8.5 [Outcome of Property Condition Surveys – Finance and Resources Committee – 23 January 2018](#)
- 8.6 [Award of Contract – Consultancy Services for Edinburgh Tram York Place to Newhaven Project – Finance and Resources Committee – Thursday, 10 October 2019](#)
- 8.7 [Revenue Monitoring 2021/22 – outturn report – Finance and Resources Committee – Thursday 8 September 2022](#)
- 8.8 [2022-32 Sustainable Capital Budget Strategy – Outturn 2021/22 and Revised Budget 2022/23 – Finance and Resources Committee – Thursday 8 September 2022](#)

## **9. Appendices**

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Appendix 1 - Professional Services Framework Expenditure 1st April 2021 - 31st March 2022

Appendix 2 – Revenue – Professional Services Expenditure 1st April 2021 - 31st March 2022 (Out with Professional Services Framework)

Appendix 3 – Capital Investment Programme - Professional Services Expenditure 1st April 2021 - 31st March 2022 (Out with Professional Services Framework).

**Professional Services Framework Expenditure 1st April 2021 - 31st March 2022**      **APPENDIX 1**

<b>Service Provider</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
AHR Architects Limited		315,590	315,590
Anderson Bell Christie Limited		290,790	290,790
Arcadis LLP	125,817	708,863	834,680
Architype Limited		32,000	32,000
Atkins Limited	187,779	310,838	498,617
Blackwood Partnership Limited		277,086	277,086
Collective Architecture Limited	9,710	392,402	402,112
Currie & Brown UK Limited	599,388	1,019,430	1,618,818
David Narro Associates Ltd	79,310	135,490	214,800
Doig & Smith Limited	19,418	291,160	310,578
Faithful and Gould	317,067	4,317,416	4,634,483
G3 Consulting Engineers Limited	5,723	60,542	66,265
Harley Haddow Ltd	83,863	4,143	88,006
Holmes Miller Limited		468,836	468,836
Mott MacDonald Limited	262,084	99,157	361,241
Rankin Fraser Landscape Architecture LLP	12,000		12,000
Robinson Low Francis LLP		41,720	41,720
Smith Scott Mullan & Associates Ltd		20,270	20,270
Stantec UK Limited		15,800	15,800
Summers-Inman Construction And Property Consultants LLP	66,915	138,771	205,686
Sweco UK Limited	75,659	154,898	230,557
Thomas & Adamson	44,790	257,760	302,550
Thomson Gray limited		140,514	140,514
Turner & Townsend Project Management Limited		437,878	437,878
Will Rudd Davidson Edinburgh Ltd	99,170	264,420	363,590
WSP UK Limited		75,764	75,764
<b>Total</b>	<b>1,988,692</b>	<b>10,271,538</b>	<b>12,260,231</b>

Service Provider	Amount	Service Provided	Outcome
<b>AHR Architects Limited</b>	315,590	Construction Design Professional Services.	Progression of Housing Investment Projects, including Carnegie Court and North Cairntow.
<b>Anderson Bell Christie Limited</b>	290,790	Architectural Services, Construction Design Guidance, Surveys and Energy Assessment Professional Services.	Progression of Expansion of Early Years Estate to deliver 1,140 hours of Early Learning and Childcare at Craigentenny, Granton, Nether Currie, St John Vianney and St Mark's Nursery Schools. Housing Development Services to support investment requirements for the HRA's Capital Investment Programme for existing and new build social rented homes.
<b>Arcadis LLP</b>	834,680	Specialist Project and Commercial Management Services.	Progression of the Granton Waterfront Outline Business Case and production of transport, decontamination and energy strategies. New Liberton High School, NHS GP Surgery and other Community Services project. Bridge Strengthening and Replacement and new build Council housing project in Granton.
<b>Archtype Limited</b>	32,000	Architectural Services - Post Occupancy Evaluation for Portobello Secondary School and new South Edinburgh Primary School.	Progression of Wave Three Project Schools.
<b>Atkins Limited</b>	498,617	Professional Engineering, Landscape Design and Consultancy Services.	Progression of Granton Waterfront energy solution - detailed technical feasibility scope, Leith Links Masterplan and Parks and Greenspace Programme. Planning and Building Services - development of Sustainable Urban Drainage System Heritage Factsheet and 'City Wide Natural Capital Project'. Development of City Plan - Edinburgh Master planning and Green/Blue Guidance and Rainwater Guidance. Delivery of Road Safety Audits. Provision of Landscape Design services for Neighbourhood Environmental Projects and Council Housebuilding Programme, Street Design Guidance for Cycle Projects, Road Safety audits and project support to Real Time Passenger Information Bus Tracker system.
<b>Blackwood Partnership Limited</b>	277,086	Mechanical Engineering Services.	Progression of Broomhills, New South Edinburgh and New Victoria Primary School projects, Bangholm Sports and Performing Arts facility, Wester Hailes Education Centre and Boroughmuir High School Extension. Progression of new build housing project at Cowan's Close and City Wide Housing Structural improvements and Asset Management Works at Abbeyhill, Clovenstone, Colinton, Deanpark, James Gillespie's and Wardie Primary Schools and City Mortuary.
<b>Collective Architecture Limited</b>	402,112	Architectural Services.	Architectural services for Cultural Review. Progression of new build housing projects at Coatfield Lane and Powderhall. Professional Services for Wester Hailes Regeneration project, Craigmillar Framework and Granton Waterfront.
<b>Currie &amp; Brown UK Limited</b>	1,618,818	Project Management Services, Quantity Surveying Services and Engineering and Consultancy Services.	Professional support for delivery of Housing Regeneration projects, EnerPHit Tranche 1 Programme, St James Quarter Traffic Regulation Orders and FM Technical Services programme for the Council's Operational Property Estate. The St James Quarter works enabled significant progress towards project completion in the face of complex development scenarios. Support for delivery of Street Lighting LED Programme, North Bridge Refurbishment, West Edinburgh Active Travel Network, Meadows to George Street Project and Council House Building programme. Assessment of abnormal costs - Tower St, Edinburgh and consultation with developer.
<b>David Narro Associates Ltd</b>	214,800	Structural and Civil Engineering Services.	Structural Engineering surveys and reports for Building Warrant submissions for Mixed Tenure Improvement Service programme. Progression of Carrick Knowe, Craigentenny, Granton, Kirkliston, Nether Currie, Ratho, St John Vianney and St Mark's Nursery Schools projects to deliver 1,140 hours of Early Learning and Childcare. Progression of new build housing project at Coatfield Lane, Cowan's Close and Powderhall, fabric inspection at Carnegie Court. Progression of Asset Management Works at Buckstone, Dean Park and Dalmeny Primary Schools and City Monuments.
<b>Doig &amp; Smith Limited</b>	310,578	Project Management and Quantity Surveying Services.	Professional support for replacement of fire damaged block at Liberton Primary School. Specialist Engineering support services to the Council's Estates Team. Progression of Broomhills, Deanbank, New South Edinburgh, New Victoria and Sciennes Primary School projects, Boroughmuir High School Extension, Liberton High School and Wester Hailes Education Centre projects and Bangholm Sports and Performing Arts facility. Development of new Gaelic Medium Education Primary School at former Darroch School. Progression of Major Active Travel Cycling projects. Progression of Asset Management Works at Buckstone, Dalmeny and Duddingston Primary Schools and Blackhall Library.

Service Provider	Amount	Service Provided	Outcome
<b>Faithful and Gould</b>	4,634,483	Building Surveying, Quantity Surveying Services and Multi-Disciplinary Design Team Services.	Secondment of specialist support to Planned Preventative Maintenance programme for the Council's Operational Property Estate. Preparation of Condition Survey and reports for Council properties. Development of replacement Newcraighall Primary School and new Maybury Primary School projects, replacement Castlebrae High School, new Currie and Trinity High School projects. Progression of George Street and First New Town project and Energy Efficiency for Social Housing (EESH) projects.
<b>G3 Consulting Engineers Limited</b>	66,265	Structural Engineering Services.	Provision of Structural Surveys to support incident investigation and solutions. Development of Deanpark Primary School and Wester Hailes Education Centre projects. Progression of support for new build housing programme, Council Depot projects and Asset Management Works projects in schools.
<b>Harley Haddow Ltd</b>	88,006	Structural and Civil Engineering Services and Mechanical and Electrical Building Services.	Professional services for Geoenvironmental Survey, EnerPHit Tranche 1 Programme, East Neighbourhood Office heat pumps and school kitchen upgrades. FM Technical Support to COVID ventilation and safety related matters.
<b>Holmes Miller Limited</b>	468,836	Architectural Services.	Development of Broomhills, Frogston, New South Edinburgh, New Victoria and Sciennes Primary School projects, Boroughmuir High School Extension, Trinity High School and Wester Hailes Education Centre Projects. Development of New Meadowbank Sport Centre.
<b>Mott MacDonald Limited</b>	361,241	Design Services, Structural and Civil Engineering Services, Inspection and Flood Planning Services.	Provision of engineering and design services to Parks and Greenspaces, Schools, Structures, St James Quarter Traffic Regulation Orders and provision of Flood Prevention services. Provision of assessment, inspection and design services for bridge strengthening/replacement and professional support for road adoptions.
<b>Rankinfraser Landscape Architecture LLP</b>	12,000	Architectural Services.	Development of Inverleith Park Masterplan Framework.
<b>Robinson Low Francis LLP</b>	41,720	Quantity Surveying Services.	Cost consultant services for the pre-construction stage of Granton Station refurbishment.
<b>Smith Scott Mullan &amp; Associates Ltd</b>	20,270	Architectural Services.	Progression new build housing project at Leith Walk Tram Depot.
<b>Stantec UK Limited</b>	15,800	Engineering Services.	Progression of Road Safety Active Travel projects.
<b>Summers-Inman Construction And Property Consultants LLP</b>	205,686	Project Management and Building Survey Services.	Feasibility Study for Prospect Bank School. Building surveys to progress asset management works for Council operational estate properties. Project support for Facilities Management. Professional advice for acoustics installation project at Bun Sgoil Taobh na Pairc. Professional advice for delivery of Housing External Fabric Improvements Programme and progression of Asset Management Programme projects at Abbeyhill, Bruntsfield, Bun-Sgoil Toabh na Pairce, Corstorphine, Flora Stevenson, Leith, Leith Walk, Newcraighall, Royal High and Stenhouse Primary Schools.
<b>Sweco UK Limited</b>	230,557	Specialist Engineering Services.	Professional support for delivery of projects in Parks and Greenspaces, Spaces for People and Active Travel Service. Professional support for delivery of projects in Parks and Greenspaces, Local Development Plan, City Centre West to East Cycle project and Safe Walking and Cycling Schemes.
<b>Thomas &amp; Adamson</b>	302,550	Building Condition Surveys Design and Project Management Services.	Professional advice for Mixed Tenure Improvement Service - tender documentation and condition surveys. Professional advice for Festive Lighting - Construction (Design & Management) Regulations. Development of Boroughmuir High School Extension and Portobello High School rising school rolls project. Progression of Housing projects - final design work for the environmental development project at Northfield Drive and Grove. Development of new Meadowbank Sport Centre.
<b>Thomson Gray Limited</b>	140,514	Quantity Surveying Services.	Provision of Fire Management System audits in Council houses and stock condition survey reports across the Housing Estate.
<b>Turner &amp; Townsend Project Management Limited</b>	437,878	Project Management Services.	Support for delivery of Cycle projects, City Centre West to East Cycle Link, West Edinburgh Transport Appraisal and safe walking and cycling route projects. Professional advice to progress Wester Hailes Development and Regeneration Framework.

Service Provider	Amount	Service Provided	Outcome
<b>Will Rudd Davidson Edinburgh Ltd</b>	363,590	Civil and Structural Engineering Services.	Civil and Structural Engineering service to progress housing developments, Edinburgh Shared Repairs Service works to make safe emergency building defects (rechargeable) and asset management works for Council operational estate properties. Structural support and surveying on incident investigation and solutioning for Facilities Management. Progression of Broomhills, New South Edinburgh, New Victoria and Sciennes Primary School projects, Boroughmuir High School Extension, Trinity Academy and Wester Hailes Education Centre projects. Development of new Gaelic Medium Education Primary School at former Darroch School. Progression of Fire Management surveys in Council houses, Council Housebuilding programme and structural engineering reports across the Housing Estate. Progression of Asset Management Programme works, including school kitchen upgrades, Merchiston Cemetery, Balgreen and Cramond Primary Schools.
<b>WSP UK Limited</b>	75,764	Design services.	Progression of Cycle projects including Roseburn to Union Canal Cycle Path project.
<b>Total</b>	<b>12,260,231</b>		

**Revenue - Professional Services Expenditure 1st April 2021 - 31st March 2022  
(Out with Professional Services Framework)**

**APPENDIX 2**

<b>Service Provider</b>	<b>Corporate Services</b>	<b>Education and Children's Services</b>	<b>Health and Social Care</b>	<b>Place</b>	<b>Council-Wide</b>	<b>Total</b>
Aecom Limited				108,909		108,909
Arlingclose Limited	37,500					37,500
Arneil Johnston Ltd				63,448		63,448
Avison Young (UK) Limited				8,795		8,795
Bryn Jones Associates Ltd				40,980		40,980
Calabar Education Consultants Limited		7,500				7,500
Capita Property & Infrastructure Ltd				955		955
Changeworks Resources for Life Ltd				189,905		189,905
Compliance365				9,885		9,885
Cushman & Wakefield Debenham Tie Leung Limited				65,000		65,000
Deloitte LLP				50,000		50,000
Developing Services		2,893				2,893
E.D.P. Health, Safety and Environment Consultants Limited				182,826		182,826
Edinburgh Innovations Ltd	21,220					21,220
EKOS Consulting UK Ltd				27,937		27,937
Environtec Ltd				60,778		60,778
Ernst and Young LLP	290,273				263,844	554,117
Franks Portlock Consulting Limited		5,545	185	76,276		82,006
Gerald Eve LLP				9,266		9,266
Global MSC Security Limited		11,330				11,330
Hardies Property & Construction Consultants				15,215		15,215
Hickton Consultants Limited		14,560				14,560
IOM Consulting Ltd				5,700		5,700
It Is On Limited				15,000		15,000
Jacobs UK Ltd				814,815		814,815
Jones Lang LaSalle Limited				4,500		4,500
Kee Consultancy Limited		55,846				55,846
Korn Ferry Hay Group Limited	13,720					13,720
Laura Jacqueline Miller				13,200		13,200
Link Treasury Services Limited	18,000					18,000
Nationwide Data Collection (Scotland) Ltd				3,530		3,530
Omega Asbestos Consulting Ltd		1,206		24,900		26,106
Partners for Change			83,000			83,000
Pricewaterhousecoopers (PWC) LLP	404,966		441,760			846,726
Prime Psychology Ltd		3,903				3,903
Professional Cost Management Group Ltd				11,086		11,086
Progressive Partnership Ltd		33,000		46,505		79,505
Research Resource Scotland Ltd				4,250		4,250
Ricardo-Aea Limited				3,205		3,205
RSP Consulting Engineers LLP				4,298		4,298
Sandy Brown Limited		1,050				1,050
Scott Porter Research and Marketing Limited				5,650		5,650
Spirit Media Scotland Limited				22,592		22,592
St. Vincent's Health and Public Sector Consulting Limited				135,999		135,999
T V Howe		3,500				3,500
The Scottish Government			37,116			37,116
Tisdall Associates Ltd				10,000		10,000
TRL Ltd				7,500		7,500
WDM Ltd				6,000		6,000
Will Rudd Davidson Edinburgh Ltd			2,975			2,975
<b>Total</b>	<b>785,679</b>	<b>140,333</b>	<b>565,036</b>	<b>2,048,903</b>	<b>263,844</b>	<b>3,803,795</b>

Service Provider	Amount	Service Provided	Outcome
<b>Arlingclose Limited</b>	37,500	Treasury Management Advisory Services.	Professional Support for delivery of annual Treasury Management Strategy.
<b>Edinburgh Innovations Ltd</b>	21,220	Development and monitoring of Carbon Scenario Tool.	Support for delivery of Carbon Scenario Tool Pathfinder Project.
<b>Ernst and Young LLP</b>	290,273	Cumulative gainshare fees for professional support provided to the Intelligent Automation project, over more than one year of project delivery.	Professional development support identified opportunities and assisted in implementing cross council robotic process automation (RPA) and digital transformation, delivering essential service capacity and budget savings.
<b>Korn Ferry Hay Group Limited</b>	13,720	Specialist human resources services.	Review of senior officer job descriptions and provision of salary benchmark data.
<b>Link Treasury Services Limited</b>	18,000	Lease Advisor Services.	Leasing advice to support the appropriate funding of asset acquisition and preparation for the migration to International Financial Reporting Standard (IFRS) 16.
<b>PWC LLP</b>	404,966	Internal Audit Service Co-source resource and specialist advice.	Provision of external support to enable specialist internal audits to be undertaken to support delivery of Internal Audit Plan.
<b>Total</b>	<b>785,679</b>		



Service Provider	Amount	Service Provided	Outcome
Calabar Education Consultants Limited	7,500	Specialist equality related support to schools.	Specialist delivery of seminars and session to Head Teachers.
Developing Services	2,893	Professional Children's Services.	Support for Permanence Order applications for looked after children.
Franks Portlock Consulting Limited	5,545	Professional Environmental Services.	Delivery of health and safety advice (asbestos surveys) and assurance for schools and One-to-One Digital Strategy.
Global MSC Security Limited	11,330	Specialist advice for CCTV.	Technical consultancy to support developing the specification of requirements for the IP Video Surveillance System upgrade. Provision of industry experience and assistance with all technical aspects of the procurement process. Provision of a transmission survey for the CCTV network to assist in ruling out an alternative method of transmitting data across the city (wireless). Assisted in developing a final design, which is now being implemented.
Hickton Consultants Limited	14,560	Clerk of Works Services.	Professional support for refurbishment of fire damaged block at Liberton Primary School. The fire damaged block was reoccupied by the school in April 2022.
Kee Consultancy Limited	55,846	Expert opinion in relation to adoption cases.	Provision of professional expert opinion on outcomes for Looked After Children. The use of assessments in the permanency processes is standard practice to assist the Court with decision making, reducing time and costs of court cases and increasing the achievement of successful outcome.
Omega Asbestos Consulting Ltd	1,206	Professional Environmental Advice - Air Testing Services.	Professional support for refurbishment of fire damaged block at Liberton Primary School. The fire damaged block was reoccupied by the school in April 2022.
Prime Psychology Ltd	3,903	Provision of independent psychological assessments.	Support for permanence order applications for looked after children.
Progressive Partnership Ltd	33,000	Public consultation services.	Support for delivery of community mental health services design and branding research.
Sandy Brown Limited	1,050	Acoustic Engineering Services.	Professional support for refurbishment of fire damaged block at Liberton Primary School. The fire damaged block was reoccupied by the school in April 2022.
T V Howe	3,500	Secondary School Timetable Consultancy and Support.	Enhanced efficiency and effectiveness of school timetables.
<b>Total</b>	<b>140,333</b>		

Service Provider	Amount	Service Provided	Outcome
Franks Portlock Consulting Limited	185	Professional Environmental Services.	Delivery of health and safety advice and assurance.
Partners for Change	83,000	Change Consultants for Integrated Joint Board Transformation Project.	Continued implementation of the 3 Conversations model in the EIJB Transformation Programme, focussing on service redesign and working differently to achieve outcomes for people and families. The 3 Conversations model is based on having quality conversations with people who need support, helping individuals to focus on their assets and strengths and make connections into their communities. Partners for Change supported the roll out of the model through the launch of innovation sites across the city, which support staff to practice in this new way. Innovation sites include assessment and care management teams, community rehabilitation teams and disability teams. The approach has significantly reduced waiting times and allowed support to a greater proportion of people through informal and community based supports, rather than statutory paid-for services. The contract with Partners for Change ended on 15 July 22, and roll out of the 3 Conversations programme will be supported through internal expertise in future.
PWC LLP	441,760	Multi-disciplinary management consultancy services.	Professional support to accelerate work the Edinburgh Health and Social Care Partnership had begun to design a target operating model to implement the One Edinburgh vision. This included development of a performance dashboard and establishment of the command centre, which continues to meet daily. It also includes engagement with a range of providers, detailed analysis of information submitted and data on the internal service to generate options on how to maximise capacity and remodel on a neighbourhood basis.
The Scottish Government	37,116	Support for the provision of Social Care.	Share of consultancy costs for the provision of Social Care.
Will Rudd Davidson Edinburgh Ltd	2,975	Civil and Structural Engineering Services.	Professional services for Complex Care services.
<b>Total</b>	<b>565,036</b>		

Service Provider	Amount	Service Provided	Outcome
<b>Aecom Limited</b>	108,909	Structural and Engineering Services.	Professional engineering and design services provided for Roads schemes, Reservoir studies, Niddrie Burn Flood Study, Spaces for People Cycle Improvement Programme and West Edinburgh Spatial Strategy for Inclusive Growth.
<b>Arneil Johnston Ltd</b>	63,448	Housing Consultancy Services	Progression of Housing Asset Management Model, Accessible Housing Study and 2021 Tenant Survey. Housing Asset Management model work required as a bridge to support the investment strategy while Housing Services develops it on Asset Management information system.
<b>Avison Young (UK) Limited</b>	8,795	Property Advisory Services for the Council estate.	Professional services for the proposed EICC hotel, include advising on the Market Economy Investor Principle to inform considerations around subsidy regulations and advising on other commercial lease matters. This enabled an agreement to lease over the EICC hotel to be concluded without challenge.
<b>Bryn Jones Associates Ltd</b>	40,980	Preparation of Edinburgh Parks Assets Income Generation Strategy.	Production of reports for: 1) Income generation strategy for Edinburgh Parks and Greenspaces and 2) Develop detailed income generation proposals, financial plans, Business Development Unit and concept master plans for potential income generation opportunities. This project was grant funded.
<b>Capita Property &amp; Infrastructure Ltd</b>	955	Engineering Services.	Designs produced for the improvement of a Core Path in Granton Waterfront, including conducting a Road Safety Audit. This enabled work to appoint a contractor to deliver the path to be initiated.
<b>Changeworks Resources for Life Ltd</b>	189,905	Energy Advice Service.	Provision of energy advice services to Council house tenants.
<b>Compliance365</b>	9,885	Energy Consultancy Services.	Professional support to meet mandatory requirements under the Energy Performance of Buildings Directive.
<b>Cushman &amp; Wakefield Debenham Tie Leung Limited</b>	65,000	Commercial Advisers - appointment of Edinburgh Bio Quarter development partner.	Professional services to develop the project to where an OJEU compliant tendering process was initiated in 2021 to appoint a development partner to take forward the development of Edinburgh Bio Quarter.
<b>Deloitte LLP</b>	50,000	Management consultancy services.	Development of Regional Prosperity Framework, funded by Scottish Government and regional partners.
<b>E.D.P. Health, Safety and Environment Consultants Limited</b>	182,826	Asbestos Consultancy Support Services.	Provision of Asbestos Professional Resources to the Council's Operational Property Estate.
<b>EKOS Consulting UK Ltd</b>	27,937	Provision of Research Services.	Development of an implementation plan for the 2030 Edinburgh Tourism Strategy and consultation to determine the future need for Affordable Childcare for Working Parents contracts.
<b>Environtec Ltd</b>	60,778	Asbestos Consultancy Support Services.	Provision of Asbestos Management Surveys for Council properties.
<b>Franks Portlock Consulting Limited</b>	76,276	Professional Environmental Services.	Provision of Asbestos Management Surveys for Council properties.
<b>Gerald Eve LLP</b>	9,266	Specialist Property Estate services.	Specialist Business Rates advice for operational Council properties.
<b>Hardies Property &amp; Construction Consultants</b>	15,215	Property Construction and Design Services.	Provision of professional property services as part of the annual asset management works for Council operational properties.
<b>IOM Consulting Ltd</b>	5,700	Health and Safety advice.	Control of Substances Hazardous to Health (COSHH) Monitoring Review - Asbestos Survey Reports.
<b>It Is On Limited</b>	15,000	Marketing and Management Services.	Marketing and management of Vouchers Scheme for businesses affected by Edinburgh Tram to Newhaven project, to support businesses along the construction route, driving footfall and maintaining vibrancy in the area.
<b>Jacobs UK Ltd</b>	814,815	Traffic Modelling and Transport Planning Services.	Provision of specialist traffic modelling services to undertake an assessment of potential development scenarios to inform the Proposed Plan stage of City Plan, the statutory Local Development Plan and Spaces for People project.
<b>Jones Lang LaSalle Limited</b>	4,500	Commercial and Residential Property Advisory Services.	Advice on Edinburgh Housing rental market.
<b>Laura Jacqueline Miller</b>	13,200	Project Management Support.	Project support for delivery of the Forever Edinburgh winter marketing campaign. Fully funded by Visit Scotland.
<b>Nationwide Data Collection (Scotland) Ltd</b>	3,530	Professional Traffic Survey services.	Spaces for People - Speed surveys, junction, pedestrian and cycle counts - Comiston/Braids.
<b>Omega Asbestos Consulting Ltd</b>	24,900	Specialist Asbestos Consultancy Services.	Asbestos Sampling and Condition Monitoring for properties across the Council's property estate. Housing now have a dedicated Asbestos Team in place to manage asbestos related work on social rented houses and other HRA assets. These services are required to help shape current and future programme requirements.

Service Provider	Amount	Service Provided	Outcome
Professional Cost Management Group Ltd	11,086	Cost Consultancy Services.	Provision of a forensic audit of utilities spend for four Council care homes.
Progressive Partnership Ltd	46,505	Public consultation services.	Progression of Winter Festival Public Consultation and Low Traffic Neighbourhoods surveys. Work undertaken on the Winter Festival is to help shape the future delivery of festival offerings.
Research Resource Scotland Ltd	4,250	Professional Research Services.	Delivery of Housing Services Focus Group Tenant Survey to provide insight from tenants and Housing Service staff members.
Ricardo-Aea Limited	3,205	Environmental Consultancy Services.	Preparation of Air Quality survey to provide local insight to help inform current and future air quality action plans, abatement measures and policy by accurately measuring Real-World Driving Emissions.
RSP Consulting Engineers LLP	4,298	Mechanical and Electrical Engineering Services.	Mechanical and Electrical Engineers Services to progress asset management works at Brunstane and Liberton primary schools.
Scott Porter Research and Marketing Limited	5,650	Professional Research Services.	Low Emission Zones project questionnaire design and review of responses.
Spirit Media Scotland Limited	22,592	Media Planning, Buying and Associated Services.	Facilitation of media consultation campaigns for Low Emission Zones, City Plan 2030 and consultation campaign for keeping road measures.
St. Vincent's Health and Public Sector Consulting Limited	135,999	Project Management services.	Professional Support to Computer Assisted Facilities Management Computer System Development and Technical Services tender mobilisation.
Tisdall Associates Ltd	10,000	Specialist consultancy advice - project evaluation tools.	Professional support for Thriving Greenspaces project.
TRL Ltd	7,500	Technical Management Support.	Provision of Technical Management Support for the ECO Stars Fleet Recognition Scheme, a voluntary, free to join fleet recognition scheme that provides recognition and advice on environmental best practice to the operators of goods and passenger transport fleets. The scheme assists in the reduction of emissions from fleet vehicles through specialist advice services and bespoke strategies for operators to reduce their fuel usage.
WDM Ltd	6,000	Professional Services - Transportation Asset Management System.	Development of Asset Management System City of Edinburgh Transportation Services.
<b>Total</b>	<b>2,048,903</b>		

Service Provider	Amount	Service Provided	Outcome
Ernst and Young LLP	263,844	Payments are gainshare fees for professional support provided to the Council's Commercial Excellence and Business Support Services Transformation Projects.	The Commercial Excellence programme and subsequent work by Commercial and Procurement Services has delivered approximately £190m of savings, including cost avoidance savings. Professional services were provided to support delivery of cumulative Transformation Programme savings of £70m by 2018/19 to meet Council-approved savings targets.
<b>Total</b>	<b>263,844</b>		

**Capital Investment Programme - Professional Services Expenditure APPENDIX 3**  
**1st April 2021 - 31st March 2022 (Out with Professional Services**  
**Framework)**

<b>Service Provider</b>	<b>Education and Children's Services</b>	<b>Place</b>	<b>Total</b>
Aecom Limited	4,500	1,231,506	1,236,006
Alan Motion Tree Consulting Ltd		4,500	4,500
Anturas Consulting Limited		206,883	206,883
AOC Archaeology Group		16,990	16,990
Atkins Limited		302,464	302,464
Balfour Beatty Civil Engineering Ltd		5,000	5,000
BHL Consultancy Ltd		292,467	292,467
Capita Property & Infrastructure Ltd	4,282	346,728	351,009
Cundall Johnston & Partners LLP		61,159	61,159
David Adamson and Partners Ltd		135,786	135,786
Devin Consulting Limited	4,080		4,080
Environtec Ltd		16,980	16,980
Franks Portlock Consulting Limited	999	6,228	7,227
Gardiner and Theobald LLP		33,944	33,944
Hardies Property & Construction Consultants	5,561	256,613	262,173
Hickton Consultants Limited		312,054	312,054
Hutton and Rostron Environmental Investigations Limited		5,805	5,805
Insight GEO Limited		6,250	6,250
Ironside Farrar Ltd	20,263	9,825	30,088
J A B Services UK		5,764	5,764
Jacobs UK Ltd		541,936	541,936
Malcolm Hughes Land Surveyors Ltd		13,365	13,365
Nationwide Data Collection (Scotland) Ltd		30,161	30,161
New Practice Limited		100,860	100,860
Ove Arup and Partners Scotland Ltd		33,793	33,793
Ramboll UK Limited		4,000	4,000
Rettie & Company Limited		6,000	6,000
RSP Consulting Engineers LLP	119,219	66,158	185,377
Sandy Brown Limited	3,750	1,870	5,620
Sentinel Clerk of Works Limited	160,384	25,644	186,028
Systra Limited		7,424	7,424
Tetra Tech Environment Planning Transport Limited		11,715	11,715
Tracsis Traffic Data Limited		12,785	12,785
Turner & Townsend Project Management Limited		2,325,940	2,325,940
<b>Total</b>	<b>323,038</b>	<b>6,438,594</b>	<b>6,761,632</b>

Service Provider	Amount	Service Provided	Outcome
Aecom Limited	4,500	Construction Project Management Professional Services.	Development of new Gaelic Medium Education Primary School at former Darroch School.
Capita Property & Infrastructure Ltd	4,282	Construction Professional Services - Engineering Services and Technical Support.	Progression of Road Design Safety schemes at Queensferry Primary School and demolition works at Liberton Primary School.
Devin Consulting Limited	4,080	Specialist Professional Services for Swimming Pool Design.	Development of St Crispin's School Project.
Franks Portlock Consulting Limited	999	Professional Environmental Services.	Provision of Asbestos Analytical Services for three primary schools.
Hardies Property & Construction Consultants	5,561	Construction Management Services.	Progression of Clovenstone, Liberton and Stanwell Nursery School Projects and Currie Primary School Project.
Ironside Farrar Ltd	20,263	Landscape Architecture, Environmental Planning and Civil Engineering Services.	Development of St Crispin's School Project.
RSP Consulting Engineers LLP	119,219	Construction Project Management Design Services.	Progression of Carrick Knowe, Craigentenny, Gracemount, Granton, Kirkliston, Nether Currie, Ratho, Spinney Lane, St John Vianney and St Mark's Nursery Schools projects to deliver 1,140 hours of Early Learning and Childcare.
Sandy Brown Limited	3,750	Acoustic Engineering Services.	Development of St Crispin's School and Kirkliston Nursery and Primary School projects - site noise survey, design input and inspections during construction.
Sentinel Clerk of Works Limited	160,384	Architectural, Clerk of Works and Mechanical and Engineering Services.	Development of Broomhills, New South Edinburgh and New Victoria Primary School projects, Boroughmuir High School Extension. Development of new Gaelic Medium Education Primary School at former Darroch School.
<b>Total</b>	<b>323,038</b>		

Service Provider	Amount	Service Provided	Outcome
<b>Aecom Limited</b>	1,231,506	Construction Professional Services, Design Consultancy, Road Safety Audits, Structural Engineering and Technical Services.	Progression of Cycle projects, Meadows to George Street project, City Centre West to East Cycle project, West Edinburgh Active Travel Network, Bridge Strengthening and Replacement, Road Safety and Design projects, Dowie's Mill Weir project, Depot Review and Council Housebuilding Programme.
<b>Alan Motion Tree Consulting Ltd</b>	4,500	Environmental Consultancy Services.	Progression of cycle projects - Roseburn to Union Canal Active Travel Route Tree Survey.
<b>Anturas Consulting Limited</b>	206,883	Project Director and Project Assurance Services.	Progression of Edinburgh Tram to Newhaven project and Ticket Vending Machine Procurement Strategy.
<b>AOC Archaeology Group</b>	16,990	Professional Archaeological Services.	Archaeological evaluations at High Street, Inch, Leith and Powderhall Stables.
<b>Atkins Limited</b>	302,464	Technical Adviser Services.	Technical Advisory Services for Edinburgh Tram to Newhaven Project.
<b>Balfour Beatty Civil Engineering Ltd</b>	5,000	Design Services for the Replacement of Burnshot Bridge.	Progression of the Burnshot Bridge Replacement Project. The New Burnshot Bridge opened on 29th July 2020.
<b>BHL Consultancy Ltd</b>	292,467	Clerk of Works and Paint Steelwork Inspector Services.	Progression of North Bridge Refurbishment. Clerk of Works services for Edinburgh Tram to Newhaven Project.
<b>Capita Property &amp; Infrastructure Ltd</b>	346,728	Construction Professional Services - Engineering Services and Technical Support.	Progression of Carriageway and Footpath Works, Road Safety Schemes and Asset Management works at Craigentenny Primary School, Balerno High School, Leith Academy, Benmore and Lagganlia Outdoor Centres, Central Library and City Mortuary.
<b>Cundall Johnston &amp; Partners LLP Total</b>	61,159	Mechanical and Electrical Engineering Services. Specialist Engineering and Design Consultancy Services.	Progression of Council Housebuilding Programme at Fountainbridge. Progression of Asset Management Works at Leith, Murrayburn and Wardie Primary Schools.
<b>David Adamson and Partners Ltd</b>	135,786	Quantity Surveying and Employer's Agent Professional Services.	Scope out and shape delivery of the new build housing programme for both Social Rent and Mid-Market rent through Edinburgh Living. Council Housebuilding Programme at Cowan's Close, Dumbryden, Greendykes, Liberton, Meadowbank, Parkview, Pennywell, Powderhall and Sighthill.
<b>Environtec Ltd</b>	16,980	Asbestos Consultancy Support Services.	Provision of Asbestos Analytical Services for Council housing properties.
<b>Franks Portlock Consulting Limited</b>	6,228	Professional Environmental Services.	Progression of Asset Management Works.
<b>Gardiner and Theobald LLP</b>	33,944	Quantity Surveying Services.	Development of New Meadowbank Sports Centre.
<b>Hardies Property &amp; Construction Consultants</b>	256,613	Quantity Surveying Services.	Progression of new build housing project at Silverlea, Land stabilisation works to sloped land on Water of Leith Walkway. Delivery of Asset Management Programme projects at St Leonard's Nursery School, Corstorphine, Cramond, Dean Park, Granton, Holy Cross, Kirkliston, Liberton, Roseburn, Royal Mile, St Marks Primary Schools, Corstorphine Library, MortonHall Crematorium, Portobello Swim Centre, Benmore Outdoor Centre.
<b>Hickton Consultants Limited</b>	312,054	Structural and Civil Engineering Services, Clerk of Works Services and Mechanical and Electrical Building Services.	Progression of Council Housebuilding Programme at Pennywell. Professional services for Asset Management Works school kitchen upgrades and Tower Street to Inch project.
<b>Hutton + Rostron Environmental Investigations Limited</b>	5,805	Environmental Consultancy Services.	Timber Decay and Masonry Moisture Content Surveys - Powderhall Stables.
<b>Insight GEO Limited</b>	6,250	Ground Investigation Services.	Desk Top Site Investigation for Council Housebuilding Programme.
<b>Ironside Farrar Ltd</b>	9,825	Landscape Architecture, Environmental Planning and Civil Engineering Services.	Professional support for carriageway and footpath works.
<b>J A B Services UK</b>	5,764	Edinburgh Tram Extension and Leith Programme Board - Specialist Advisor.	Independent advice on Edinburgh Tram To Newhaven project.
<b>Jacobs UK Ltd</b>	541,936	Traffic Modelling and Transport Planning Consultancy Services.	Support for delivery of Active Travel Cycle Projects, West Edinburgh Transport appraisal and new build housing project at Meadowbank.
<b>Malcolm Hughes Land Surveyors Ltd</b>	13,365	Topographical Survey Services.	Professional support for carriageway and footpath works.
<b>Nationwide Data Collection (Scotland) Ltd</b>	30,161	Professional Traffic Survey services.	Surveys for road safety and safe walking and cycling route projects.
<b>New Practice Limited</b>	100,860	Architectural Services.	Progression of development of Craigmillar site.
<b>Ove Arup and Partners Scotland Ltd</b>	33,793	Design and Engineering Services.	Update of Water of Leith hydraulic model.



<b>Ramboll UK Limited</b>	4,000	Engineering and Design Services.	Development of New Meadowbank Sports Centre.
<b>Rettie &amp; Company Limited</b>	6,000	Property and Estate Management Services.	Development of economic model to assist with Levelling Up bid for Pennywell.
<b>RSP Consulting Engineers LLP</b>	66,158	Mechanical and Electrical Engineering Services.	Progression of New Build Housing project at Powderhall and development of New Meadowbank Sports Centre.
<b>Sandy Brown Limited</b>	1,870	Acoustic Engineering Services.	Development of New Meadowbank Sports Centre.
<b>Sentinel Clerk of Works Limited</b>	25,644	Clerk of Works Services.	Progression of Asset Management Works at Abbeyhill, Currie, Dalmeny, Dalry, Dean Park and Pentland Primary Schools.
<b>Systra Limited</b>	7,424	Specialist Technical Services.	Support for Delivery of City Centre West to East Cycle Link and Street Improvements Project Monitoring Plan.
<b>Tetra Tech Environment Planning Transport Limited</b>	11,715	Environmental Engineering Services.	Support for delivery of George Street and First New Town Public Realm Project and City Centre West to East Cycle Link.
<b>Tracsis Traffic Data Limited</b>	12,785	Engineering and Technical Services.	Progression of road safety traffic monitoring surveys and Active Travel road closure surveys.
<b>Turner &amp; Townsend Project Management Limited</b>	2,325,940	Project Management Services.	Ongoing Development of Edinburgh Tram to Newhaven Project.
<b>Total</b>	<b>6,438,594</b>		

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# Finance & Resources Committee

10am Thursday 10<sup>th</sup> November 2022

## Telefonica UK Ltd (O2) – Voice Services (Mobile & Fixed Lines) Contract Award

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 In line with the Council's Contract Standing Orders (CSOs), it is a requirement that approval is sought from the Finance and Resources Committee to:
- Direct Award an extension to Telefonica UK Ltd (O2), under RM 3808 Crown Commercial Services Framework Network Services 2 (NS2) combining Lots 3 for Fixed and 6 for Mobile.
- 1.2 Approval is sought to award the contract for a period of 24 months with an option to extend for a further 12 months to 36 months, which is the maximum available term for any service offer including mobiles under RM 3808 Crown Commercial Services Framework NS2 combining Lots 3 for fixed and 6 for mobile. This will cover the following:
- Network Services
    - Sim only mobile provision, commitment 5700 sims, current usage 9758.
    - Fixed Line comprising PSTN, ISDN2 and ISDN30, with no commitment on volume or spend, current usage 1632, at an estimated value of £1.14m per annum, excluding annual credit of £220k.

**Richard Carr**

Interim Executive Director of Corporate Services

Contact: Nicola Harvey, Service Director, Customer and Digital Services,

Customer and Digital Services Division, Corporate Services Directorate

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# Report

## 2. Executive Summary

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- 2.1 To ensure that Council can provide support for staff and continue service delivery we need to maintain Mobile and Fixed line functionality.

## 3. Background

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- 3.1 Telefonica UK Ltd (O2) were awarded a 36 month contract in 2017 for Mobile Telecommunications with a committed volume of 5,700 Sims. Fixed Line Services including landlines, SIP and ISDN were awarded with no commitment on volume or spend.
- 3.2 A 24-month extension to this was agreed in 2020 with spend to £2.297m on Mobile and Fixed Line services, excluding £445k rebates.
- 3.3 Fixed lines transitioned where possible to CGI as part of the ICT Contract LAN and Voice provision, however there are still instances where Fixed lines cannot change due to network location. Spend on Fixed Line Services has decreased over the period of the contract by circa 50%.
- 3.4 Sim volumes have increased to a quantity of 9,758, (as of 21<sup>st</sup> October 2022), including an additional 1k Sims procured to support Covid requirements. This volume has increased over the last few years, to ensure Council Services were maintained. Services are actively reviewing this in the light of new, alternative technologies offered such as softphones.
- 3.5 Hardware purchases are an option under the Framework, but these are not included in the forecast spend values. These are procured directly by business areas on an as and when required basis, mobile hardware – primarily handsets, are not managed, nor budgeted, centrally.
- 3.6 Charges proposed by Telefonica UK Ltd (O2), have been market tested and deliver a value for money framework when measured against other similar services.
- 3.7 Spend in the 24-month period would be up to £1.8m on Mobile services excluding the £440k rebates and up to £480k on Fixed Lines. Values are based on the current average monthly spend of £75k on sims, including all data and calls, and £17k on Fixed Lines.

## **4. Main Report**

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- 4.1 Our mobile landscape continues to change as new technologies and our Digital and Smart City Strategy continues to evolve and supports the Council in the delivery of its services. The Covid pandemic has also changed the way we work as a Council along with the tools and technologies we use.
- 4.2 If we were to change the current provider of these services the Council would have to invest in new hardware and resource the change of almost 10,000 SIMs in phones, tablets and fixed infrastructure across the Council. This would be an unbudgeted expense and a logistical challenge with the flexible working model. Similar size Local Authorities have reported cost of change at circa £300k, pre Covid.
- 4.3 We must continue to provide mobile functionality and support staff and service delivery.
- 4.4 The committed sim volumes in the contract are less than current usage providing the flexibility to reduce usage as required and support initiatives such as Use Your Own Device (UYOD).
- 4.5 Delivered as part of this contract are several Analogue PSTN lines. These lines will be decommissioned by wholesaler BT Openreach by 2025 and we will migrate away from these over the period of the contract extension.

## **5. Next Steps**

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- 5.1 If approved Award letter issued to Telefonica UK Ltd (O2) advising of our acceptance of a 24-month award under RM3808, with an option of a further 12 months extension.

## **6. Financial impact**

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- 6.1 The Council will receive a financial credit of a £220k per annum credit from Telefonica UK Ltd (O2) to be offset against the costs of the contract and there is budget provision for these costs.

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

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- 7.1 Staff mobile working is critical and extending the Telefonica UK Ltd (O2) award ensures continuity of services and communication.
- 7.2 This also provides the Council with continuity to review the impact of the withdrawal by BT Openreach of Analogue PSTN lines scheduled for 2025 and enable Services to implement appropriate alternatives for these services.

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

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None.

## **9. Appendices**

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None.

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Award of the Supply of Five Electric Refuse Collection Vehicles

<b>Executive/Routine Wards Council Commitments</b>	<b>Routine All</b>
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### 1. Recommendations

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- 1.1 It is recommended that Finance and Resources Committee approves:
- 1.1.1 The award of a contract for the supply of five Electric Refuse Collection Vehicles to Dennis Eagle Limited via a direct award process from the Crown Commercial Services RM6060 Vehicle Purchase framework agreement at a value of £2,177,525.
  - 1.1.2 The commencement of the contract in November 2022, which will be completed upon delivery of the vehicles, subject to the requirements of the City of Edinburgh Council.

#### Paul Lawrence

Executive Director of Place

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## Award of the Supply of Five Electric Refuse Collection Vehicles

### 2. Executive Summary

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- 2.1 This report seeks approval to award a contract for the supply of five electric refuse collection vehicles to Dennis Eagle Limited, to commence in November 2022, with an expected lead time of approximately 32-34 weeks at a total value of £2,177,525. The award of these vehicles will contribute towards the Council's Net Zero target, reducing the Council's carbon footprint through a reduction in carbon output.

### 3. Background

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- 3.1 The Council has declared a climate emergency in 2019 and is working towards becoming a Net Zero carbon organisation by 2030. One of the Council's key areas in ensuring the delivery of the Net Zero target is the Council's Fleet, which represents 10% of the total corporate carbon footprint.
- 3.2 The Council currently operates 66 diesel-fuelled 26-tonne refuse collection vehicles. This vehicle group burned a total of 677,994 litres of diesel in financial year 2021/22 delivering the waste collection service equating to 27% of total fleet emissions or 3% of the Council's total emissions.
- 3.3 The Council Emissions Reduction Plan (CERP) was approved in [November 2021](#) outlining a phased action plan for reducing these emissions. It sets out the strategic approach and key actions the organisation will take to ensure that, subject to the appropriate funding being secured, it will be a net zero organisation by 2030. The CERP follows on from the Council signing the Edinburgh Climate Compact in December 2020 where it committed to make changes to its operations, transport and buildings to support the city's target of net zero by 2030. The [Climate Compact](#) is a commitment by the leading businesses and employers in Edinburgh to take action within their own organisation to contribute to a green recovery and radically reduce the city's carbon emissions.<sup>1</sup> It has 25 members to date.
- 3.4 Council fleet emissions have remained stable compared to last year (+0.4% increase in overall emissions) and have only decreased by 11% compared to

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<sup>1</sup> Commitment 1.3 of the Climate Compact: "Invest in a switch to zero emission company owned vehicles."



2014/15. It is critical to transition the fleet to low-carbon alternatives to achieve carbon targets. The CERP includes a dozen of actions to decarbonise the Council fleet. Action F8 in particular focusses on the heavy fleet: “Begin the roll out of alternatively powered heavy vehicle fleet”.

- 3.5 There is potential to source future grant funding and match funds internally to target additional electric refuse vehicles, in the future, when these can be evidenced as a suitable and successful replacement to typical diesel refuse collection vehicles. Purchasing any new diesel refuse collection vehicle would “lock-in” future emissions given that those would still be in operation by the 2030 net zero target date.
- 3.6 The Council was awarded Zero Waste Scotland grant funding to the value of £2,125,000 to purchase five fully electric refuse collection vehicles, the additional funding for this requirement will be met from the Council’s Fleet Capital budget.

## 4. Main report

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- 4.1 Fleet Services identified the requirement for the purchase of electric refuse collection vehicles which are required to be narrow chassis in order to successfully deliver within the cityscape and some of its narrow and difficult streets.
- 4.2 Commercial and Procurement Services (CPS) conducted a review of potential suppliers who had the capability to provide narrow chassis electric refuse collection vehicles. The outcome was that Dennis Eagle Limited were the only supplier who could meet this requirement. Whilst Dennis Eagle Limited do sell their narrow chassis to other suppliers for use with their own body, the most commercially viable option was to contract with the Original Equipment Manufacturer (OEM) for the fully completed vehicles.
- 4.3 Following the supply market review, it was identified that the Crown Commercial Services (CCS) Framework RM6060 – Vehicle Purchase framework agreement (Lot 3: Medium to heavy Commercial Vehicles 7.5 tonnes and above) offered a suitable route to procure the requirement.
- 4.4 Following the review of CCS documentation, Dennis Eagle Limited was invited to quote for the Council’s requirement on 22 September 2022.
- 4.5 Their quotation was submitted on 6 October 2022 and met all the Council’s specified requirements for the vehicles as well as including a full three-year warranty as standard.
- 4.6 Electric refuse collection vehicles have several environmental benefits:
  - 4.6.1 They produce significantly lower greenhouse gas emissions than their diesel counterparts, even when taking into account embodied emissions from the battery manufacturing. A key factor influencing the lifecycle analysis is the carbon content of the electricity grid. An analysis by Carbon Brief<sup>2</sup> shows that EVs are ‘responsible for considerably lower emissions over their lifetime than

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<sup>2</sup> [Factcheck: How electric vehicles help to tackle climate change, Carbon Brief. Accessed 19/10/2022](#)

conventional (internal combustion engine) vehicles across Europe as a whole. As countries decarbonise electricity generation to meet their climate targets, driving emissions will fall for existing EVs and manufacturing emissions will fall for new EVs. In the UK in 2019, the lifetime emissions per kilometre of driving a Nissan Leaf EV were about three times lower than for the average conventional car, even before accounting for the falling carbon intensity of electricity generation during the car's lifetime.'<sup>3</sup> A report<sup>4</sup> produced by Ricardo for the UK Department for Transport in 2021 concludes that this is true 'across all vehicle types (...) due to the UK's very clean electricity mix.' They add that 'improvements in battery technology, battery manufacturing and end-of-life treatment are projected to significantly reduce the lifecycle GHG emissions of battery electric vehicles in the future';

4.6.2 They improve local air quality by not producing exhaust fumes. Particles are, however, still produced by brake abrasion and tyre wear; and

4.6.3 They are quieter than their diesel equivalent, which improves working conditions for collection crews while marginally reducing noise pollution.

4.7 It is estimated the replacement of five refuse collection vehicles could save 127 tCO<sub>2</sub>e in the first year of operation, or 2% of total fleet emissions. Cumulated savings over the vehicles' lifetime (assumed 8 years) could be as high as 912 tCO<sub>2</sub>e, taking into account embodied emissions from the battery.<sup>5</sup> This is equivalent to the emissions generated by 3.3 million miles driven by an average car, or the annual carbon footprint of 109 average UK residents.

4.8 A report produced by Eunomia<sup>6</sup> provides answers to frequently asked questions around electric refuse vehicles, such as around range, steep slopes, availability, charging time.

## 5. Next Steps

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5.1 Subject to Committee approval, the contract will commence in November 2022 and delivery of the vehicles will be made within 2023, following an approximate lead time of 32-34 weeks.

5.2 The contract will be managed by the Fleet and Workshops manager. The contract manager will support implementation and contract management delivery throughout the contract lifecycles and be supported by the Contract and Grant Management

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<sup>3</sup> The same conclusion is reached in an analysis by Transport & Environment in '[T&E's analysis of electric car lifecycle CO<sub>2</sub> emissions](#)' (2020). 'An average EU electric car is already close to three times better than an equivalent conventional car today. (...) Electric cars outperform diesels and petrols in all scenarios, even on carbon intensive grids such as Poland, where they are about 30% better than conventional cars.'

<sup>4</sup> [Lifecycle Analysis of UK Road Vehicles, Ricardo \(2021\)](#)

<sup>5</sup> Assumptions: grid decarbonisation in line with Treasury Green Book projections; average annual diesel consumption from a 26T RCV = 11,143 L; electricity consumption: 1.15 kWh/km; battery capacity: 300 kW; embodied emissions from battery = 106 kgCO<sub>2</sub>e/kWh

<sup>6</sup> [Ditching Diesel - A Cost benefit analysis of electric refuse collection vehicles](#), Eunomia (2020)

Team (CAGM). A contract management and handover report, detailing the necessary steps and measures, will be produced, and agreed.

## 6. Financial impact

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- 6.1 The contract value of £2,177,525 comprises the specified vehicle costs and includes optional extras (value of £7,425). The costs associated with this contract are intended to be met by the following funding routes:
  - 6.1.1 £2,125,000 will be met through the Zero Waste Scotland grant funding;
  - 6.1.2 The grant shortfall of £45,100 has been requested to be met by Zero Waste Scotland. If this is not possible, the funding will be fulfilled from the Fleet Capital budget; and
  - 6.1.3 The optional extras (hopper reinforcement and cleaning accessories for each vehicle) cost of £7,425 will be met from the Council's Fleet Capital budget.
- 6.2 These costs associated with this contract award are fixed one-off costs for the supply of the five electric refuse collection vehicles.
- 6.3 The costs associated with procuring this contract are estimated to be below £10,000.
- 6.4 Financial savings are expected in the following areas:
  - 6.4.1 Fuel costs: driving an electric refuse vehicle is around three times cheaper than a diesel refuse collection vehicle (RCV);
  - 6.4.2 Vehicle excise duty (VED): several hundreds per year for diesel vehicles; free for electric vehicles;
  - 6.4.3 Air quality damage costs<sup>7</sup>: it is estimated that each Litre of diesel used costs seven pence to the society due to impacts on human health, costs to the NHS, productivity, wellbeing and the environment;
  - 6.4.4 Carbon costs<sup>8</sup>: Carbon values used by the UK Government in policy appraisal represent a monetary value that society places on one tonne of carbon dioxide equivalent (£/tCO<sub>2</sub>e). The carbon value (£248/tCO<sub>2</sub> in 2022) is set at a level that is consistent with the level of marginal abatement costs required to reach the targets that the UK has adopted at a UK and international level;
  - 6.4.5 Service, maintenance and repair costs: expected to be lower for electric vehicles; and
  - 6.4.6 Vehicle insurance: expected to be lower for electric vehicles.
- 6.5 The Eunomia report: Ditching Diesel A Cost-benefit Analysis of Electric Refuse Collection Vehicles (2020) finds that 'the total cost of ownership (TCO) of electric

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<sup>7</sup> [Air quality appraisal: damage cost guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/air-quality-appraisal-damage-cost-guidance)

<sup>8</sup> [Valuation of greenhouse gas emissions: for policy appraisal and evaluation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/valuation-of-greenhouse-gas-emissions-for-policy-appraisal-and-evaluation)

and diesel vehicles over their lifespan is very similar. The eRCV's TCO is £29,608 (5.2%) greater than that of the diesel equivalent; if the monetised impact of emissions is included, the eRCV offers a saving of £12,365 (2.0%).

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

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- 7.1 Dennis Eagle Limited has committed to the delivery of appropriate localised Community Benefits. Potential community benefits will include:
  - 7.1.1 500 free Dennis The Dustcart Books - The books provide an engaging approach to making homework fun and enjoyable for children and parents, following the national curriculum through interactive, colourful crosswords and puzzles. The primary objective of the book is to change the recycling behaviour of families through practical parental engagement with their children to understand why recycling is important; and
  - 7.1.2 Two days provision of a converted refuse collection vehicle classroom - working with the Council to develop roadshows on recycling, waste, engineering and other related topics that we can take to local schools.
- 7.2 Dennis Eagle Limited pay the Real Living Wage and are fully accredited and all employees including sub-contracted staff are paid the Real Living Wage across the United Kingdom. Their apprentices are paid a higher salary than the national apprentice rate and they do not operate zero-hour contracts in any part of the business.
- 7.3 Dennis Eagle Limited are Investors in People Accredited, an equal opportunity employer and currently have 38 apprenticeships in place.
- 7.4 The replacement of five diesel vehicles with electric alternatives is a key action of the CERP and will contribute to the Council's net zero target by 2030.
- 7.5 This procurement contributes towards the Council Commitment 'Delivering a sustainable future - Improve Edinburgh's air quality and reduce carbon emissions and Business Plan Priorities - 2. Becoming a net zero city and 12. On track to deliver our 2030 net zero target

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

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- 8.1 [Council Emissions Reduction Plan](#), 2021
- 8.2 [Ditching Diesel: A Cost-benefit Analysis of Electric Refuse Collection Vehicles](#), Eunomia, 2020
- 8.3 [Lifecycle Analysis of UK Road Vehicles](#), Ricardo, 2021

**9. Appendices**

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9.1 None.

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Award of Contract for Restoration of Granton Gas Holder

Executive/routine  
Wards  
Council Commitments

Executive  
Forth

### 1. Recommendations

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- 1.1 It is recommended that the Finance and Resources Committee:
- 1.1.1 Approve the award of contract to McLaughlin & Harvey Limited following a competitive process under the Crown Commercial Service Procurement Framework to restore the Granton Gas Holder and create new public realm;
  - 1.1.2 Note the works will be up to a contract value of £18.887m split into restoration works to the gas holder frame (£17.903m) and a provisional sum for the delivery of the public realm package (£0.984m);
  - 1.1.3 Note that, as set out in section 6.2, funding currently secured for the project will be prioritised to complete the restoration works to the gas holder frame, with the works to complete the public realm instructed as additional funding is secured; and
  - 1.1.4 Approve the transfer of the Gasholder and the plot it resides upon from the Housing Revenue Account (HRA) to the General Fund prior to the commencement of the restoration and public realm works.

**Paul Lawrence**

Executive Director of Place

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## Award of Contract for Restoration of Granton Gas Holder

### 2. Executive Summary

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- 2.1 The Granton Gas Holder forms a key component of the Granton Waterfront regeneration, which over the next 10-15 years will create a new sustainable coastal town for Edinburgh and the City Region.
- 2.2 This report seeks approval to appoint McLaughlin & Harvey Limited following a competitive process carried out under the Crown Commercial Service Procurement Framework to restore the Granton Gas Holder and create public realm, up to a contract value of £18.887m.

### 3. Background

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- 3.1 The Council acquired the Granton Gas Holder as part of its purchase of the Forthquarter site from National Grid in March 2018. A condition of the purchase was that the gas holder would be comprehensively restored.
- 3.2 Following the approval of the Granton Waterfront Development Framework by Planning Committee on [26 February 2020](#), the restoration of Granton Gas Holder was identified as a key project to unlock and enable the surrounding land within the development area.
- 3.3 On [5 October 2021](#), the Policy and Sustainability Committee approved the findings of the Granton Waterfront Regeneration Outline Business Case which outlined how the restored gas holder provides an early opportunity to lead on placemaking.
- 3.4 On [10 June 2021](#), the Policy and Sustainability Committee agreed to submit the Granton Gas Holder restoration to the UK Government Levelling Up fund 2021/22 funding round. The fund aims to provide capital investment in local infrastructure to encourage economic recovery and growth. The application was successful and secured £16.483m of funding.
- 3.5 On [4 August 2022](#), Housing, Homelessness and Fair Work Committee approved the provisional allocation of £1.259m from the Council's Place-based Investment programme to the Granton Gas Holder project.



## 4. Main report

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- 4.1 The Granton Gas Holder forms part of the wider Granton Waterfront regeneration which will create a new coastal town, home to around 8,000 people on Edinburgh's waterfront. It will deliver around 3,500 net zero homes, a primary school, a health centre, a low carbon heat network, commercial and cultural space and a new coastal park. These new uses will be supported by new cycling and walking routes and enhanced public transport connections. Through exemplar urban design and planning, the realisation of benefits associated with achieving a 20-minute neighbourhood with enhanced connections to the city and wider region will create a truly outstanding place to live, work, learn and visit.
- 4.2 A contractor is required to restore the Granton Gas Holder and create high-quality public realm within the structure.
- 4.3 The restored structure will become a key anchor for phase one of the regeneration, acting as an enabler for the surrounding plots which will deliver; private and affordable housing, a new medical centre, a new primary school, the first phase of a low carbon heat network and commercial space. The project will ensure place-making is achieved from the outset while restoring and stabilising the structure so that the plots surrounding the gas holder can be built out safely.
- 4.4 The UK Levelling Up Fund was launched by UK Government on 11 March 2021 and the Granton Gas Holder was identified for inclusion in a bid package for Edinburgh. The bid for the gas holder was successful in securing £16.483m of funding which is required to be spent by 31 March 2024.
- 4.5 The procurement of a two-stage design and build contract was progressed to ensure that the funding can be drawn down and spent within this timescale.
- 4.6 With the support of Commercial and Procurement Services, the contract was tendered utilising the Crown Commercial Service Procurement Framework. The contract was split between pre-construction and construction services:
  - 4.6.1 Pre-construction Services: Full design team services including all associated studies, site investigations, submission of all statutory approvals, the preparation of a tender proposal for the main works and pre-start consents including scaffold design and discharge consents; and
  - 4.6.2 Construction Services: Construction of the approved design to an agreed specification and cost.
- 4.7 The Council received two tenders and following an evaluation process, McLaughlin & Harvey Limited was deemed the preferred bidder.
- 4.8 Pre-construction services commenced in October 2021 and concluded in October 2022 with the submission of the contractor's proposals.
- 4.9 Listed Building Consent for the restoration of the frame was approved in August 2022 and an application for planning permission for the public realm has been submitted.

- 4.10 Extensive surveys, intrusive trials and virtual modelling has been carried out to fully understand the scope of the restoration. This has allowed a fixed priced lump sum contract to be agreed for the restoration works.
- 4.11 Due to current funding availability and the Council's approach to risk, the contractor's proposals have been broken down in to two main work packages:
- 4.11.1 Package One - Site decontamination, removal of redundant structures, infilling of gas storage bell, restoration and painting of steel structure, feature lighting and drainage.
- 4.11.2 Package Two - High quality public realm, including, leisure and commercial space, associated landscaping and planting, permanent feature and amenity lighting.
- 4.12 The public realm elements of the scheme, Package Two, will be included within the contract as a provisional sum until such time when the Council has secured additional funding.

## 5. Next Steps

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- 5.1 Subject to approval by the Finance and Resource Committee, McLaughlin & Harvey Limited will be appointed to carry out the construction services.
- 5.2 It is anticipated that construction will commence in January 2022, for a duration of around 16 months.
- 5.3 Additional funding for the public realm as set out in section 4.11.2 is being sought from the Scottish Government's Vacant and Derelict Land Fund to tie in with the overall programme of delivery and allow for this element of the project to be delivered within these works. A second stage bid application has been submitted and the Council awaits the outcome of this over the next three to six months. If successful, this will secure up to £1.3m of further grant funding.

## 6. Financial impact

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### **Pre-construction and construction stages**

- 6.1 The works cost has been prepared and market tested by McLaughlin & Harvey with the Council's independent cost consultant providing critical scrutiny to ensure best value.
- 6.2 The funding currently secured has been prioritised to complete the restoration works to the gas holder frame and site enabling. The projected financial position is set out in the table below:

Costs	£m
Pre-construction costs incurred to date	0.926
Package One – decontamination, restoration of frame, feature lighting, demolition of bell and infill, drainage solution.	17.903
Additional fees including cost consultant, specialist clerk of works, archaeological services and contingency	0.744
<b>Total Cost</b>	<b>19.573</b>
<b>Funding</b>	
Levelling Up Funding	16.483
Council capital funding (Housing Revenue Account (HRA))	1.831
Place Based Investment Programme	1.259
<b>Total Funding</b>	<b>19.573</b>

- 6.3 Work Package Two relating to the delivery of public realm is currently accounted for as a provisional sum of £0.984m in the total contract value and will be instructed within this contract if additional funding is secured over the next nine months. The project team have submitted an application to the Scottish Government's Vacant and Derelict Land fund which if successful, will allow this package to be undertaken.
- 6.4 Restoring the gas holder was a key condition forming part of the purchase of the Forthquarter site from National Grid. It forms a key intervention in advance of phase 1 of the Granton Waterfront regeneration to ensure place-making is optimised and that the surrounding plots can be built out safely. The £1.831m HRA contribution will allow for the phased delivery of new social and other affordable homes to progress in conjunction with key infrastructure and services.

#### **Operational maintenance and lifecycle costs**

- 6.5 In order to reduce lifecycle costs, a four-layer paint specification with 15 years to first maintenance has been proposed. Within the first 15 years, it has been recommended that in order to maintain the structure and public realm in good condition, a budget of £15,000 per annum should be set aside.
- 6.6 The key future lifecycle expenditure for the structure is estimated as a total of £2.9m between years 15 and 25.
- 6.7 The gas holder plot is currently on the HRA asset portfolio. Prior to commencement of the restoration and public realm works, it is proposed that this plot is transferred to the General Fund (GF) asset portfolio. Once completed, the public realm will attract revenue streams from, for example, concessions, pop up commercial activities, meanwhile and festival uses etc. Informal discussions have taken place with a number of festival organisers who have expressed strong interest in the opportunity to hold events in the area in and around the gas holder.
- 6.8 Any income generated will be allocated to a maintenance fund for the structure and associated public realm for the annual and longer-term life cycle costs. This will

ensure that the environment remains safe, welcoming and attractive to operators, community and visitors alike in the long term.

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

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### **Consultation**

- 7.1 Significant consultation was undertaken with stakeholders and the local community during the development of the [Granton Waterfront Development Framework](#).
- 7.2 Public consultation for the gas holder was carried out in February 2022 as part of the Planning process.
- 7.3 The Council used online consultation tools as well as an in-person event at the Morrisons Supermarket adjacent to the gas holder on Waterfront Broadway.
- 7.4 The Council's Consultation Hub was used to engage stakeholders, share information and collect comments and feedback.
- 7.5 The consultation was advertised on various platforms and The Granton Waterfront Regeneration mailing list was notified of the consultation, including details of how they could contribute.
- 7.6 Following this consultation, feedback was collated and incorporated into the design.

### **Sustainability and Placemaking**

- 7.7 In order to realise the ambitious vision for Granton Waterfront, the Council has stipulated a high specification for the restoration and public realm including generous and high-quality green space, active travel infrastructure, and high-quality materials.
- 7.8 The site has been designed to champion the Council's [Vision for Water Management](#) and features Sustainable urban drainage including basins and filter drains to create a climate resilient community.

### **Community Benefits and Fair Works Practices**

- 7.9 The Contractor appointed is required to support the Council's economic and social regeneration strategic goals and to deliver community benefits that are shaped by local context and the needs of the local community.
- 7.10 McLaughlin & Harvey Ltd is an accredited Real Living Wage employer and has also signed up to the Scottish Business Pledge, demonstrating an ongoing commitment to fair and progressive business practices. It has also committed to the Council's Construction Charter.
- 7.11 As part of the procurement process McLaughlin & Harvey Ltd committed to the following community benefits:
  - 7.11.1 Support for local community charities including mentoring, volunteering and supporting local third sector organisations and community food banks;

- 7.11.2 Educating and providing outreach support to local students through training, site visits and construction related courses;
- 7.11.3 Employability and skill support through the appointment of two modern apprentices, a number of work experience placements and targeted recruitment aimed at helping Long Term Unemployed Persons back into work;
- 7.11.4 Sponsorship and Funding opportunities with £11,000 committed to local community groups; and
- 7.11.5 Supply chain and business collaboration support through Meet the Buyer Events, use of a social enterprise and targeted supply chain opportunities which aim to support local Small to Medium Enterprises.

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

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- 8.1 None.

## **9. Appendices**

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- 9.1 None.

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Asset Management Works Programme- 2021/22 Update

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

- 1.1 It is recommended that Finance and Resource Committee:
- 1.1.1 Notes that despite the continuing impacts of COVID-19, the five-year Asset Management Works (AMW) Programme remains on schedule;
  - 1.1.2 Notes the continuing positive impact of the programme by improving the asset condition of the operational assets and the associated benefits they bring to the stakeholders such as better building environments for users;
  - 1.1.3 Notes the actual 2021/22 spend is £23.236m, which represents 114% of the 2021/22 budget;
  - 1.1.4 Notes the overall programme capital spend is ahead of schedule. Up to the end of March 2022, with 80% of the programme time expended, the total AMW Programme spend is at 91.5%; and
  - 1.1.5 Notes the AMW Programme has been identified as the future delivery route for future 'EnerPHit Tranche 1' programme of buildings retrofit works, as approved by the Policy and Sustainability Committee on [30 August 2022](#).

**Paul Lawrence**

Executive Director of Place

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## Asset Management Works Programme – 2021/22 Update

### 2. Executive Summary

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- 2.1 In January 2018, a new five-year programme, the Asset Management Works (AMW) Programme was approved to upgrade operational property condition. This programme was designed to first stabilise, and then upgrade the condition of, the Council's operational estate to a safe and satisfactory condition and to address the backlog of maintenance issues.
- 2.2 This report provides an update on the progress of the AMW Programme having completed four full years of delivery. It provides details of the AMW Programme works completed in 2021/22; their positive impact on the condition of the Council's operational estate; the impacts of COVID-19 on programme delivery; and explains how the programme will evolve in its final year of delivery and beyond to meet the Council's sustainability and Net Zero objectives while continuing to upgrade and maintain the operational estate to a satisfactory condition.

### 3. Background

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- 3.1 The Council's operational estate has grown organically over the years and is diverse, with assets of different functions, age, design and condition. The volume of buildings, coupled with a legacy of underinvestment, has resulted in a complex portfolio of buildings in varying conditions. Pre-2018, the historical programmes could only address priority issues due to budget limitations.
- 3.2 Until 2017/18 there had been a lack of detailed accurate management information on the condition of the Council's operational buildings which is needed to determine the capital investment to bring them to a safe, dry, legal and operable condition.
- 3.3 To improve the management information and forward planning capability, a comprehensive condition survey of the Council's entire operational estate was commissioned and completed in 2017. The outcome of that process was the detail required that resulted in the approval of a budget of £193m over five years to address the Council's operational buildings asset condition issues; to deliver the AMW Programme (capital); and to implement a new planned preventative maintenance (PPM) programme (revenue).



- 3.4 The AMW Programme was formally approved in January 2018 with a five-year capital budget totalling £118.9m to identify, plan, commission and deliver the works.
- 3.5 Against the backdrop of the original AMW Programme, there is now the Council's sustainability drive towards a Net Zero target by 2030. This Net Zero target will have a significant impact on the strategic direction of the AMW Programme and the Council's operational buildings portfolio in general.
- 3.6 There are 569 existing Council operational buildings accounting for an estimated 63% of the Council's total emissions. How the Council chooses to retrofit its operational buildings will have a direct impact on each building's operational carbon footprint and their contribution to the Council's Net Zero target.

## 4. Main report

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- 4.1 The five-year AMW Programme commenced in 2018/19 with objectives:
  - 4.1.1 To stabilise asset condition and ensure safe, legal and dry assets and to 'catch up' on the backlog of historic maintenance works to improve the risk profile for the operational estate; and
  - 4.1.2 To upgrade and improve the asset condition rating and building user environment of the operational estate.
- 4.2 The AMW Programme is now in the final year of the original five-year period. The benefits so far have been positive with the programme's completed projects having significant beneficial impacts in improving asset condition and resilience and enhancing the user environment for the operational estate. The improved condition of buildings also reduces the ongoing requirement for repairs and maintenance. While this will not automatically result in an overall reduction in the repairs and maintenance revenue costs because of the ongoing increase in the size of the estate, some further analysis will be carried out on this issue at the end of the five year programme to provide an indication of revenue costs which have been averted due to the capital investment.

### Asset Condition Ratings and Prioritisation of Capital Investment

- 4.3 One of the key measures of success of the AMW Programme, and the achievement of its intended objectives, is the impact of the programme on the operational estate's asset condition.
- 4.4 The Council uses 'Asset Condition Ratings' on a scale of condition A to D to assess and classify the condition of the operational assets. These ratings align with the Scottish Government's recommended condition classification methodology 'Core Facts' that was devised for the education estate. The definitions for each of the condition ratings are described in Figure 1.

Condition Rating Classification and Condition Scoring	Condition Definition
A (>85 – 100)	Good- performing well and operating efficiently

B (>60; ≤85)	Satisfactory- performing adequately but showing minor deterioration
C (≥40; ≤60)	Poor- showing major defects and/or not operating adequately
D (<40)	Bad- economic life expired and/or risk of failure

Figure 1- Asset Condition Ratings Classification and Definition

- 4.5 The asset condition ratings are used as part of a risk-based approach for future capital planning and investment decision-making. Capital investment is targeted at those buildings/properties with the lowest condition scoring and which present the highest risk to the Council in terms of asset failure.
- 4.6 The first buildings targeted for capital interventions in the programme were principally the Education estate with a condition C (poor) and condition D (bad) rating. In 2021/22, the focus of the programme has changed to be more pre-emptive to ensure that the low scoring condition B buildings do not drop to condition C or worse. Currently, there are still buildings which are classified as 'operational' and which are in either condition C or D. These are mainly located within the depots estate with their future being determined by the wider Depots Strategy. There are also a number of community centres for which their future will be dependent on the wider Community Centre Strategy.
- 4.7 The AMW Programme will align closely with the Council's future Operational Buildings Rationalisation Strategy. The programme does not prioritise buildings which could be rationalised, and which could be declared surplus to the Council's operational requirements.
- 4.8 In 2021/22, a classification exercise was completed to review all the previously reported 600+ operational buildings in the Council. It was found that many of the previously reported operational buildings were in fact small structures and sheds which could be re-classified as part of a building's external ground structures rather than buildings. Consequently, the number of Council operational buildings has been re-calibrated to 569 buildings.
- 4.9 The condition ratings for the 569 buildings (inclusive of PPP/DBFM properties) is summarised in Figure 2 (position to the end of March 2022):
- Condition A (good) - 213 buildings or 37.4%
  - Condition B (satisfactory) - 293 buildings or 51.5%
  - Condition C (poor) - 57 buildings or 10%
  - Condition D (bad) - six buildings or 1.1%
- 4.10 Of the 569 buildings, 534 are maintained by the Council and 35 buildings are maintained by third parties under the Council's PPP and DBFM contracts.

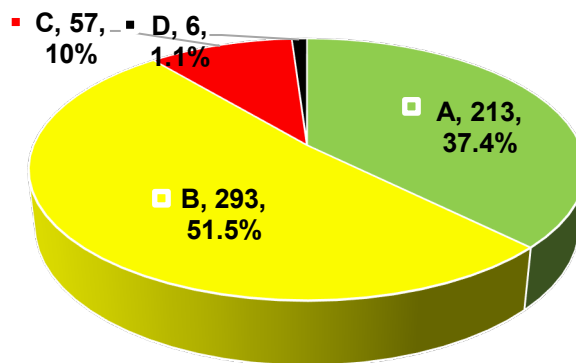


Figure 2- Asset Condition Ratings Split for the Council's operational buildings/properties

- 4.11 In addition, there are 48 operational buildings which are run by Edinburgh Leisure (EL). The service delivery and day to day maintenance of those buildings are the responsibility of EL, however, the terms of lease allow them to seek contributions from the Council for major capital upgrades.
- 4.12 Provision has been made within the AMW Programme to cover this obligation and a summary of the EL properties, which had refurbishment works carried out in 2021/22 with capital contributions from the Council, are included in Appendix 1.
- 4.13 The AMW Programme includes generic upgrade and improvement works across the operational estate such as fire services upgrade works, water upgrade works, energy management upgrades and structural improvement works.
- 4.14 Now in its fifth and final year of delivery, the programme has delivered significant condition improvements. In 2021/22, there has been an increase in number of 'condition A - Good' rated buildings compared to 2020/21 but the numbers of 'condition B - Satisfactory' rated buildings have reduced. There has been a marginal increase in the number of 'condition C - Poor' buildings with no change in the number of 'condition D - Bad' buildings as illustrated in Figure 3.

	2019/20 Percentage Makeup for CEC Operational Buildings	2020/21 Percentage Makeup for CEC Operational Buildings	2021/22 Percentage Makeup for CEC Operational Buildings	% Difference between 2021/22 and 2020/21
Condition A (Good)	21%	23.5%	37.4%	+13.9%
Condition B (Satisfactory)	67.6%	66.6%	51.5%	-15.1%
Condition C (Poor)	11.1%	8.8%	10%	+1.2%
Condition D (Bad)	0.3%	1.1%	1.1%	No change

Figure 3- Comparison Table of Operational Properties Condition Ratings in 2021/22 and 2020/21

- 4.15 Currently there are only six remaining buildings which are classified as condition D. All are depot buildings.
- 4.16 The main reason for some of these buildings still being in condition D is that many of these buildings continue to be 'Under Review'. Until such time that the reviews are complete, and their long-term future decided, these buildings would not be

included in the AMW Programme. Instead, minimum ‘wind and watertight’ works will be carried out to ensure that they are, as a minimum, safe for occupation. These works are undertaken as FM maintenance works rather than works under the AMW Programme.

- 4.17 In addition to the current Council operational buildings which are in condition D, there are other Council buildings which are non-operational i.e. they are no longer open nor provide a service to the public, though they are still owned by the Council. Many of these buildings are also in the ‘under review’ category while some are planned to be demolished. Again, for this group of buildings, there are no plans to invest in them although statutory compliance checks continue to be carried out by the Council’s FM team.

**2021/22 AMW Programme Update and the impact of COVID-19**

- 4.18 Compared to the year before, there was less COVID-19 related challenges on the programme in 2021/22 but some impacts remain. There have been fewer periods of enforced lockdowns in 2021/22, working hours are closer to pre-COVID levels and physical distancing restrictions have been lifted. As a result, 20 individual AMW projects were completed in 2021/22, a list of which is summarised in Appendix 2.
- 4.19 Compared with the works in previous years of the programme, while the focus of the 2021/22 works is still very much on upgrading primary schools, extensive works were also carried out to other types of operational buildings. The type of works are varied and tailored for each building based on its condition. Works carried out in 2021/22 range from external fabric enhancement works, such as roof and curtain wall/windows upgrades; mechanical and electrical improvements; internal fabric enhancements and toilet upgrades. A selection of photographs from some of the 2021/2022 ongoing and/or completed projects illustrating these upgrades can be found in Appendix 4.
- 4.20 Like previous years, the volume and scale of the programme require significant interventions to the building fabric and services. It has not been possible to restrict this scale of works to the school holidays for the education estate and the work programme has continued over term time.
- 4.21 For the larger scale school projects, the programme can run over a two-year period or longer. However, the AMW delivery teams have been and will continue to coordinate and work closely with buildings users to minimise disruptions to school operations and to ensure the works are carried out safely. In general, the school users have been accommodating, in that, they see beyond the inevitable short-term disruption to the long-term environmental improvements that the programme brings.
- 4.22 The 2021/22 ‘Top 10’ substantially completed projects in the order of the highest spend up to end March 2022 are indicated in Figure 4.

2021/22 ‘Top 10’ substantially completed projects in order of highest capital spend up to end March 2022	AMW Project Site
1	Warrender Park Swim Centre*
2	Estate wide Kitchen Upgrades
3	Buckstone Primary School

4	Royal High Primary School
5	Dean Park Primary School
6	Royal Mile Primary School Phase 2
7	Corstorphine Library
8	Murrayburn Primary School
9	Currie Primary School
10	Colinton Primary School
* Edinburgh Leisure Project	

Figure 4- Top 10 substantially completed AMW Programme sites in order of highest capital spend up to end March 2022

## Looking Ahead to the 2022/2023 Programme

- 4.23 There are 26 on-going projects which are targeted for completion in 2022/23 as detailed Appendix 3.
- 4.24 It is expected that COVID-19 and the recent spike in inflation will continue to have an impact on the AMW programme in 2022/23 as programme delivery will take longer and will cost more. It remains to be seen how much of an impact this will have on the programme delivery in the longer term but with demand for construction materials in the UK outstripping supply, suppliers are already reporting shortages in the supply of certain construction materials, delays in materials supply and delivery as well as up to 30% to 40% increases in construction material costs.
- 4.25 The 2022/23 'Top 10' planned AMW Programme projects in order of the highest spend are indicated in Figure 5. The trend in 2022/23 will be very much a continuation of the priority to address the education estate, in particular primary schools. Increasingly however, in addition to asset condition being the main driver of the programme, Net Zero considerations and in particular, 'EnerPHit' will have a significant influence on the direction of the AMW Programme and strategy in 2022/23 and beyond:

2022/23 'Top 10' planned AMW projects by highest capital spend	AMW Project Site
1	Balerno Community High School
2	City Chambers
3	Benmore Outdoor Centre
4	Craighentny Primary School
5	Central Library
6	Lagganlia Outdoor Centre
7	Holycross Primary School
8	Cramond Primary School
9	Dalry Primary School
10	Abbeyhill Primary School

Figure 5- 2022/23 Top 10 planned AMW Programme sites in order of highest capital spend

- 4.26 There will continue to be a shift in the condition focus of the AMW Programme in 2022/23. In the first four years of the programme, the approach had been to address buildings which are deemed to be the highest risk based on their condition- i.e. buildings with condition C (poor) and condition D (bad) ratings. Due to many of the condition C and D buildings already being addressed or already planned for in the programme, the emphasis of the programme is now more on ensuring that all

operational buildings are maintained to at least to a condition B (satisfactory) condition and that buildings do not deteriorate into condition C (poor) or condition D (bad).

### **Sustainability, Net Zero and their future impacts on the AMW Programme**

- 4.27 The Council's sustainability drive towards a Net Zero target by 2030 will have a significant impact on the strategic direction of the AMW Programme and the Council's operational buildings portfolio in general. This is not surprising given there are approximately 569 existing Council operational buildings, all of which need to be reviewed in terms of their individual operational carbon footprint and their individual contribution to the Council's Net Zero target.
- 4.28 Accordingly, this means that the main driver behind the formation of the AMW Programme in the first place, to mitigate asset risk by managing the condition of operational buildings, will be augmented by the additional drivers of low carbon and energy efficiency considerations.
- 4.29 In the past, Council buildings were selected for AMW Programme interventions based on an analysis of their asset condition and asset risk. In the future, buildings will be selected based not only on asset condition but also upon on low carbon and energy efficiency considerations and their potential contribution to low carbon targets.
- 4.30 The present AMW Programme delivers lifecycle replacement elements (windows, roofs, building services etc.) to current statutory standards. The specifications and standards used are focused on minimum condition requirements and fall short of bringing the estate up to the necessary low energy standard to meet the Net Zero target. Future works delivered by the AMW Programme will therefore need to be informed by the wider Net Zero agenda set by the Council and will be delivered to Net Zero or equivalent low carbon standard such as 'EnerPHit'.

### **The EnerPHit Standard and other Sustainable Retrofit Standards**

- 4.31 EnerPHit is the Passivhaus energy and comfort standard that focuses on retrofits on existing buildings. It focuses on improving the building fabric and the heating source and typically centres on improving thermal insulation, installation of energy efficient windows, comfort ventilation, heat recovery, airtightness, reduction of thermal bridging and energy efficient heating systems and circulation. Appendix 5 provides an illustration of the typical EnerPHit principles and interventions.
- 4.32 The adoption of an EnerPHit approach for the operational estate will have an increasing bearing on the AMW Programme, as the programme, being the Council's existing buildings refurbishment delivery vehicle is seen as the ideal delivery mechanism to implement future EnerPHit works. This approach was endorsed by the Policy and Sustainability Committee, on 30 August 2022, that approved the EnerPHit business plan and the first tranche of buildings to be considered.
- 4.33 Not all existing operational buildings are suitable for an EnerPHit approach however as its effectiveness is dependent on a building's construction type, its design/layout and its current condition. For some buildings it is simply not cost nor carbon

effective to apply an EnerPHit approach as the capital costs, resources and carbon involved will far outweigh any benefits achieved by adopting EnerPHit. Different buildings will benefit from different interventions and some will be greater than others.

- 4.34 Despite the above, applying an EnerPHit informed approach and implementing the tools, systems and methodologies that are the basis of EnerPHit will lead to benefits from the rigour and consistency of the EnerPHit informed approach, even for those buildings that will not actually target the specific metrics to meet the standard. However, there will be a cost premium in adopting an EnerPHit type standard which is likely to cost more per m<sup>2</sup> to retrofit compared to a 'normal' retrofit standard.

## **5. Next Steps**

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- 5.1 Considerable preparation and capital planning/analysis for the 2022/23 programme is already complete, with all new projects in 2022/23 fully committed, commissioned, design development well underway and procurement ongoing. The first significant window for works in the schools was the 2021/22 schools summer holidays, although many projects are continuing over the course of the year, where they can co-exist with an operational school environment.
- 5.2 Steps have already been taken by the project delivery teams to deal with the effects of COVID-19 on the programme. In general, there has been a reduction in the value and volume of completed AMW Programme works in 2022/23 compared to pre-COVID with works generally taking longer to complete and costing more.
- 5.3 In addition, given the AMW Programme will deliver future EnerPHit works, there will be a 'step change' in the programme in future years as the programme will deliver both condition and sustainability/Net Zero retrofitting and enhancement works for the Council's operational buildings.
- 5.4 There is also an increasing need to consider suitability related improvements which should be carried out at the same time as condition or Net Zero buildings improvement works. How these suitability works will be funded is currently under review.

## **6. Financial impact**

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- 6.1 The current cost profile for the five-year AMW Programme (approved budget and actual spend up to end 2021/22) is summarised in Figure 6. It should be noted that this cost profile is based on the AMW Programme actual spends in 2018/2019, 2019/2020, 2020/2021 and 2021/2022 and the original AMW Programme 'baseline' budget figures approved by Committee in February 2018.
- 6.2 The purpose of this cost profile is to demonstrate the percentage of the yearly AMW Programme budget spent against the 2018 Committee approved budget and no

account has been taken of slippage/acceleration from previous years or additional funding received from other sources (i.e. grant funding).

- 6.3 The total AMW Programme indicative budget for the five-year period that was set by Committee in February 2018 was £118.9m. The yearly budgets which were set for each year of the programme, and which do not take into consideration budget slippages or spend acceleration in previous years are 2018/2019- £18m; 2019/20- £30m; 2020/21- £30m; 2021/22- £20.45m and 2022/23- £20.45m.
- 6.4 The actual programme spend was £21.326m in 2018/19 (118% of the original 2018/19 budget); £48.547m in 2019/20 (162% of the original 2019/20 budget); £14.517m in 2020/21(48.4% of the original 2020/21 budget) and £23.236m in 2021/22 (114% of the original 2021/22 budget). The current 2022/23 spend (to end August 2022) is £4.08m.

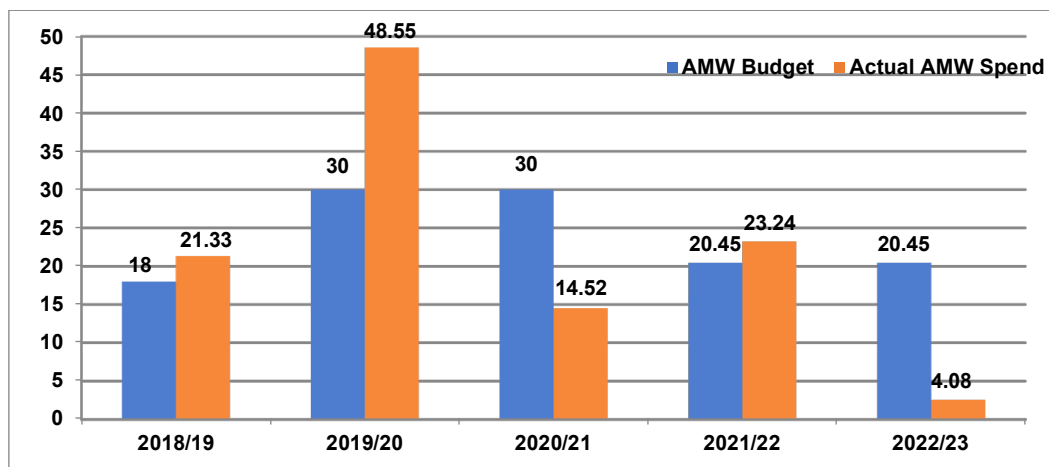


Figure 6- AMW Programme Cost Profile: Approved Original Budget vs. Actual Spend up to end 2021/22

- 6.5 Despite the slow-down in capital spend in 2020/21, due mainly to the effects of COVID-19, there has been a recovery of the programme spend in 2021/22 with spend actually exceeding the original 'baseline' anticipated spend.
- 6.6 Due to the acceleration of works and programme spend in years one and two of the programme, the overall programme is ahead of schedule. Up to end 2021/22, 80% of the programme time has elapsed but 91.5% of the five-year programme budget has been expended. The programme is on course to achieve its original five-year indicative target £118.9m expenditure, even with the expected continued slow-down in delivery due to COVID-19.
- 6.7 The programme includes capital funding contributions to Edinburgh Leisure property upgrades projects. The total 2021/2022 capital contribution to Edinburgh Leisure was £2.986m with that spend focused on Warrender Swim Centre refurbishment.
- 6.8 On completion of the five-year programme, there will be a continued need to invest in improving the condition of Council buildings. There is also a requirement to address the net zero challenge through investment in the EnerPHit programme. In recognition of these extra costs, the Council's 10-year Sustainable Budget Strategy, approved at the Council's budget meeting in February 2022, provides an annual budget of £14m for AMW together with £51m of Council capital funding planned EnerPHit retrofitting works over the next five years. In addition, £10m of conditional



funding has been secured from the Scottish Government's Green Growth Accelerator Funding for EnerPHit works. Refer to Appendix 6 for the AMW Programme 10-year Cost Profile.

- 6.9 The main financial risk for the AMW Programme going forward is that higher capital costs are expected for all future programme works due the residual impact to COVID-19. This impact is due to a number of factors including: design changes, the outcome of the procurement exercise, increases in price of materials and/or labour or delays in the supply chain and, in particular, construction cost inflation. This risk will be mitigated to the extent possible by adjusting the programme work scope to suit the annual programme budgets.

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

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- 7.1 It is expected that the AMW Programme, together with the Council's Planned Preventative Maintenance (PPM) Programme, will continue to significantly reduce the risk profile associated with operational estate asset condition, that has been and continues to be one of the Council's top risks.
- 7.2 Besides improvements in asset condition, the AMW Programme, especially with the embedding of EnerPHit works in the programme, has other associated benefits which will ultimately benefit the affected stakeholders and local communities, such as:
- 7.2.1 Improved environment and ambience for building users;
  - 7.2.2 Improved asset resilience and future proofing of asset condition;
  - 7.2.3 Reduction in health and safety incidents;
  - 7.2.4 Reduction in the risk of unplanned closures of operational buildings;
  - 7.2.5 Following the programme works delivery, the users and occupiers of the buildings included in the programme will benefit with buildings of improved comfort, of better resilience and which are more energy efficient with lower heating loads; and
  - 7.2.6 The programme will provide sustainability and emissions reductions benefits for the Council, for Edinburgh more widely and on a national level. It will also contribute to the fulfilment of the key carbon reduction initiatives as set out in the Council's Emissions Plan (CERP) and the city-wide Climate Strategy.
- 7.3 With the main focus of the 2022/23 AMW Programme works continuing to be on the Council's schools estate, the main impact on the school's stakeholders and the community has been during the works delivery phase. To ensure the works are delivered in a safe manner and that school disruptions are kept to a minimum (including any affected after-school activities), regular coordination meetings are being held with Communities and Families representatives and there is constant dialogue and communications with the affected school's Head Teacher and Business Manager.

- 7.4 Where the programme has displaced and affected community users such as community activities taking place out with school hours, the project delivery teams continue to liaise with the School Lets team to offer alternative venues where possible. The provision of breakfast clubs and after school care has been safeguarded to protect continuity of provision.
- 7.5 For the EnerPHit works in particular, the biggest challenge to the programme is the impact the programme's works delivery will have on the building users as the works, by their very nature, are highly intrusive and disruptive. Each individual building retrofitting project within the programme will require typically 18 to 21 months of site works and the impact on the building users will be significant.
- 7.6 Significant engagement with the building users will be required and while the delivery teams will work with the suppliers to minimise the level of user disruption during site works- i.e. phasing of works and targeting the most disruptive works during the summer holidays for school buildings; user disruption will be inevitable and varying degrees of decant will be required in order to deliver the works.

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

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- 8.1 [Outcome of Property Condition Surveys](#) - 23 January 2018, Finance and Resources.
- 8.2 [Property Condition Project- Delivery Programme](#) - 27 March 2018, Finance and Resources.
- 8.3 [Asset Management Works Programme- 2018/2019 Update](#) - 23 May 2019, Finance and Resources Committee.
- 8.4 [Asset Management Works Programme- 2019/2020 Update](#) - 5 March 2020, Finance and Resources Committee.
- 8.5 [Asset Management Works Programme 2020/2021 Update](#) - 12 August 2021, Finance and Resources Committee.

## **9. Appendices**

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- 9.1 Appendix 1: AMW Programme- Edinburgh Leisure Capital Upgrade Projects with AMW Contributions in 2021/2022.
- 9.2 Appendix 2: AMW Programme- Summary of AMW Programme Projects substantially completed in 2021/2022.
- 9.3 Appendix 3: AMW Programme- Summary of AMW Programme Projects scheduled for substantial completion in 2021/2022.
- 9.4 Appendix 4: AMW Programme- Examples of 'Before' and 'After' photographs of ongoing and substantially completed AMW Programme Projects in 2021/2022.
- 9.5 Appendix 5: Principles of EnerPHit.

9.6 Appendix 6: Asset Management Works (AMW) Programme Capital Budgets and Costs Summary/Profile 2022/2023 to 2031/2032.

**Appendix 1- AMW Programme- Edinburgh Leisure Capital Upgrade Projects with AMW Contributions in 2021/2022**

<b>No.</b>	<b>Edinburgh Leisure Property</b>	<b>Upgrade Project Description</b>	<b>2021/22 AMW Contribution (£)</b>
1	Ainslie Park Leisure Centre	Improvements to Pool Basin	175,000
2	Edinburgh International Climbing Centre	Fire Doors	53,665
3	Leith Victoria Swim Centre	Upgrade to Condition A/B (Retention Payment)	88,683
4	Royal Commonwealth Pool	Front entrance improvements	213,434
5	Warrender Park Swim Centre	Upgrade Condition A/B	2,454,876
<b>Total</b>			<b>2,985,657</b>

**Appendix 2 - AMW Programme- Summary of AMW Programme Projects substantially completed in 2021/22**

No	Property/Building	Works Summary	Scheduled Substantial Completion Month	Spend April 21 to March 2022 (£)
1	Buckstone PS	Windows, toilets, boiler, heating & décor	Jan-22	674,930.29
2	Carrickknowe PS	Upgrade Windows and ventilation	Jul-21	34,191.76
3	Colinton PS	Heating, lighting, toilets & décor	Oct-21	320,166.28
4	Corstorphine Library	Heating, electrical rewire, roofing, décor	Sep-21	422,389.57
5	Currie PS	Phase 2: Windows, Roofing, External fabric	Nov-21	386,001.77
6	Dean Park PS	Upgrade M&E Roofing, Windows, Switchgear.	Mar-22	485,417.14
7	James Gillespie's PS	Ceilings/Staff Kitchen/ Kitchen/Masonry/Externals/Boundary Wall	Mar-22	317,483.86
8	Liberton PS & NS	Roof, Windows, Toilets, M&E, Lighting, Ceilings, Externals & Décor	Aug-21	143,606.92
9	Longstone PS	PH1: Boiler Heating and Sanitary upgrade	Nov-21	253,337.62
10	Murrayburn PS	Phased Upgrade: heating Roof, Doors, Structural work, Toilets, Electrics, ceilings and Décor	Oct-21	388,275.75
11	Pentland PS	Toilets, roofing	Oct-21	199,232.77
12	Portobello Swim Centre	Balconies, Front roof and Front Façade Upgrade.	Sep-21	226,240.39
13	Prestonfield PS	Toilets, Drainage, Décor	Oct-21	232,494.94
14	Royal High PS	Roof, Windows, Masonry, Toilets.	Aug-21	608,007.63
15	Royal Mile PS PH2	Heating, Windows, Externals & Décor	Nov-21	435,270.24
16	St Mark's PS	Heating and Lighting Upgrade	Jul-21	166,315.86
17	Estate wide Water Quality Improvements. Rolling Programme.	Water Tank replacement. Water quality and legionella improvements.	Mar-22	140,140.91
18	Estate wide Kitchen Upgrades	Kitchen Upgrades Leith, Ferryhill and Duddingston Primary schools	Mar-22	1,946,801.82
19	Usher Hall	Boiler Replacement, AHU's & Chillers	Aug-21	23,921.13
20	Ford's Road Home	Boiler Renewal/Upgrade	Mar-22	185,941.65
			<b>Total</b>	<b>7,590,168.30</b>

**Appendix 3 - AMW Programme- Summary of AMW Programme Projects scheduled for substantial completion in 2022/2023**

No	Property/Building	Works Summary	Scheduled Substantial Completion Month	Spend as of March 2022 (£)
1	Abbeyhill PS	Upgrade toilets, electrical upgrade nursery, externals, roofing	Jun-22	288,504.28
2	Balerno CHS	Roofing, ceilings, pool windows, courtyard doors, 1st floor toilets & changing, DHW, distribution boards, fire detection system, externals & décor. Kitchen Upgrade. (Demolition of SSO house)	Oct-22	2,148,257.95
3	Benmore Outdoor Centre	M&E, Toilets, Kitchen, Fire Upgrade, Fire detection system, External & Décor, External Fabric.	Aug-22	880,969.38
4	Central Library	Roof, Stonework, Windows, Toilets, Lift, M&E, Structural & Décor, Dry Riser	Nov-22	570,089.35
5	Craigentenny PS	Roof, Windows & doors, toilets, M&E, CCTV system, fencing, décor ceiling.	Jun-22	844,372.40
6	Cramond PS	Roofing, staff toilets, ceilings, heating, electrics, external doors, fencing	Jul-22	381,817.51
7	Dalry PS	Roofing, Windows, Stonework, Toilets ceiling work.	Apr-23	374,350.73
8	Dean Park PS Annexe	Roof, windows, toilets, heating, electrical, externals & ceilings	Aug-22	244,380.35
9	Fords Road Care Home	Boiler upgrade.	Apr-22	185,941.65
10	Flora Stevenson PS	Roof renewal, windows, toilets, electrical, stonework, décor, ceiling works new boiler.	Mar-23	117,335.10
11	Gracemount Primary School	PH2: Floor upgrade and asbestos removal	Aug-23	233,925.42
12	Granton Primary School	Roof, Windows, M&E, Ceilings, Externals & Décor	Apr-22	64,432.19
13	Holycross PS	Refurb, M&E, Ceilings, Toilets, External & Décor.	Aug-22	464,953.77
14	Kirkliston Primary School	Roof, Windows, Toilets, M&E, Ceilings, Externals	Apr-22	242,086.86
15	Lagganlia Outdoor Centre	Roof, Ext & Int Fabric to Main Bldg. External fabric to	Jul-22	483,095.66

		Anderson Lodge. M&E to Support Unit. Removal of remaining asbestos		
16	Portobello High School	Roofing Improvements	Mar-23	681.60
17	St Leonard's Nursery School	Roof, Windows, M&E, Décor	Sep-22	30,029.73
18	Stenhouse PS	Ceilings, Windows & Doors, M&E & Décor.	Apr-22	190,966.18
19	Stockbridge PS	M&E, Windows, Ceilings & Walls, Kitchen, Flooring & Décor (Contractor in liquidation June 21)	Mar-23	24,286.88
20	Tollcross PS	Replace metal casement & South West Casement windows (Phase I Phase II) stone roof sanitary and ceiling work.	Jul-22	114,978.25
21	WHEC	Upgrade Block A. Kitchen refurb added Sept 20	Aug-22	
22	City Chambers	Heating Alterations & Asbestos Removal	Aug-22	9,508.51
23	City Chambers	Electrical Installation & Lighting Improvements	Aug-22	82,123.31
24	City Chambers	Roof, Fire System, Stonework, Windows, Toilets, AC Systems, Downpipes & Décor, M&E and PH 2 kitchen.	Mar-23	916,520.14
25	Usher Hall	PH 1: Fire Upgrade Works	May-22	83,480.25
26	Merchiston Cemetery	Structural Improvements to Boundary Walls	Aug-22	137,304.40
			<b>Total</b>	<b>9,114,391.85</b>

**Appendix 4 - AMW Programme- Examples of 'Before' and 'After' photographs of ongoing and substantially completed AMW Programme Projects in 2021/2022**

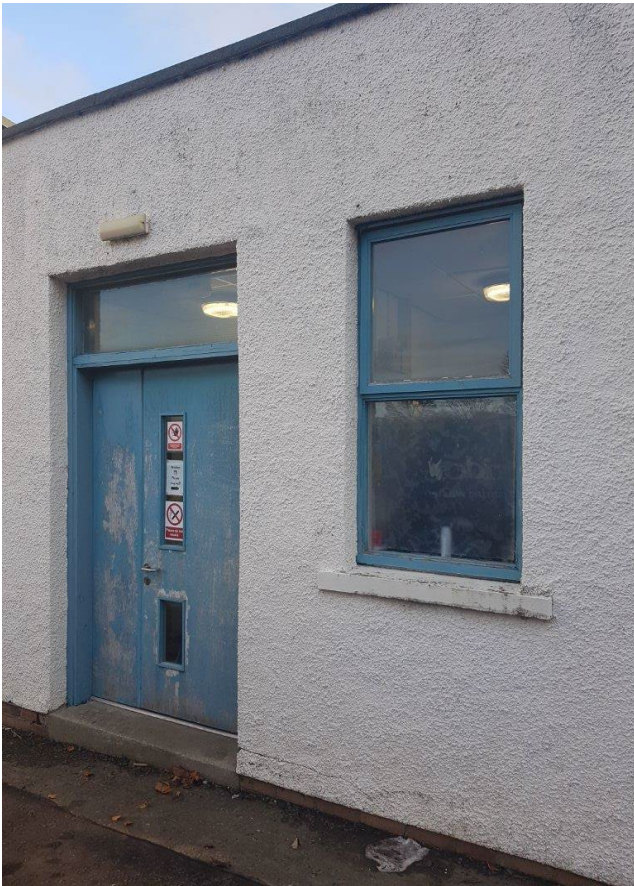


**Photograph of windows & cladding at Currie Primary School (Games Hall) before improvements**



**Photographs of windows & cladding at Currie Primary School (Games Hall) after improvements**





Photographs of external door and window at Currie Primary School before and after improvements



Photograph of Gym Hall at Trinity Primary School before improvements



Photograph of Granton Primary School external building fabric & windows before improvements



Photograph of Granton Primary School external building fabric & windows after improvements



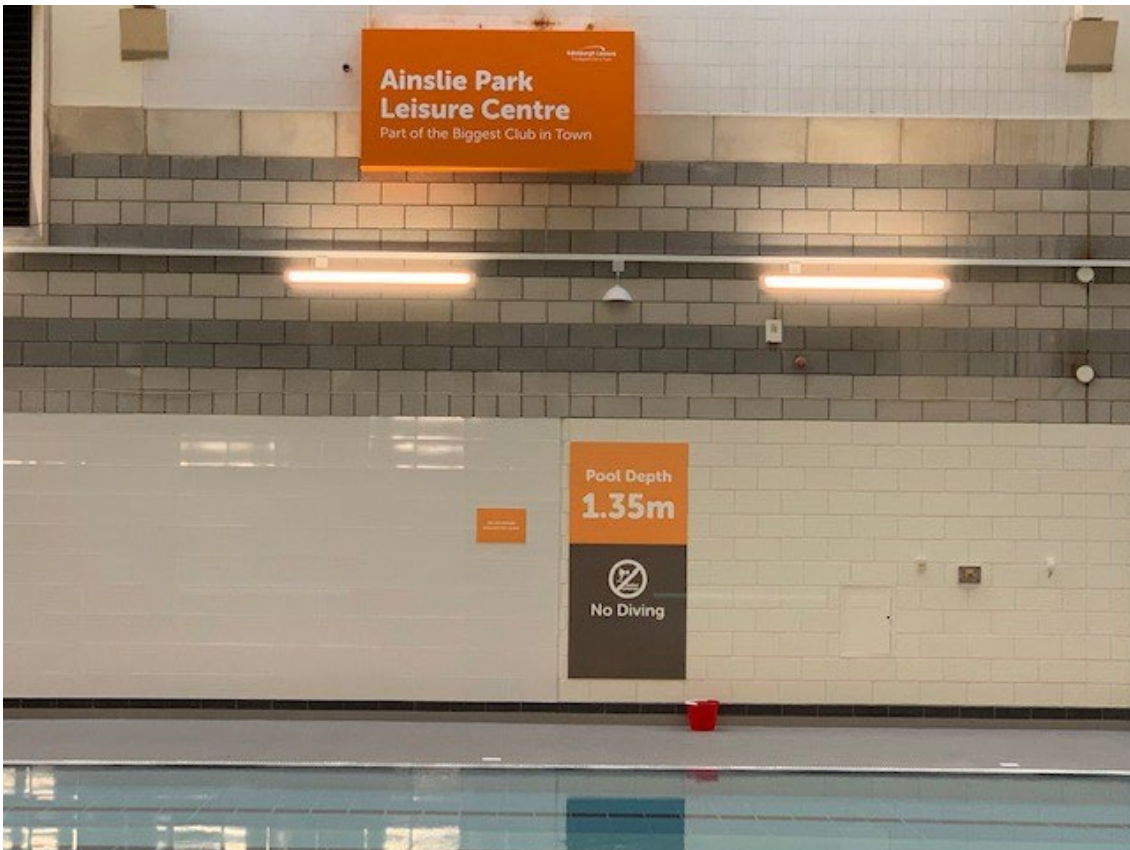
**Photograph of Leith Primary School kitchen before improvements**



**Photograph of Leith Primary School kitchen after improvements**

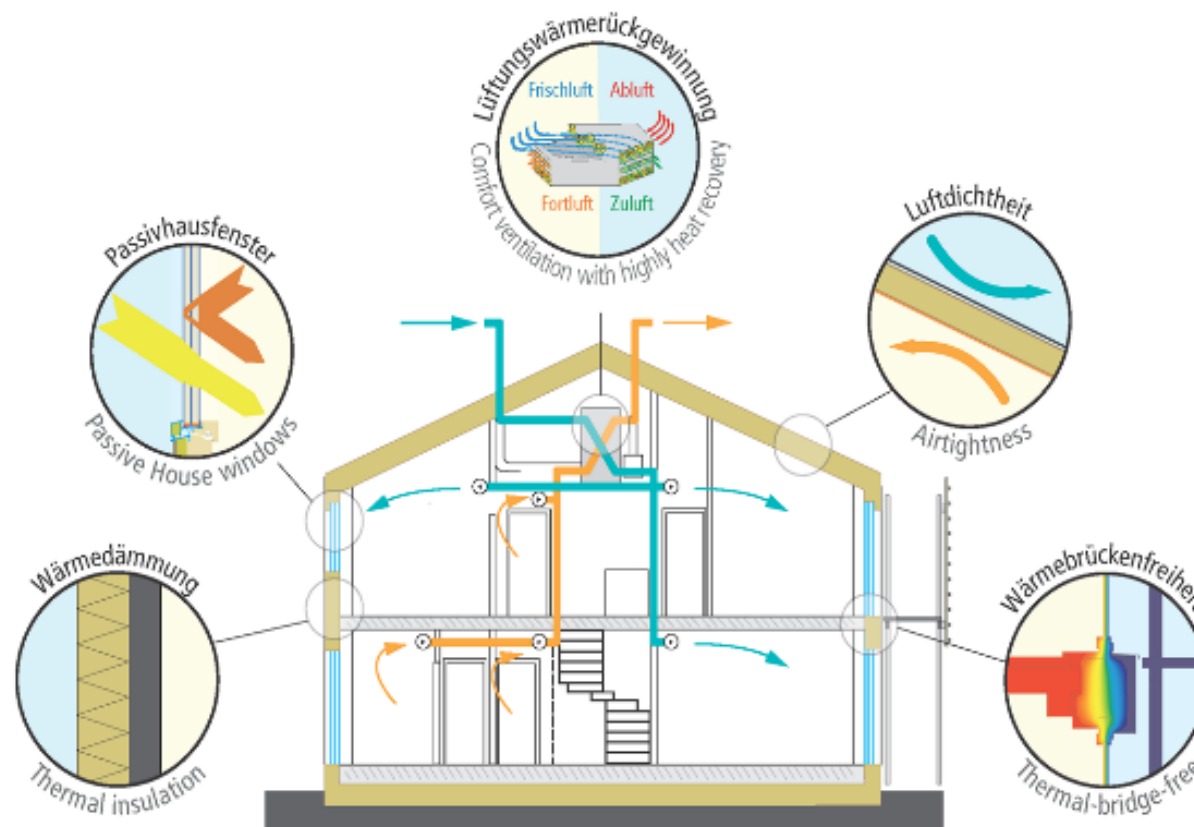


Photograph of Ainslie Park Leisure Centre after swimming pool underwater lighting improvements



Photograph of Ainslie Park Leisure Centre after swimming pool signage improvements

## Appendix 5 - Principles of EnerPHit



- EnerPHit is the Passivhaus energy and comfort standard that focuses on retrofits and existing buildings.
- EnerPHit allows building owners to upgrade the thermal performance of existing buildings.
- EnerPHit typically focuses on improved thermal insulation, energy efficient windows, comfort ventilation, heat recovery and energy efficient heating system and circulation, airtightness and reduction of thermal bridging.

**Appendix 6 - Asset Management Works (AMW) Programme Capital Budgets and Costs Summary/Profile 2022/23 to 2031/32**

No.	Reprofile of AMW Programme approved indicative yearly budgets	22/23 Indicative Budget £000s	23/24 Indicative Budget £000s	24/25 Indicative Budget £000s	25/26 Indicative Budget £000s	26/27 Indicative Budget £000s	27/28 Indicative Budget £000s	28/29 Indicative Budget £000s	29/30 Indicative Budget £000s	30/31 Indicative Budget £000s	31/32 Indicative Budget £000s	Total for 2022/23 to 2031/32 (over 10 years) £000s
1.	Re-profiled AMW Programme Indicative Budget (includes slippages and acceleration from previous years)	23,117	13,500	14,000	14,000	14,000	14,000	14,000	14,000	14,000	15,350	134,617
2.	AMW Programme Works- EnerPHit	4,275	12,941	19,677	17,484	6,473	-	-	-	-	-	60,850
3.	Revised AMW Programme Budget- 1+2	27,392	26,441	33,677	31,484	20,473	14,000	14,000	14,000	14,000	15,350	195,467

**Note: The £10m of conditional funding (revenue funding secured from the Scottish Government's Green Growth Accelerator Funding for EnerPHit works has been excluded from the above Capital Cost Profile.**

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Contract Award Recommendations Report in respect of 'Business Gateway Specialist Support Training Services'

Executive/routine Wards Council Commitments	Executive All
---	------------------

### 1. Recommendations

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- 1.1 Finance and Resource Committee are asked to:
- 1.1.1 Approve the award of contracts to Enterprise North East Trust Ltd, trading as Elevator, in respect of Lots 1, 2 and 3 for the Business Gateway Specialist Support Training Services requirements;
  - 1.1.2 Note the contract durations will be for an initial period of three years, with an option to extend for up to two further periods of 12 months each, to be undertaken at the sole discretion of the Council; and
  - 1.1.3 Note that the commencement of the contracts will be from 6 March 2023 at a total estimated cost of £1,039,000 over the potential maximum period of five years.

**Paul Lawrence**

Executive Director of Place

Contact: Al Bryce, Business Growth Contracts and Programme Manager

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## Contract Award Recommendations Report in respect of 'Business Gateway Specialist Support Training Services'

### 2. Executive Summary

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- 2.1 This report seeks approval to award the contracts for 'Business Gateway Specialist Support Training Services' to Enterprise North East Trust Ltd, trading as Elevator, in respect of Lots 1, 2 and 3 as detailed in the report.
- 2.2 Contracts will commence on 6 March 2023 for an initial period of three years, with options to extend for up to two further periods of 12 months each, at a total estimated cost of £1,039,000 over the potential maximum period of five years.

### 3. Background

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- 3.1 Business Gateway is a Scottish Government funded service contributing to the economic wellbeing of Scotland by providing access to free business support services.
- 3.2 Responsibility for delivery of the Business Gateway service was passed to local authorities in April 2008. The delivery of Business Gateway in the Lothians is a partnership between the City of Edinburgh Council, East Lothian Council, Midlothian Council and West Lothian Council, with Edinburgh acting as the lead partner.
- 3.3 The Council has a Service Level Agreement (SLA) with each of the other Partner Councils to ensure delivery of a quality service and that targets are achieved.
- 3.4 The services are delivered by the Council's Business Growth and Inclusion (BGI) team, who also oversee the SLA and the relationship with the partners as well as external contractors.
- 3.5 While Business Gateway advisory services are delivered in-house by each of the partner local authorities, the proposed services within this contract have been delivered externally since 2008. The principal reasons for this are the specialist nature of the services provided requires the provision of specialised knowledge and expertise plus it provides the flexibility to meet fluctuating demands for the Council and other partner authorities.



- 3.6 Lot 1 includes local webinar and workshop delivery, including ‘1 to 1’, ‘1 to Few’ and ‘1 to Many’ events. Topics are agreed between the 4 local authority partners quarterly in advance, based on local demand but likely to include areas such as start-up finance, business planning, PR, negotiating, bookkeeping, selling, marketing.
- 3.7 Lot 2 covers delivery of the Scottish Government’s DigitalBoost programme in the region and is again by client demand but can cover the full scope of digital including areas such as search engine optimisation, website design, social media marketing, digital technology implementation, ecommerce.
- 3.8 Lot 3 relates to delivery of additional specialist consultancy support, part-funded currently by European Regional Development Fund and, from 2023, by the Shared Prosperity Fund. Current topics supported through this include innovation, HR, exporting, strategy.
- 3.9 The existing specialist training contract arrangements have been extended and are currently scheduled to end on 5 March 2023.

## 4. Main report

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- 4.1 The Council’s Commercial and Procurement Services conducted a competitive procurement exercise utilising the ‘Open’ procedure to identify the most appropriate service providers. The invitation to tender was published on the Public Contracts Scotland tendering portal, with all interested organisations, including Small and Medium sized Enterprises (SME’s), being encouraged to bid.
- 4.2 In view of the nature of the training provisions, BGI is the main Council service area requiring the proposed services. However, prior to inviting tenders, BGI consulted with counterparts in each of the other Councils, detailed in paragraph 3.2 above, to inform the agreed Lothians-wide requirements used in the procurement process.
- 4.3 Tender submissions were evaluated based on Most Economically Advantageous Tender. In the case of Quality, tenderers’ responses to a total of eight questions/topics were evaluated and scored. With regards to price, tenders were evaluated and scored based on proposed prices in respect of the range of service provisions relevant to each respective Lot.
- 4.4 All partners agreed that the quality of the service delivered is of paramount importance and therefore a price/quality ratio of 40:60 was adopted.
- 4.5 The table below shows details of the weighted scores awarded to each tender:

Tenderer	Quality (Max.60%)	Cost (Max. 40%)	Total
LOT 1			
Enterprise North East Trust Limited t/a Elevator	52.95	40.00	92.95

Tenderer 2	53.25	28.94	82.19
Tenderer 3	56.55	17.61	74.16
Tenderer 4	37.35	29.54	66.89
LOT 2			
Enterprise North East Trust Limited t/a Elevator	57.90	40.00	97.90
Tenderer 2	51.75	34.44	86.19
LOT 3			
Enterprise North East Trust Limited t/a Elevator	45.45	40.00	85.45
Tenderer 2	45.60	35.63	81.23
Tenderer 3	48.30	21.98	70.28

- 4.6 Appendix 1 provides a more detailed breakdown of the various weightings applied to the evaluations of both Quality and Price.
- 4.7 The recommended tenderer is not the incumbent provider and so there may be some overlap in service delivery while the incumbent completes their work with existing client referrals. It is also possible that incumbent's staff may be in scope of TUPE regulations and so the planned implementation timetable makes allowance for this possibility.
- 4.8 BGI will have responsibility for managing the successful delivery of the proposed services not only within Edinburgh, but also on behalf the partner authorities and this brings an additional dimension of complexity and risk. Consequently, the Contracts and Grants Management team in Procurement Services will engage with the BGI Contract Manager to ensure that effective contract management is delivered throughout the contract lifecycle. To this end, a Contract Management and Handover Report, detailing the necessary steps and measures, will be produced and agreed.
- 4.9 BGI's proactive contract management (including robust monitoring of all appropriate management information, key performance indicators and budget tracking) will help deliver an effective and efficient service for the city of Edinburgh, and indeed across the whole of the Lothians, throughout the duration of the contact.

## 5. Next Steps

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- 5.1 Subject to approval, the services will commence on 6 March 2023 and will enable the Council to fully address its responsibilities with regards to the delivery of the Business Gateway service.

## **6. Financial impact**

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- 6.1 The individual contract values are estimated at £360,000, £359,000 and £320,000 for Lots 1, 2 and 3 respectively, giving an overall total estimated spend of £1,039,000 over the maximum contract period (i.e. including potential extensions), and is budgeted for through the Business Gateway payment received through the General Revenue Grant.
- 6.2 The costs associated with procuring the proposed contract are estimated to be between £10,000 and £20,000.

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

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- 7.1 The majority of the proposed training service is expected to be delivered remotely on-line. This approach was adopted out of necessity during the COVID-19 pandemic but has proven to be very popular and is now the format preferred by service users. Delivering the service in this manner also helps reduce the environmental impact which would otherwise result from face-to-face delivery at a range of venues across the Lothians. Face to face delivery will still be used selectively to ensure the service is accessible to the widest range of users as possible including users with protected characteristics.
- 7.2 The published Invitation to Tender documents included a requirement for successful tenderers to provide Community Benefits and included a handful of appropriate examples, such as environmental improvement measures, volunteering and mentoring support, provision of community resources, sponsorship of community organisations etc.
- 7.3 The recommended tenderer will provide a useful range of appropriate Community Benefits. These include a number of provisions relating to funding and mentoring support for young people up to the age of 30 to help them on their start-up journey, funded entirely through their charitable trust. Grants will range in value from £100 to £3,000 and they expect to be able to support up to 80 young people in year one, increasing this number in subsequent years.
- 7.4 The recommended tenderer has confirmed that they pay their staff the Real Living Wage and are an accredited Living Wage employer. Additionally, they have confirmed that they are also signed up to the Scottish Business Pledge.

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

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- 8.1 None.

## **9. Appendices**

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9.1 Appendix 1 – Summary of Tendering and Tender Evaluation Process.

**Appendix 1 – Summary of Tendering and Tender Evaluation Processes.**

<b>Contract</b>	<b>Business Gateway Specialist Support Training Services ref: CT0967</b>	
Contract period (including any extensions)	Maximum of 5 years - initial period of 3 years, with options to extend for up to 2 additional periods of 1 year each.	
Estimated Total Contract Values (inc. extensions)	Lot 1: £360,000 Lot 2: £359,000 Lot 3: £320,000	
Procurement Route Chosen	'Open' procedure	
Tenders Returned	Lot 1: 4 Lot 2: 2 Lot 3: 3	
Recommended Supplier	Lot 1: Enterprise North East Trust Ltd trading as Elevator Lot 2: Enterprise North East Trust Ltd trading as Elevator Lot 3: Enterprise North East Trust Ltd trading as Elevator	
Price / Quality ratio	<b>Price 40%</b>	<b>Quality 60%</b>
Price / Quality ratio rationale	The price of the proposed provision is obviously an important consideration because it must be affordable and represent acceptable value for money. In this case, however, the quality of the service delivery is seen as key to the ultimate success of the provision. Therefore, taking both of these factors into account and with the intention of securing good quality at prices which deliver best value for money, a cost:quality ratio of 40:60 was deemed appropriate.	
Evaluation criteria and weightings	<b>Price:</b>	<b>40%</b>

	<p style="text-align: center;"><b>Quality</b>, of which:</p> <ol style="list-style-type: none"> <li>1. Understanding the Project Requirements</li> <li>2. Proposed Methodology for Planning the Delivery of the Service</li> <li>3. The Approach to Delivering the Service</li> <li>4. Contract Management and Performance Management</li> <li>5. Business Continuity</li> <li>6. Data Security Measures</li> <li>7. Fair Work Practices</li> <li>8. Community Benefits</li> <li>9. Fair Work Management Information</li> </ol>	<p style="text-align: right;"><b>60%</b></p> <p style="text-align: right;">20%</p> <p style="text-align: right;">25%</p> <p style="text-align: right;">20%</p> <p style="text-align: right;">10%</p> <p style="text-align: right;">10%</p> <p style="text-align: right;">5%</p> <p style="text-align: right;">5%</p> <p style="text-align: right;">5%</p> <p style="text-align: right;">n/a – for information only</p>
<p>Evaluation Team</p>	<p>Lots 1 and 2: 1 officer from City of Edinburgh Council, together with counterparts from East Lothian Council and West Lothian Council.</p> <p>Lot 3: 3 officers from the Council's Business Growth &amp; Inclusion services.</p> <p>Additionally, question 6 in all 3 Lots (re Data Security Measures) was evaluated by specialists from the Council's Customer and Digital Services division.</p> <p>Unfortunately, Midlothian Council were unable to field an evaluator.</p>	

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Waiver Extension – Building Energy Management System (BEMS)

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

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- 1.1 It is recommended that Finance and Resources Committee:
- 1.1.1 Notes the contract extension for the Building Energy Management System (BEMS) services awarded to TESGL Limited until 30 June 2023, through a waiver of the Contract Standing Orders, at an estimated total cost of £200,000. This contract extension was awarded as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions by then Executive Director of Resources, in consultation with the Convenor of Finance and Resources; and
  - 1.1.2 Notes the intention of insourcing the BEMS Bureau and data management service and that the extension will enable sufficient time for the establishment of the replacement service.

#### Paul Lawrence

Executive Director of Place

Contact: Murdo MacLeod, Technical Operations Manager

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## Waiver Extension – Building Energy Management System (BEMS)

### 2. Executive Summary

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- 2.1 This report notes the contract extension for the Building Energy Management System (BEMS) services awarded to TESGL Limited until 30 June 2023, through a waiver of the Contract Standing Orders, at an estimated total cost of £200,000. This contract extension was awarded as an urgent decision in accordance with section 4.1 of the Council's Committee Terms of Reference and Delegated Functions by then Executive Director of Resources, in consultation with the Convenor of Finance and Resources.
- 2.2 The report also explains the intention of insourcing the BEMS Bureau and data management service and that the extension will enable sufficient time for the establishment of the replacement service.

### 3. Background

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- 3.1 TESGL Limited have supplied the Council's BEMS solution since 13 April 2016. This ensures the functionality of Automatic Controls Systems (ACS) primarily those pertaining to Heating, Ventilation and Air Conditioning (HVAC) systems within buildings across the Council's estate.
- 3.2 The contract with TESGL Limited expired in August 2020, but the procurement exercise to retender the contract was delayed due to the impact of the COVID-19 pandemic. The contract was extended until 30 September 2021 through a waiver of the Contract Standing Orders, at an estimated value of £250,000 and subsequently extended to a value of £125,000 until 31 December 2021 by this committee on [20 May 2021](#).
- 3.3 The Finance and Recourses Committee of [20 May 2021](#), also approved the new Hard Facilities Management (FM) contract to manage all Repairs and Maintenance (R&M) to the Council's non-housing operational estate. This contract did not include BEMS services but did include provision for adding or subtracting services if it was to the benefit of the Council.
- 3.4 The physical repair and maintenance of BEMS equipment was transferred to the Hard FM contract in January 2022.



- 3.5 The specialist BEMS bureau and data management service currently remains with TESGL Limited and is the subject of this this contract extension.
- 3.6 Separately the Scottish Government, as part of COVID-19 risk mitigation, funded a programme of installation of Carbon Dioxide (CO2) monitors to 3,000+ learning spaces across the Council's school and early years estate. This exercise was completed in September 2022, noting the equipment also monitors and records temperature and relative humidity and are connected via LoraWAN to allow local and central monitoring by Council staff.
- 3.7 The Council is currently reviewing the internal FM technical staff resource to support the new contracts, the newly installed monitoring system and the increasing requirement for environmental and energy usage management including thermal comfort and air quality. A formal consultation will take place with staff and Trade Unions. It is anticipated that this will include provision for insourcing the specialist BEMS bureau and data management service.

## **4. Main report**

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- 4.1 The contract is operated across the Council's operational estate, inclusive of schools and care homes, including assurance of supply to maintain and manage energy (heat and electricity) and avoid ventilation and water issues (Legionella).
- 4.2 The extension will allow for changes to the way in which BEMS is managed allowing for integration with the new hard FM contract and Computer Aided Facilities Management (CAFM) integration, increasing estate awareness and energy demand/consumption control including the additional CO2/Temperature/Relative Humidity monitors installed in summer 2022.
- 4.3 The additional time will enable investigation into the existing hardware, to implement changes to the monitoring and management approach, contingency to allow time for a managed transition to a new internal supplier, if necessary.
- 4.4 The process for formally reviewing this internal service is currently under way and it is anticipated to be complete including necessary recruitment by 30 June 2023 and this extension will enable the exercise to complete.
- 4.5 If the extension is not awarded, there would be a detrimental impact upon the ability to manage the energy usage and air and water quality and would place a risk on the safe operation of properties across the estate.

## **5. Next Steps**

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- 5.1 The existing extension to the contract with the supplier will end on 30 June 2023, and the exercise for the alternative internal service has already commenced.

## **6. Financial impact**

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- 6.1 The estimated value of the proposed extension, from 1 January 2022 until 30 June 2023, is approximately £200,000.
- 6.2 This waiver represents an increased risk of challenge within what is a competitive market; however, this is mitigated by the transfer of repairs and maintenance to the Council's R&M contractors and the intention to use the extension period to undertake an insourcing process.

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

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- 7.1 None.

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

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- 8.1 [Hard Facilities Management Services Delivery Partners](#) – Award of Contracts - Finance and Resources Committee, 20 May 2021.
- 8.2 [Waiver Extension – Building Energy Management Systems \(BEMS\)](#) - Finance and Resources Committee, 20 May 2021.

## **9. Appendices**

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- 9.1 None.

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Liberton Hospital, Edinburgh – Update on Proposed Acquisition

Executive/routine Wards Council Commitments	Executive 16 – Liberton/Gilmerton
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### 1. Recommendations

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- 1.1 It is recommended that Finance and Resources Committee approves the completion of the purchase of Liberton Hospital, Edinburgh on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

Contact: Graeme McGartland, Head of Estates

E-mail: [graeme.mcgartland@edinburgh.gov.uk](mailto:graeme.mcgartland@edinburgh.gov.uk) | Tel: 0131 529 5956

## Liberton Hospital, Edinburgh – Update on Proposed Acquisition

### 2. Executive Summary

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- 2.1 On [4 March 2021](#), the Finance and Resources Committee approved the purchase of Liberton Hospital following the completion of all due diligence. The site was be purchased using HRA borrowing and Scottish Government grant funding from the Affordable Housing Supply Programme. Development of the site will support the Council to deliver its affordable housing commitments.
- 2.2 Due to the continued operational use of the hospital, it has not been possible to complete the purchase. To allow the transaction to complete, the parties have agreed to proceed on the basis of a sale and short-term partial leaseback. This report seeks approval to complete the transaction on the revised terms and conditions outlined.

### 3. Background

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- 3.1 On [4 March 2021](#), the Finance and Resources Committee approved the purchase of Liberton Hospital from NHS Lothian and partner landholders. Following due diligence, a net purchase price of £14,411,950 was reported, through the business bulletin, to Committee on [7 October 2021](#). The purchase price was agreed based on a joint valuation instruction to the District Valuer with deductions for abnormal costs agreed between the parties.
- 3.2 It has not been possible to complete the purchase due to a solution not being found for the remaining hospital beds in use within the hospital.
- 3.3 To allow the purchase to complete and, provide a further period of time for the hospital building to be vacated, the parties have agreed to proceed on the basis of a purchase and partial lease back of the property.
- 3.4 Due to the passage of time since the original instruction to the District Valuer (March 2021) a revaluation of the property has been undertaken which has produced a higher site value.

## 4. Main report

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- 4.1 As would be expected given the passage of time since the original valuation instruction, the updated figure for the site has increased, after allowing for the deduction of abnormal costs, to £15,078,500.
- 4.2 Following negotiation, the parties have agreed to proceed on the basis of a revised purchase price of £14,789,000 (plus LBTT and VAT (in part).
- 4.3 To allow the purchase to complete before the end of the calendar year a short term lease over the remaining hospital buildings will be put in place. The main terms are as follows:-
  - 4.3.1 Property: Remaining hospital building as shown shaded green on the attached plan;
  - 4.3.2 Tenant: NHS Lothian on behalf of the Scottish Ministers;
  - 4.3.3 Term: 12 months from date of entry to continue 3 monthly thereafter;
  - 4.3.4 Longstop Date: 2 years from date of entry;
  - 4.3.5 Break Option: The tenant can break the lease at any time should the property no longer be required for operational purposes on serving a minimum of 3 months notice; and
  - 4.3.6 Rent: £1 per annum.
- 4.4 The Council, or its representatives/contractors, will have a right of access over any leased area should this be required in connection with future development plans of the site.
- 4.5 NHS Lothian agree to provide full vacant possession when the lease is terminated, including the removal of all operational equipment. If any equipment is not removed by the termination date, the landlord will provide up to one month for this process to be completed, otherwise Council can remove and recharge the cost of doing so to the tenant.

## 5. Next Steps

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- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to progress with the completion of the purchase and the lease of part back to NHS Lothian.
- 5.2 Once the site is purchased, the Council's Development and Regeneration team will begin work on developing design proposals for the site for consultation with the local community.

## **6. Financial impact**

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- 6.1 The net purchase price of £14.789m (plus LBTT) will be funded from the approved HRA capital programme (£7.539m) and Scottish Government grant funding from the Affordable Housing Supply Programme (£7.250m).

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

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- 7.1 Local members have been made aware of the recommendations of the report.

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

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- 8.1 [Liberton Hospital, Edinburgh – Proposed Acquisition](#) – Finance and Resources Committee, 4 March 2021.

## **9. Appendices**

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- 9.1 Appendix 1 – Location plan.

# Finance and Resource Committee

10.00am, Thursday, 10 November 2022

## Homelessness Services – Use of Temporary Accommodation

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

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- 1.1 It is recommended that Finance and Resources Committee:
- 1.1.1 Approve, through a waiver of the Council's Contract Standing Orders (CSOs), extending 39 current contracts for the provision of temporary accommodation. This arrangement covers the period 1 July 2022 to 31 March 2023, up to a cost of £3,971,810, using a spot purchase arrangement (Appendix 1 - B Agenda); and
  - 1.1.2 Note that the values requested per provider are indicative only and are dependent on accommodation requirements, therefore Committee is asked to grant delegated authority to the Executive Director of Place to adjust (within the reported period 5 forecast) the values between the named providers as necessary depending on need, type and appropriateness of properties available from these providers.

**Paul Lawrence**

Executive Director of Place

Contact: Jill Thomson, (Interim) Homelessness and Housing Support Senior Manager

E-mail: [jill.thomson@edinburgh.gov.uk](mailto:jill.thomson@edinburgh.gov.uk)

## Homelessness Services – Use of Temporary Accommodation

### 2. Executive Summary

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- 2.1 During the COVID-19 emergency, the Council has been required to significantly increase the amount of temporary accommodation available to meet demand. There continues to be a demand for additional temporary accommodation to allow the Council to meet its statutory duty to accommodate people who are homeless. In addition, further pressures are apparent in relation to claims for increased rates due to inflationary pressures.
- 2.2 At Finance and Resources Committee on [3 March 2022](#) committee approved, through a waiver of the Council's Contract Standing Orders (CSOs), expenditure of up to £5,221,174 for the period 1 April – 30 June 2022 plus an additional £3,170,390 for the Haymarket Hub to 31 March 2023.
- 2.3 At Finance and Resources Committee on [16 June 2022](#) committee approved, through a waiver of the Council's Standing orders (CSOs), expenditure of up to £14,374,427 for the period 1 July 2022 to 31 March 2023.
- 2.4 This report seeks approval, through a waiver of the Council's Contract Standing Orders (CSOs), to extend 39 current contracts for the provision of temporary accommodation for the period 1 July 2022 to 31 March 2023, on a spot purchase arrangement. This is a net increase of £3,971,810 resulting in a revised annual requirement of £26,737,802 as set out in Appendix 1.

### 3. Background

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- 3.1 Since the beginning of COVID-19 lockdown restrictions, the Council has been required to secure additional temporary accommodation to meet demand and manage a lack of throughput into all forms of settled accommodation, to fulfil its statutory duties to homeless people.
- 3.2 Pre-pandemic there were 3,570 households in temporary accommodation. As of 30 September 2022, there were 4,778 households accommodated. This is an increase of 1208 households, an increase of 34%.



- 3.3 In addition, throughput from temporary accommodation services has slowed during the pandemic across all tenures including alternative temporary accommodation, the private rented sector and social housing.

## **4. Main report**

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- 4.1 This report seeks approval to continue to use 39 current providers on a spot purchase basis in the short term to meet demand. The additional net cost is expected to be up to £3,971,810 for the period 1 July 2022 to 31 March 2023.
- 4.2 This is in response to energy inflationary pressures and the increased number of households in temporary accommodation.
- 4.3 The number of spot purchases will reduce over time as contract awards for providers who have been admitted to the Flexible Purchasing System (FPS) are made, negating the ongoing need for spot purchases.
- 4.4 22 of the current providers have applied and have been successfully admitted to the FPS. Contract awards will begin to be made to these providers once all documentation and certifications are in place, however, the estimated level of expenditure is consistent with the request contained within this report.
- 4.5 While these contracts are being progressed, Committee is asked to agree that these services can be spot purchased until such time as the new contracts begin.

## **5. Next Steps**

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- 5.1 Officers will continue to progress the work required to award contracts as part of the FPS and will continue to encourage providers to apply who have not applied to be part of the FPS.

## **6. Financial impact**

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- 6.1 Through the 2022/2023 budget process additional funding of £17.6m, relative to the equivalent 2020/2021 budget, was provided to address the increase in temporary accommodation costs as a result of the COVID-19 pandemic. As reported elsewhere on this agenda, further pressures totalling £8.0m are now apparent in 2022/2023.
- 6.2 The waivers outlined in Appendix 1 (B Agenda) reflect the assumed growth as set out in the month 5 forecast.
- 6.3 The financial implications of this additional request of £3,971,810 have been factored into the month 5 revenue forecast for Homelessness Services as reported to this committee.

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

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7.1 This is an update report and did not require any specific stakeholder engagement.

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

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8.1 None.

## **9. Appendices**

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9.1 Appendix 1 – B Agenda - Waivers from 1 April 2022 to 31 March 2023.

by virtue of paragraph(s) 8 of Part 1 of Schedule 7A  
of the Local Government(Scotland) Act 1973.

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# Finance & Resources Committee

10:00am, Thursday, 10 November 2022

## Finance for Equity – Update

Executive  
Wards All  
Council Commitments [34](#)

### 1. Recommendations

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- 1.1 It is recommended that the Finance and Resources Committee:
  - 1.1.1 Notes the update provided in relation to Schools and Lifelong Learning Third Party Spend and Finance for Equity.

**Amanda Hatton**

Executive Director of Education and Children's Services

Contact: Laura Zanotti, Planning and Commissioning Manager – Education and Children's Services. E-mail: [laura.zanotti@edinburgh.gov.uk](mailto:laura.zanotti@edinburgh.gov.uk)

## Finance for Equity – Update

### 2. Executive Summary

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- 2.1 This report sets out:
- 2.1.1 the current Education commissioning activity and how this is expected to identify, review and address gaps in service provision and develop contractual arrangements to allow delivery of services aligned to closing the poverty related attainment gap.
  - 2.1.2 the planning and development of teams around the learning communities to respond to their local context by pooling resources and considering best practice to facilitate collaboration and opportunities for synergies, including poverty prevention, capacity building, empowerment, subsidiarity, sustainability and best value.

### 3. Background

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- 3.1 The City of Edinburgh Council is currently considering the commissioning strategy and the contracts which will replace the PEF Framework, in order to more closely align with place-based approaches to improve outcomes for children and their families and to provide opportunities to deliver best value.
- 3.2 The initial approach, in line with the direction set by the Scottish Government, was to delegate decision making around third-party provisions to Head Teachers who are best placed to assess what is needed in the interest of the children. Most of this spend was compliant, procured via the PEF framework, however the cumulative spend on some of the non-contracted providers has increased over the years, creating more pressure on resources and on our ability to remain compliant.
- 3.3 The new services will be informed by the requirements of schools, children and their families and be commissioned and procured compliantly. Consideration is being given to the model and the resources required to address the priority of non-contracted spend and identify needs for appropriate frameworks such as sports and physical activities, pathways, wellbeing interventions, specific training and online resources that best meet the requirement across the Learning Communities.
- 3.4 A multi-disciplinary Short Life Working Group (SLWG), including school leaders from all sectors, has begun to meet fortnightly, to plan the city-wide “Team Around the Learning Community” approach funded by Strategic Equity Funding and PEF. The

aim is to ensure that resources are directed towards the greatest need. The impact will be measurable in relation to improvements in attendance, attainment, engagement, inclusion or participation for identified children and young people facing poverty-related barriers.

## 4. Main Report

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4.1 Learning Communities and the Teams Around the Learning Communities are required to take a place-based approach to the management of Finance for Equity (for example PEF) to achieve best value and improved outcomes for children and young people impacted by poverty, with a focus on tackling the poverty related attainment gap.

4.2 Education Senior Leadership Team, in partnership with the Planning and Commissioning Team and Commercial and Procurement Services, are exploring the possibility to build on a model of partnership working and include the consideration of resources required to identify needs for appropriate contracts supporting the below themes.

The themes are known as ‘the Edinburgh Imperatives’:

- Attendance
- Closing the Poverty Related Attainment Gap
- Pathways
- Health and wellbeing

4.3 The aim is to co-produce innovative and compliant frameworks of commissioned services to support the health and wellbeing, attainment and outcomes of children and young people. These will meet evolving pressures, needs and support positive destinations for learners across the Learning Communities.

4.4 The priority is to explore how providers can work together to develop continuous improvement in their practices which will maximise the outcomes for Learning Communities and any further synergies to make the best use of resources.

4.5 Engagement with Community and Voluntary Sector networks has started. Outcome service specifications are being written in consultation with key stakeholders and will inform the upcoming providers’ engagement events and feedback.

4.6 Partner Providers are encouraged to support schools to provide a service which ensures pupils receive high quality education which meets their needs, delivers improved educational outcomes, and avoids exclusion. Schools, through engagement with contracted Partner Providers will aim to raise the attainment of the learners in receipt of the support.

4.7 Suppliers’ Engagement Events will be arranged and published on Public Contract Scotland - Tender (PCS-T), following the initial development and consultation with the third sector network.

- 4.8 The Sports and Physical Activities Framework Prior Information Notice is expected to be published on Public Contract Scotland - Tender (PCS-T) shortly after the wider Suppliers' Engagement Event on 2<sup>nd</sup> November.
- 4.9 The Council wants to facilitate children and young people taking part in sport and physical activities which support social connections, confidence and inclusion. Physical activities promote health and wellbeing, support participation and wider social development. Trusted relationships also encourage perseverance, goal setting and a growth mindset which the Council wants to preserve and prioritise in the children and young people's recovery from Covid-19.
- 4.10 The interim position in relation to non-contracted and non-compliant spend needs to protect curriculum-based interventions, directly delivered to children and young people and the continuity of services in the spirit of mutual sustainability, in light of post Covid-19 circumstances and emerging needs of children and young people.
- 4.11 Given the complex landscape, careful consideration is being given to ensure we balance the need for dedicated bespoke provisions in individual schools with the risk of not being compliant with CSOs and procurement legislation, in the best interest of the children, the young people and their families.

## 5. Next Steps

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- 5.1 Extension to the current arrangements, where appropriate, will ensure continuity of the services, for which each School will be responsible with additional support being provided through a joint contract management approach. This will inform the new contract monitoring requirements in the framework agreements.
- 5.2 To jointly build our vision with the Partner Providers, and to realign the contracts to the Learning Communities, Education and Children's Services require approximately nine months for the ongoing engagement exercise. A further six months will be required for market engagement and competitive procedures to be progressed where appropriate. This would also allow for the bedding in of the current spend on other funding streams across the Council and the mapping of provisions already commissioned by colleagues within and beyond the Directorate.
- 5.3 A centrally appointed Senior Development Officer for Equity (SDO) has been recruited to work with schools to support planning and the setting of appropriate targets. The SDO will work with the Planning and Commissioning Team to ensure financial and statutory compliance.

## 6. Financial impact

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- 6.1 Interventions and actions listed within the report include those annually funded by the Scottish Government (Pupil Equity Funding, Strategic Equity Funding, Care Experience Funding), in addition to those funded by the Scottish Government since 2020 as a result of Covid impact.



- 6.2 The Award of the new contracts will be submitted to Finance and Resources Committee for approval.
- 6.3 Any interim extension of current arrangements within budgetary provision will secure Best Value in its ultimate balance between quality and cost, ensuring the best outcomes for the children and the young people in the interest of the Local Authority and its community.

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

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- 7.1 A Short Life Working Group has been formed to consider and take forward the revised way of working with the aim to co-produce innovative and compliant frameworks of commissioned services for Schools and Lifelong Learning.
- 7.2 Engagement between Education and the Community and Voluntary Sector continues to explore how we can more closely align with Place Based approaches to improve outcomes for children and families (Learning Communities and Teams around the Learning Communities).
- 7.3 Market engagement and co-production with providers, voluntary sector, partner agencies and service users are being progressed according to the set timescales for each requirement.
- 7.4 Suppliers Engagement Events, Feedback Events, Discussions re co-production and collaborative approaches will be published on PCS Public Contract Scotland. Supplier Development Programme (SDP) Scotland offers support, expert training and information to interested SMEs and third sector organisations.
- 7.5 Views and impact continue to be gathered from schools by the Local Authority in relation to the management of resources to support equity, specifically the use of Scottish Attainment Challenge funding.
- 7.6 Views of parents/carers, families, and young people continue to be gathered by schools as part of the self-evaluation process around interventions and supports delivered to children and young people experiencing poverty-related barriers.

## **8. Background/External Reading**

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- 8.1 Tackling Child Poverty: Delivery Plan (2020) Published for Education, Children and Families Committee 15 December 202
- 8.2 [Pupil Equity Fund National Operational Guidance 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/pupil-equity-fund-national-operational-guidance-2022/pages/1-introduction.aspx)
- 8.3 [Strategic Equity Fund National Operational Guidance 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/strategic-equity-fund-national-operational-guidance-2022/pages/1-introduction.aspx)
- 8.4 [The Care Experienced Children and Young People Fund National Operational Guidance 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/the-care-experienced-children-and-young-people-fund-national-operational-guidance-2022/pages/1-introduction.aspx)
- 8.5 [The Scottish Attainment Challenge Framework for Recovery and Accelerating Progress - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/the-scottish-attainment-challenge-framework-for-recovery-and-accelerating-progress/pages/1-introduction.aspx)
- 8.6 [Pupil Equity Funding: school allocations 2022 to 2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/pupil-equity-funding-school-allocations-2022-to-2023/pages/1-introduction.aspx)

## 9. Appendices

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9.1 n/a

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Motion by Councillor Caldwell – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine  
Wards All  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Housing, Homelessness and Fair Work Committee has referred the motion by Councillor Caldwell on the importance of Participatory Budgeting, considered by the to the Housing, Homelessness and Fair Work Committee of 29 September 2022 to the Finance and Resources Committee, for approval.

**Richard Carr**  
Interim Executive Director of Corporate Services

Contact: Emily Traynor, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services Directorate  
Email: [emily.traynor@edinburgh.gov.uk](mailto:emily.traynor@edinburgh.gov.uk)

# Referral Report

## Motion by Councillor Caldwell

### 2. Terms of Referral

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2.1 On 29 September 2022, the Housing, Homelessness and Fair Work Committee considered a motion by Councillor Caldwell on the importance of participatory budgeting.

2.2 The Housing, Homelessness and Fair Work Committee agreed:

To note:

- 1) The Scottish Government target for local authorities to spend 1% of their annual budget through Participatory Budgeting (PB) frameworks.
- 2) The benefits to resident engagement of project funding that PB provides through direct democracy.
- 3) The success of 'Leith Chooses' in Leith Walk and Leith wards and previous PB programmes such as 'You Decide' in Portobello/Craigmillar and 'South Central Decides' in Southside/Newington & Morningside wards.
- 4) The October 2021 PB update to Finance and Resources committee that anticipated PB accounted for 0.32% of the Council's budget.
- 5) The recommendations in the Homelessness, Housing and Fair Work committee's 'UK Shared Prosperity Fund' August 2022 report to not submit a funding request for Leith Chooses, the last active PB programme co-run by the City of Edinburgh Council.

To request:

- 6) That the Convener of Housing, Homelessness and Fair Work meet with the Convener of Finance and Resources to explore how we can support Council-led PB alongside local residents and volunteers.
- 7) That Council reaffirm the importance of meeting the 1% of Council Budget on Participatory Budgeting target.
- 8) To recommend that a plan be submitted within two cycles to the Finance and Resource Committee on;
  - a) How it planned to support on a realistic and sustainable basis the existing PB scheme Leith Chooses (and others like it, if developed) for community grants.

- b) How it planned to develop new model(s) of PB for more communities and appropriate for new areas of direct democratic involvement, such as green / environmental schemes, health care priorities, and improvement of public spaces.
- 9) To refer this motion to the Finance and Resources Committee for approval.

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

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- 3.1 [Webcast of the Housing, Homelessness and Fair Work Committee of 29 September 2022](#)

### **4. Appendices**

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- 4.1 Appendix 1 – Agenda of the Housing, Homelessness and Fair Work Committee of 29 September 2022

# Notice of meeting and agenda

## Housing, Homelessness and Fair Work Committee

**10am, Thursday 29 September 2022**

Dean of Guild Court Room - City Chambers

This is a public meeting and members of the public are welcome to attend or watch the webcast live 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](mailto:jamie.macrae@edinburgh.gov.uk) / [emily.traynor@edinburgh.gov.uk](mailto:emily.traynor@edinburgh.gov.uk)

Tel: 0131 553 8242

## **1. Order of Business**

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

## **2. Declaration of Interests**

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

## **3. Deputations**

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- 3.1 If any.

## **4. Minutes**

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- 4.1 Minute of the Housing, Homelessness and Fair Work Committee of 4 August 2022 – submitted for approval as a correct record 9 - 16

## **5. Forward Planning**

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- 5.1 Housing, Homelessness and Fair Work Committee Work Programme 17 - 22
- 5.2 Housing, Homelessness and Fair Work Committee Rolling Actions Log 23 - 36

## **6. Business Bulletin**

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- 6.1 Housing, Homelessness and Fair Work Committee Business Bulletin 37 - 42

## **7. Executive Decisions**

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- 7.1 Homelessness Services' Performance Dashboard – Report by the Executive Director of Place 43 - 56
- 7.2 Capital City Partnership - Progress Update – Report by the Executive Director of Place 57 - 84

7.3	The City of Edinburgh Council's Annual Assurance Statement on Housing Services – Report by the Executive Director of Place	85 - 104
7.4	Homelessness Services - Statutory Returns – Report by the Executive Director of Place	105 - 108
7.5	HRA Budget Strategy – Report by the Executive Director of Place	To Follow
7.6	Local Employability Partnership - Service Delivery Plan 2022-2025 – Report by the Executive Director of Place	109 - 140
7.7	Place/Homelessness Financial Monitoring – Report by the Interim Executive Director of Corporate Services	To Follow
7.8	Trade Unions in Communities – Report by the Executive Director of Place	141 - 144

## 8. Routine Decisions

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8.1	Affordable Housing Policy - Tenures Update – referral from the Planning Committee	145 - 156
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## 9. Motions

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- 9.1 Housing, Homelessness and Fair Work Committee notes;
- 1) The Scottish Government target for local authorities to spend 1% of their annual budget through Participatory Budgeting (PB) frameworks.
  - 2) The benefits to resident engagement of project funding that PB provides through direct democracy.
  - 3) The success of 'Leith Chooses' in Leith Walk and Leith wards and previous PB programmes such as 'You Decide' in Portobello/Craigmillar and 'South Central Decides' in Southside/Newington &



Morningside wards.

- 4) The October 2021 PB update to Finance and Resources committee that anticipated PB accounted for 0.32% of the Council's budget.
- 5) The recommendations in the Homelessness, Housing and Fair Work committee's 'UK Shared Prosperity Fund' August 2022 report to not submit a funding request for Leith Chooses, the last active PB programme co-run by the City of Edinburgh Council.

The Housing, Homelessness and Fair Work Committee requests;

- 1) The Convenor of Housing, Homelessness and Fair Work to meet with the Convenor of Finance and Resources to explore how we can support Council-led PB alongside local residents and volunteers.
- 2) That Council reaffirm the importance of meeting the 1% of Council Budget on Participatory Budgeting target.
- 3) That Council submit a plan within two cycles to the Finance and Resource Committee on;
  - a) How it plans to support on a realistic and sustainable basis the existing PB scheme Leith Chooses (and others like it, if developed) for community grants.
  - b) How it plans to develop new model(s) of PB for more communities and appropriate for new areas of direct democratic involvement, such as green / environmental schemes, health care priorities, and improvement of public spaces.

## 10. Resolution to Consider in Private

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- 10.1** The Committee, is requested under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 12 of Part 1 of Schedule 7A of the Act.

## 11. Private Reports

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- 11.1** No Recourse to Public Funds – Report by the Executive Director of Place 157 - 162

### Nick Smith

Service Director, Legal and Assurance

### Committee Members

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Councillor Jane Meagher (Convener), Councillor Graeme Bruce, Councillor Jack Caldwell, Councillor Kate Campbell, Councillor Stuart Dobbin, Councillor Pauline Flannery, Councillor Simita Kumar, Councillor Ben Parker, Councillor Susan Rae, Councillor Mandy Watt and Councillor Iain Whyte

### Information about the Housing, Homelessness and Fair Work Committee

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The Housing, Homelessness and Fair Work Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council.

This meeting of the Housing, Homelessness and Fair Work Committee is being held in the City Chambers, High Street, Edinburgh and virtually by Microsoft Teams.

### Further information

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If you have any questions about the agenda or meeting arrangements, please contact Jamie Macrae, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 553 8242, email [jamie.macrae@edinburgh.gov.uk](mailto:jamie.macrae@edinburgh.gov.uk) / [emily.traynor@edinburgh.gov.uk](mailto:emily.traynor@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 the Council's online [Committee Library](#).

Live and archived webcasts for this meeting and all main Council committees can be viewed online by going to the Council's [Webcast Portal](#).

## **Webcasting of Council meetings**

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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.

Generally the public seating areas will not be filmed. However, by entering the Council Chamber and using the public seating area, individuals may be filmed and images and sound recordings captured of them will be used and stored for web casting and training purposes and for the purpose of keeping historical records and making those records available to the public.

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](mailto:committee.services@edinburgh.gov.uk)).

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# Finance and Resources Committee

10am, Thursday 10<sup>th</sup> November 2022

## Annual Fraud Prevention and Detection Report

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 To note the Council's work on fraud prevention and detection during the 2021/22 financial year.

Richard Carr

Interim Executive Director of Corporate Services

Contact: Nicola Harvey, Service Director

Customer and Digital Services Division, Corporate Services Directorate

E-mail: [Nicola.harvey@edinburgh.gov.uk](mailto:Nicola.harvey@edinburgh.gov.uk) | Tel: 0131 469 5006

## Annual Fraud Prevention and Detection Report

### 2. Executive Summary

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- 2.1 The annual report provides an overview of fraud prevention and detection activities undertaken in 2021/22.

### 3. Background

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- 3.1 The Council is responsible for a range of counter fraud activities. These are designed to detect, investigate and prevent fraud and ensure that public money is spent on essential services.
- 3.2 The Council investigate and detect fraudulent activity that is out with the remit of central government bodies such as the Department for Work and Pensions (now responsible for Housing Benefit Fraud). Appropriate external customer fraud is investigated by the Council's Customer Fraud & Visiting Team (CFVT).
- 3.3 Internal Audit also considers whether appropriate Council controls exist to support the prevention and detection of potentially fraudulent activities as part of their Governance, Risk, and Best Value Committee approved Internal Audit annual plan.

### 4. Main report

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- 4.1 Fraud allegations are received from a variety of sources, including members of the public, Department for Work and Pensions, HM Revenues and Customs, the Police, and the National Fraud Initiative (NFI) exercise. During 2021/22, the Customer Team detected customer fraud/error of £1.228m (Appendix 1), with recovery action ongoing.
- 4.2 The Council participates in Audit Scotland's NFI exercise. This is a comprehensive data matching exercise that operates over a two-year rolling period and compares information held by public bodies. Audit Scotland published the outcome for the 2020/21 exercise in August 2022 (Appendix 2). The 2020/21 exercise evidenced a low number of fraud/errors (2% fraud/error rate: 242 out of 11,564 cases investigated) and all cases have been actioned. Work to upload the datasets for the next two-year exercise 2022/23 commenced in July 2022 and the assessment will be concluded in January 2023.

- 4.3 The Council operates a web-based system that allows the public to report suspected cases of fraud. Following an initial assessment by Business Support within Legal Services, allegations are referred to the relevant service area for investigation. During the financial year 2021/22, 524 allegations were reported (Appendix 3), with no allegations made against Council employees. Of the 524 allegations, 81 were not relevant and were referred to appropriate external organisations, with the remaining allegations progressed by service areas.
- 4.4 Home visits to support external fraud investigations and face to face contact was suspended for most of the 2021/22 due to the coronavirus pandemic. The CFVT resource was redirected to support processing of Scottish Government Business Grant schemes, conducting assurance checks against potential fraudulent applications under the Strategic Framework and Retail, Hospitality & Leisure Funds. The team reviewed high risk applications and identified 421 fraudulent claims.

## **5. Next Steps**

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- 5.1 The Customer Fraud & Visiting Team and Internal Audit will continue to work collaboratively to provide financial safeguards and deter potentially fraudulent activity.

## **6. Financial impact**

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- 6.1 While there is no direct financial impact as a result of this report, the actions of the Customer Fraud & Visiting Team and Internal Audit provide a financial safeguard. Outcomes from investigations provide service areas with evidence to recover any fraudulent sums claimed.

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

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- 7.1 There is no direct impact on stakeholders or community arising from this report.

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

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- 8.1 [Fraud Prevention & Detection - Annual Report 2020/21. Finance and Resources Committee 9th December 2021](#)  
[Corporate Debt Policy](#)  
[Whistleblowing Policy](#)  
[Policy on Fraud Prevention](#)  
[Policy on Anti Bribery](#)

## **9. Appendices**

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- 9.1 Appendix 1 – Customer Fraud & Visiting Team – 2021/22  
Appendix 2 - National Fraud Initiative – 2020/21  
Appendix 3 - Public Reported Cases of Suspected Fraud

### Customer Fraud & Visiting Team – 2021/22 Activities

During 2021/22, the Customer Team detected fraud of £1.228m with recovery action ongoing.

- **Benefit Administrative Penalties (£3,351.08)**  
Administrative penalties occur when a Benefit claimant deliberately fails to provide details of a change of circumstance, which then results in a benefit overpayment. Council investigates these cases on behalf of the Secretary of State.
- **Discretionary Housing Payments (£703.91)**  
These payments are awarded to claimants in receipt of Housing Benefit and suffering from financial hardship. Overpayments occur when a claimant fails to provide the correct information when applying or fails to report a change in circumstances.
- **Council Tax Reduction Scheme (CTRS) (£119,493.77)**  
CTRS is available to claimants who are experiencing financial difficulties and find themselves unable to make their Council Tax payments. Payments in error occur when a claimant fails to provide the correct information when applying for the scheme or fails to report a change in circumstances.
- **Council Tax Discounts and Exemptions (£75,204.36)**  
Discounts and exemption incorrectly applied due to the customer providing incorrect information or failing to report a change of circumstance e.g., liability, student status, empty properties etc. NB: Additional discounts and exemptions are also removed as part of the ongoing business review activities; however, these are not classified as fraudulent for the purpose of this report.
- **Council Tax Single Occupancy Discount Review (£1,029,711.95)**  
Annually, the service undertakes a review to ensure residents who claim a single occupancy discount on their Council Tax continues to have a genuine entitlement. In partnership with the Council, an external partner undertakes an evidence based single occupancy discount review. This uses a combination of information held by the Council, third party data sources and specialist validation services. The work carried out ensures that ineligible claims are removed and that those who are entitled continue to receive their discount.



**National Fraud Initiative**

Overview of 2020/21 matches.

<b>Dataset</b>	<b>Examples of possible Fraud</b>	<b>Cases Investigated</b>	<b>Investigation Type</b>	<b>Fraud No.</b>	<b>Errors No.</b>	<b>Notional Value £</b>
Non-Domestic Rates	Incorrectly claiming small Business Bonus Scheme	853	All Matches	0	104	£433,823.59
Income/ Council Tax	Incorrectly claiming exemptions	1814	All matches	1	133	£179,083.07
Housing Benefits	Incorrectly claiming benefits	415	All matches	4	0	£27201.52
Housing Rents and Other	Ineligible tenants, Tenant on waiting list for second property, Inappropriate attempt to purchase property R.T.B.	520	All Matches	0	0	£0.00
Payroll/HR	Obtaining employment when not entitled to work in the UK Second Job whilst paid long term sick	147	All Matches	0	0	£0.00
Trade Creditors Standing Data (Procurement)	Fraudulent or erroneous payments where supplier set up with more than one reference, Inappropriate Suppliers on database	325	Sample completed due to low level of risk	0	0	£0.00
Trade Creditors History (Payments)	Duplicate payments for same goods/services Incorrect Payments made Employees (or family) invoicing	6023	Sample completed due to low level of risk	0	0	£0.00

	services to Council					
Blue Badge Permit / Residents Parking	Permit used by someone other than approved user	1188	All Matches	0	0	£0.00
Resident Parking Permits	Individuals who have a resident parking permit have been matched to deceased records.	38	All Matches	0	0	£0.00
Procurement to Payroll	To identify potential undeclared interests that have been given a pecuniary advantage.	241	All Matches	0	0	£0.00
<b>Total</b>		11,564		5	237	£640,108.18

## Public Reported Cases of Suspected Fraud

<b>CATEGORY</b>	<b>Number of Reported Cases</b>
<b>External</b>	
Benefits or Council Tax	320
Tenancy or Other Housing	81
Licensing / HMO / Private Landlord	15
Non-Domestic Rates	2
Blue Badges/Parking	12
Miscellaneous	13
<b>Internal</b>	
Allegations made against Staff	0
<b>Total Relevant Allegations</b>	<b>443</b>
<b>Not Relevant</b>	
Not CEC – (i.e., Police, other LAs, or agencies)	77
Duplicates (multiple reports by same person)	4
<b>Total Not Relevant</b>	<b>81</b>
<b>Total Allegations Received</b>	<b>524</b>

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## Finance and Resources Committee

Thursday 10<sup>th</sup> November 2022

### Workforce Dashboard with Living Our Behaviours deep dive

Item number	
Executive/routine	Routine
Wards	All
Council Commitments	

#### 1. Recommendations

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- 1.1 To review and note the information contained in the Workforce Dashboard for the period July to September 2022.
- 1.2 To note the deep dive provided to update on the 'Living our behaviours' workstream committed to in the Councils' People Strategy (Our Future Council 2021-2024).

#### Richard Carr

Interim Executive Director of Corporate Services

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Human Resources Division, Corporate Services Directorate

E-mail: [katy.miller@edinburgh.gov.uk](mailto:katy.miller@edinburgh.gov.uk) | Tel: 0131 469 5522

# Finance and Resources Committee

## Workforce Dashboard with Living Our Behaviours deep dive

### 2. Executive Summary

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- 2.1 This report provides the Council's Workforce Data (July to September 2022) and a deep dive on the work which was committed to in the Councils' People Strategy (Our Future Council 2021-2024) on 'Living our behaviours'.
- 2.2 Key trends in the workforce data for this period are a significant increase in the engagement of agency workers and a slight decrease in overall absence rates (although still above those experienced in 2019/20). As reported to this Committee on 8 September 2022, a number of service areas are continuing to experience service capacity issues generally and these are further compounded by employee absence, turnover and an inability to recruit to an increasing number of 'hard to fill' roles due to the challenging employment market. In turn this has increased the utilisation of agency workers.
- 2.3 As part of our People Strategy, a programme of work commenced to ensure we describe and embed clear expectations for how we'll behave in everything we do, developing a culture of inclusion, respect and belonging. The deep dive provided updates on the work which has been delivered to date as well as highlighting additional support and tools needed to ensure we successfully deliver on our cultural transformation.

### 3. Background

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#### 3.1 Workforce dashboard data

The Workforce Dashboard provides data and insight for the period July to September 2022 including:

- the number of Full Time Equivalent (FTE) staff employed and breakdown of role grading by directorate
- the cost of the quarters' pay bill, including our flexible workforce (agency, overtime and casual)
- recruitment information
- trends on absence rates
- organisational leaver information
- insight from Directorates on the last quarter and workforce context for the next quarter.

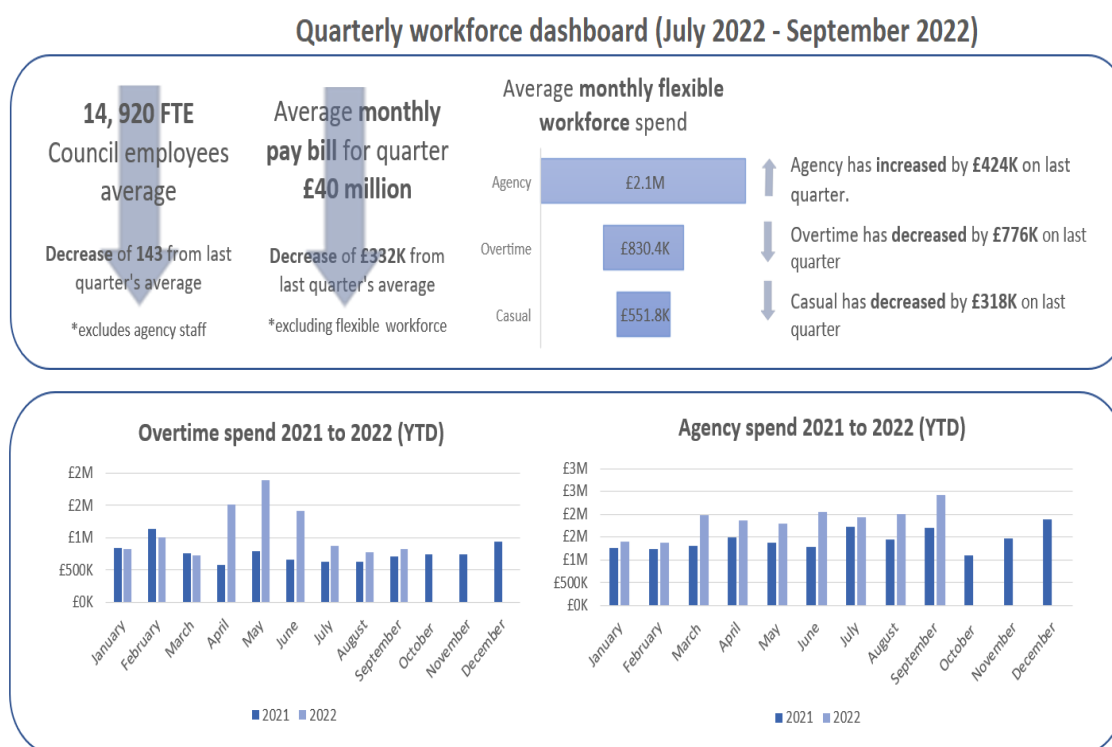
### 3.2 Living our behaviours deep dive

The workstreams underpinning this important work seek to establish the behavioural-related building blocks of this culture change through:

- agreeing and embedding the **behaviours** we expect every colleague to demonstrate at work
- supporting our **leaders** to be confident, self-aware and to deliver using our expected behaviours
- developing best practice inclusive **employment policies**, guidance and learning that reflects the culture we want to create and
- ensuring **diversity and inclusion** are at the heart of everything we do to influence positive change for our workforce and city.

## 4. Main Report - Dashboard

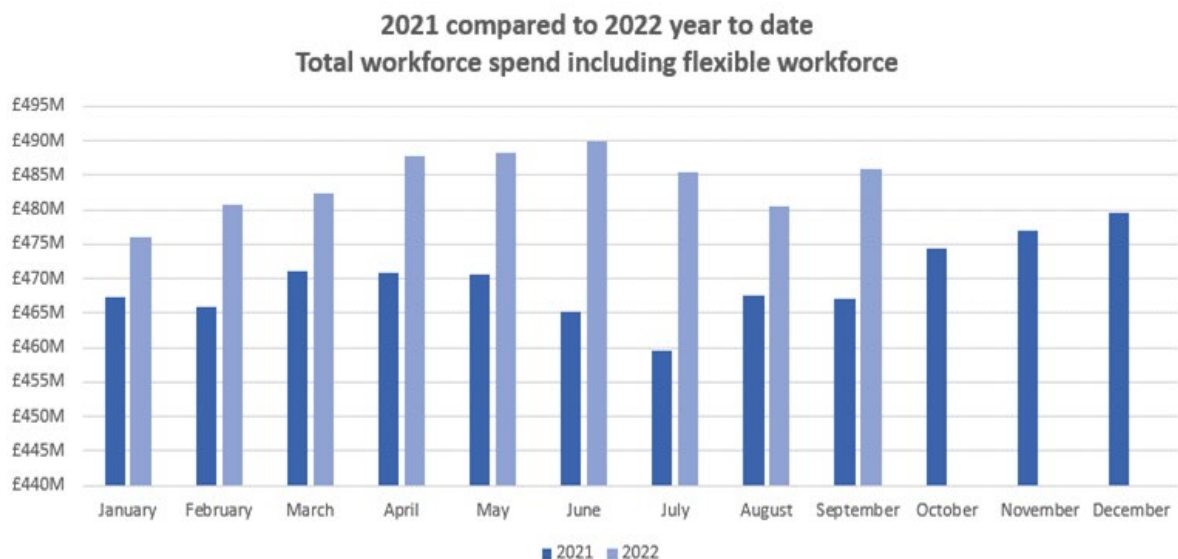
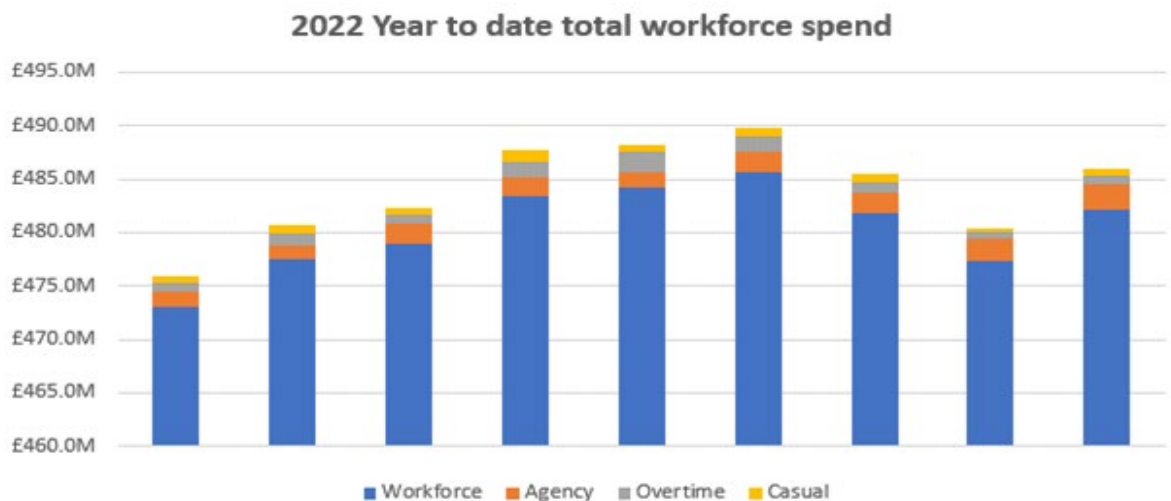
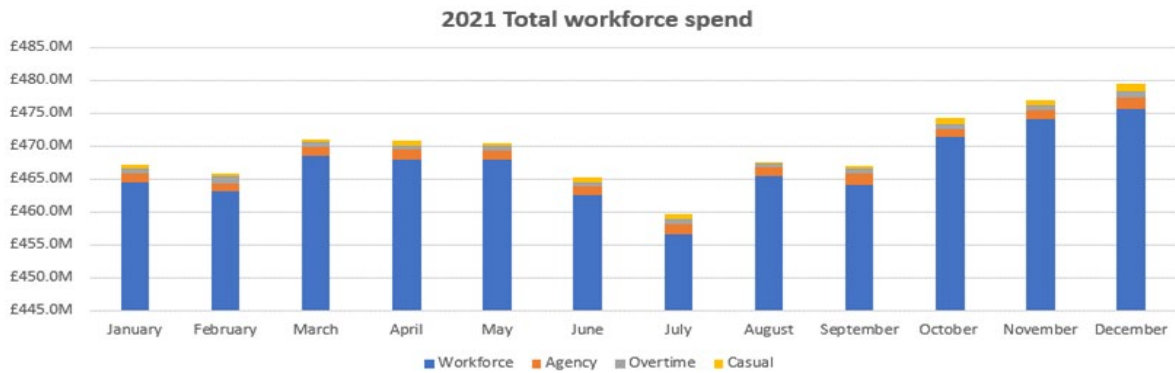
### 4.1 Workforce Dashboard - Key workforce data



4.1.1 Average agency spend for July to September 2022 is £2.1 million. This is an increase of £424K on the average agency spend from the last quarter (April to June 2022) which was £ 1.7 million. Over the first six months of this financial year, agency spend has increased by £3 million compared to the same reporting period in the 2021/2022 financial year.

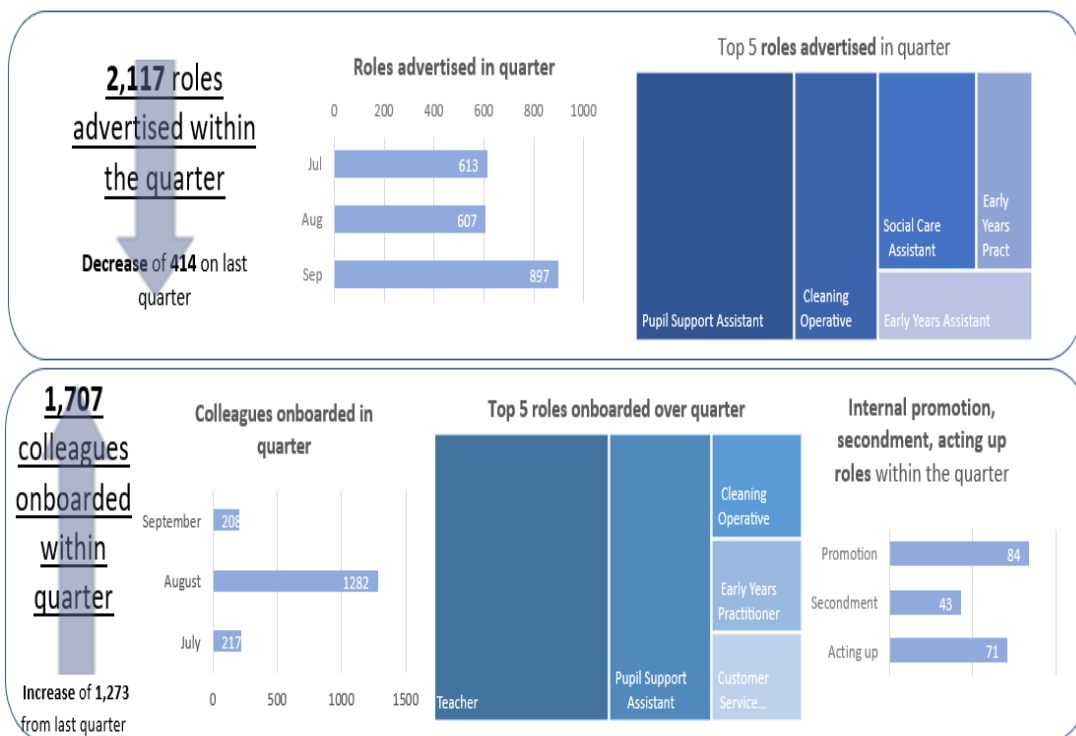
4.1.2 Whilst overtime has decreased by £776k during this quarter, in part attributable to industrial action which took place, overtime has increased by £3 million over the first six months of this financial year, compared to the same reporting period in the 2021/2022 financial year.

4.1.3 Whilst the average pay bill has decreased by £332k during this quarter, workforce costs (excluding our flexible workforce costs), have increased by £110 million over the first six months of this financial year, compared to the same period in the 2021/2022 financial year. During this period the 2021/2022 Pay Award was applied to Local Government, Craft, Chief Officer and Learning and Teaching.



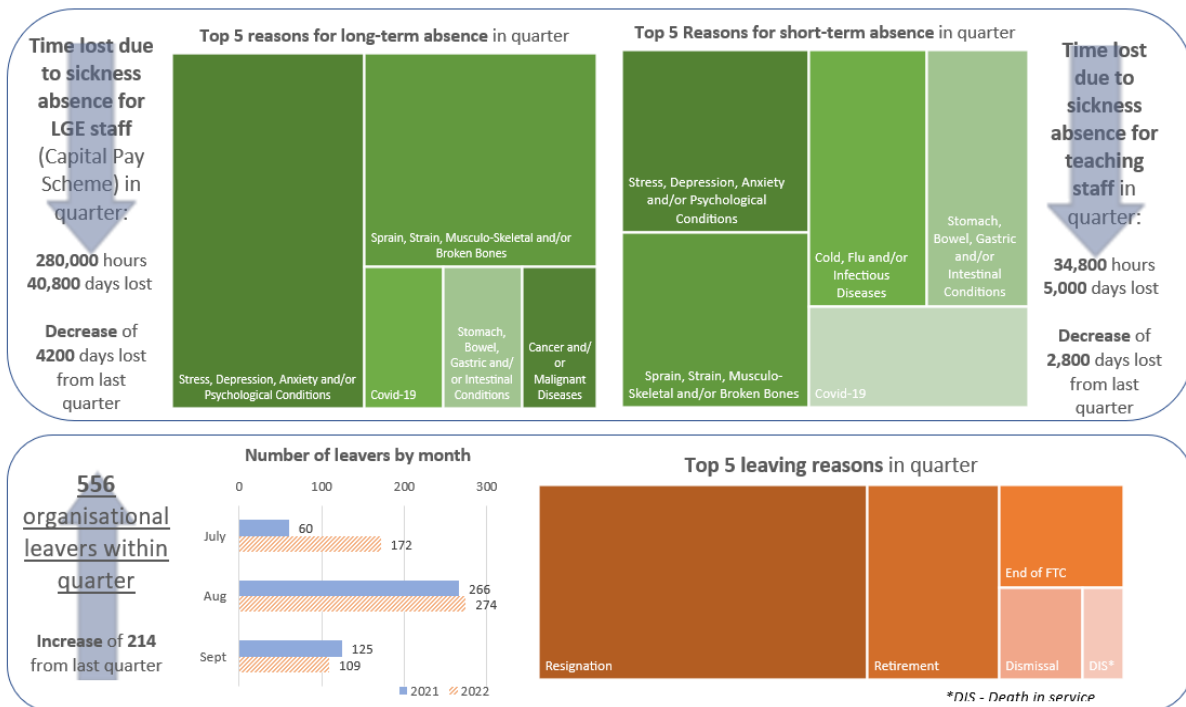


- 4.1.4 Additional spend on agency workers and overtime generally can be attributed to absence levels and challenging recruitment market conditions i.e. an inability to recruit to vacancies.
- 4.1.5 As at July 2022 the Council had a salary overpayments balance of £1.04m (893 employees affected). The majority of the balance is in Education and Children’s Services, £0.40 m with 531 colleagues affected (both existing and leavers). The majority of overpayments were caused by ‘late information to HR’ and ‘manager error’.
- 4.1.6 The level of vacancies advertised over the period has reduced from last quarter, which is an expected trend as recruitment to Education roles reduced post summer. That said, the majority of vacancies advertised continue to be within Education with 632 adverts (for 1,152 positions) advertised since the school term started on 16<sup>th</sup> August. These are predominately for Pupil Support and Early Years roles.
- 4.1.7 HR continue to work with Education colleagues to review and redesign our approach to recruitment to create an improved candidate experience and maximise efficiencies in our approach.
- 4.1.8 Over the period April 2022 to June 2022, we supported a total of 120 apprentices.



4.1.9 For the period July to September 2022, the Council lost 45,800 days to sickness absence which represents a decrease of 7,000 days lost compared with the last quarter (April to June 2022 52,800 days of sickness absence). Whilst this represents a slight reduction, it is important to note that the absence rates for last year were considerably higher than those for the previous year –we lost 197,656 days lost to sickness absence (2021/22)

compared with 166,725 (2019/20). Stress, depression, anxiety and/or psychological conditions remains the top reason attributed to absence.



4.1.10 July and August saw a considerable increase in employees resigning. One of the recommendations from the Independent Inquiry and Review into the Councils' whistleblowing culture, a dedicated resource has been recruited which has enabled a newly revised approach exit conversation to be developed and launched. Whilst in its infancy, this has provided more in-depth insight in why employees leave our employment:

- Pay related reasons including; the pay does not reflect the responsibilities of the role; the pay doesn't cover the cost of living and; there is a feeling that other local authorities pay better.
- A lack of development or promotion opportunities within the Council:

Positively, leavers have in the main responded 'strongly agree' or 'agree' that in their experience they feel people are treated fairly, with respect and in a way that promotes equality and inclusion.

## 4.2 Narrative from Directorates for the last quarter (July-September 2022)

### 4.2.1 Corporate Services

- There has been little significant movement within the Directorate's workforce within the last quarter, however, we have progressed the implementation of actions resulting from the Independent Inquiry with the establishment of our Investigations Team and with additional colleagues within our Governance Team.
- Our Directorate sickness absence trend is showing improvement over the Quarter, and when in comparison to the same Quarter in 2021/2022,

although we are conscious that within individual Divisions and Services some are experiencing higher rates than others.

- Increasing turnover and difficulties recruiting to vacancies due to market conditions remain a critical challenge.

#### **4.2.2 Edinburgh Health and Social Care Partnership**

- Comparison between July/August 2021 and July/August 2022 continues to demonstrate high sickness levels predominantly within Homecare and Care Homes. This reflects those services under most pressure, where there are higher levels of vacancy and use of overtime. Additional support has been brought in to support Homecare Managers to actively manage sickness absence and it is having a positive impact. Three out of the 12 registered home care services are now achieving the absence target with a further three due to achieve the target by the end of October.
- For Occupational Therapist/Senior, Senior Practitioner, Social Worker/Senior 51% of leavers (over the last 3 years have been at top of their salary band) and this would reflect exit conversation feedback that pay is key driver for turnover.
- There are several vacancies currently live and further interviews in train. Care homes have targeted adverts at individual care homes as this results in more successful recruitment.

#### **4.2.3 Education and Children's Services**

- The Directorate still remains under significant pressure due to high levels of demand but also vacancies in key posts. Across the Directorate we have been unsuccessful in recruiting into numerous posts in particular residential care staff, and there has been a need to re-advertise vacancies which we have been unable to fill. Work will be prioritised to build broader recruitment campaigns (similar to foster care recruitment drive).
- Education Colleagues have been working closely with HR to refine recent recruitment process changes. This will include designing a centralised approach to Pupil Support Assistant recruitment, more employees across the Service being trained in Recruitment processes and a review of our Supply Booking System with a view to consolidation (as the system currently has nearly 3,500 individuals on it).
- Based on feedback from Colleagues who engaged the Council's Play Pedagogy Team, an integrated support offer for leaders and practitioners has been designed running from August 2022– June 2023. This is the second year of engagement with Education Scotland.

#### **4.2.4 Place**

- The period of industrial action in August 2022 had a significant impact on service delivery, particularly in Waste and Cleansing. Colleagues' response to addressing the significant accumulation of waste ensured that the city returned quickly to normal.
- Implementing operational plans to ensure that the arrangements following the death of HM The Queen were executed effectively. The Council has received many messages of thanks and praise for the efforts of our staff.

- As shown in the dashboard information, Place have been prioritising recruitment of Cleaning Operatives in time for the new school session commencing. Recruitment and retention continue to be challenging, due to the competitive market.

### **4.3 Looking forward over the next 12 months – Directorate’s narrative**

#### **4.3.1 Corporate Services**

- Coming into the Autumn and Winter months we are conscious that we will need to carefully manage our sickness absence and colleague wellbeing offering to ensure that we are providing all colleagues with the support necessary. This includes work from our colleagues in Human Resources to provide guidance and support around the cost-of-living crisis.
- We are currently recruiting for a number of some senior posts, including the substantive post of Executive Director of Corporate Services, which are due to be completed within the next Quarter.

#### **4.3.2 Edinburgh Health and Social Care Partnership (EHSCP)**

- There continues to be significant challenges including a lack of capacity within the system and a significant gap between levels of need and capacity to meet increased levels of complex care. Additionally, staff continue to leave the social care sector (a 14% vacancy rate for Social Workers) which puts increased pressure on the remaining workforce.
- Staff continue to support services by undertaking overtime and/or working increased hours, however this is having an impact on employees’ wellbeing – mentally and physically. Managers continue to promote wellbeing initiatives within the Partnership and across the Council and NHS Lothian.
- The Partnership continue to look at ways to recruit more people to the care sector, through engagement with the Capital City Partnership, colleagues, universities and maintaining a presence at job fairs. We have looked at our shift pattern within Homecare and made it more flexible to attract a wider range of candidates. A further recruitment drive will be undertaken week commencing 24 October with a refresh of our recruitment and advertising material featuring some of our employee stories.
- Due to the number of vacancies within care homes, we continue to utilise agency staff to supplement our permanent staffing establishments to ensure safe staffing levels.

#### **4.3.3 Education and Children’s services**

- A tighter management of overtime has provided greater insight into areas of future focus and tighter oversight has been put in place. Work is now taking place to also look at agency spend in residential and Edinburgh Secure Services (ESS) to see where savings can be made. Overtime costs have fluctuated in the last couple of months in Children’s Services (majority for Residential/ESS) but compared to the same period last year it is still lower, and this includes an extra two public holidays for the Queen’s Jubilee and funeral which was a significant cost to 24/7 services.

- Work continues across Education on ‘Edinburgh’s Promise 2021-2023’ plan. Over the summer several areas of this work have been taken forward, especially connected to Whole Family Support, school’s-based Love, Safe and Respected focus, and continuation of work to update our corporate parenting offer.
- Mental Health and Wellbeing is a core component of Getting It Right for Every Child and Curriculum for Excellence across the Authority. Mental Health Matters is a staff training programme offered to colleagues which aims to support the promotion of positive mental health and emotional wellbeing in children, young people, and families.
- We have significant gaps in schools for additional support Pupil Support Assistants and have had to start closing classes again which poses significant risk on several fronts. We have established a project to review processes and will present a report to CLT shortly.

#### 4.3.4 Place

- A reduction in overtime and agency spend continues to be a priority for the directorate and additional recruitment approaches continue to be considered to target particularly hard to fill vacancies.
- Organisational reviews continue to be progressed.
- A recruitment exercise is currently underway to appoint a permanent Service Director for Housing and Homelessness.
- A focus on health and wellbeing will prioritise supporting colleagues to stay well this winter. Line managers will be encouraged to work closely with their teams and to ensure any necessary support is provided to colleagues to help them stay well this winter. The Council is also developing an approach to help people access support and advice, if required, in response to the cost of living crisis.

#### 4.4 Deep Dive: Living our behaviours

4.4.1 Our People Strategy (Our Future Council 2021-2024) sets out our commitments to our workforce and is underpinned by three strategic themes:

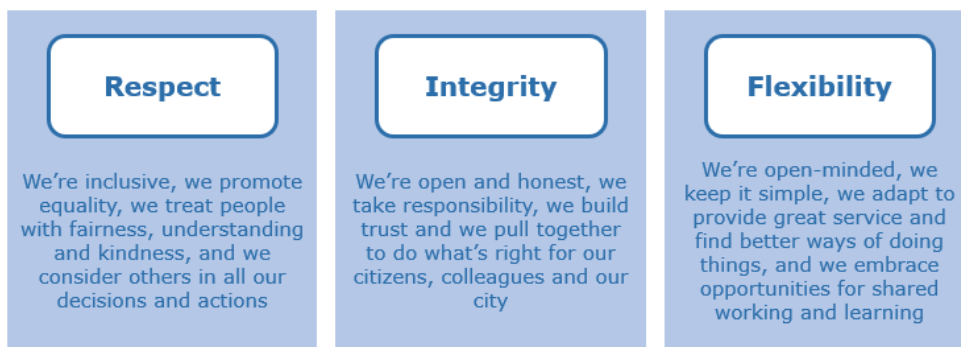
- Living our behaviours
- Maximising our Capability and Performance
- Enhancing our Colleague Experience.

The changes we want to make to shape our employee experience are ambitious and will only succeed by looking at all aspects of our culture.

This report considers ‘Living Our Behaviours’ which has four key workstreams seeking to establish the behavioural-related building blocks of the required culture change:

- i. identifying and embedding the behaviours we expect every colleague to demonstrate at work
- ii. supporting our leaders to be confident, self-aware and to deliver using our expected behaviours
- iii. developing best practice, inclusive employment policies, guidance and learning that reflects the culture we want to create and

- iv. ensuring diversity and inclusion are at the heart of everything we do to influence positive change for our workforce and city.
- 4.4.2 We are introducing a set of organisational behaviours as a key enabler of cultural change and will be threaded through everything we do, so that:
- ✓ we bring in the right people when we recruit
  - ✓ we can be clear about behavioural expectations at work
  - ✓ we can consistently provide the level of service that our citizens, stakeholders, and colleagues deserve
  - ✓ everyone is treated with the dignity and respect they deserve
  - ✓ the decisions we make and the actions we take are in line with our agreed behaviours
  - ✓ our people are recognised for demonstrating the right behaviours through their performance conversations
  - ✓ we do not lose valued colleagues because of problems with our culture and those who are not the right fit are addressed.
- 4.4.2 Our behaviours support our organisational purpose of '*working together for the people of Edinburgh*' and will help create a working environment that's positive and free from behaviours that impact negatively on wellbeing, psychological safety and motivation/engagement levels.



We've got to this point with significant engagement with our colleagues including;

- virtual engagement sessions - 142 colleagues in total were asked what it feels like to work in the Council and what behaviours they would like to see in the organisation to improve our culture, deliver for the people of Edinburgh and help us be successful with our strategic ambitions.
  - A culture capture undertaken by an independent external organisation which included a survey open to all colleagues which received over 1,400 responses and was followed by further engagement with frontline colleagues
  - Analysis of further insight e.g. Inquiry and Review findings, internal processes e.g whistleblowing, grievances, exit conversations etc.
- 4.4.3 The changes we want to make to shape Our Future Council are ambitious. We don't just need to change what we do and deliver – we need to change how we do it. Everything we do in the Council involves people, so it is essential that we look at all aspects of our culture, which includes the behaviours of our leaders, colleagues and key stakeholders. This work includes:

Progressing reviewing/revising our employment policies including going beyond our statutory duties where we can, ensuring policies are accessible, inclusive and adaptable and provide clear guidance and support and are clear on how we expect all of our colleagues to behave and operate within the Council.

Reviewing Job Descriptions and job adverts to ensure that our organisational behaviours are prevalent and designing supporting approaches to interviews – so we are seeking behavioural evidence as well as technical skills. Additionally, we will strengthen people leader job descriptions to include a stronger focus on leadership

Working with senior leaders to help them demonstrate the right leadership to support culture change in their teams. This will include supporting them to embed the behaviours and address the many challenges people leaders have reported they are facing. This work aligns with and is supported by the commitments we've agreed in our Diversity and Inclusion Action Plan.

- 4.4.4 The outcomes of the work within Living our Behaviours are transformational in nature and therefore require a sustained focus, so our gains will come gradually and over the mid to longer term. The nature of this can make measurement/evaluation more challenging to measure e.g. being able to show that people leaders have attended a learning workshop does not mean they have put the skills they have learned into practice.
- 4.4.5 However, we have baseline data (quantitative and qualitative) and from this we will build indicators to measure cultural transformation and behaviours-related insight. We are currently developing options that can be used to seek regular qualitative feedback from colleagues across the organisation which will tell us how well we're doing in behavioural/cultural focused areas such as psychological safety/feeling able to speak up, feeling respected, included and empowered, being creative and finding new solutions, and being able to get things done without facing unnecessary obstacles. This type of data will also allow us to drill down to identify which areas of the organisation are making more progress and which ones need extra support.
- 4.4.6 In essence, our intention is to develop a way of understanding how it feels to work with the Council and what more we can do to ensure people feel included, valued and respected.

## 5. Next Steps

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- 5.1 Additional steps have been taken to address workforce controls including:
- A revised recruitment approval process
  - A working group with officers and Trade Unions to review agency spend
  - Monthly dashboard produced for each Directorate with detail on salary overpayments
- 5.2 Absence and wellbeing support will continue to be delivered for all colleagues and line managers including our next virtual wellbeing roadshow for all colleagues which will take place in November.

- 5.3 To deliver our plan to integrate our behaviours in all touch points of our employee experience:
- Developing a behavioural framework that clearly outlines our expectations of all people leaders and colleagues
  - Adapting our candidate attraction, assessment and offer to focus on the behaviours we expect as well as technical skills
  - Emphasising our behaviours and expectations through the onboarding process
  - Integrating our behaviours into leadership and leadership development
  - Incorporating our behaviours into all new learning materials and existing materials where relevant
  - Integrating our behaviours into our Colleague Performance Framework so they become part of our everyday conversations about how we behave and perform at work
- 5.4 Develop ways to measure how our culture change is progressing through qualitative data so we can build a behaviours-related dashboard to measure progress and shape our future thinking.
- 5.5 Recruitment/resourcing: Ensuring a stronger focus on people leadership in our recruitment approach/process (this is being done at the same time as we embed Our Behaviours into recruitment).
- 5.6 Leadership & management: Building on what we already offer to ensure absolute clarity on the behaviours we require of our people leaders (through our behavioural framework) and create additional leadership development as part of the Behaviours roll-out.
- 5.7 Performance – embedding our behaviours and continuing to focus making ‘conversation spotlight’ available for all our people leaders. We have already put a leadership performance goal in place in this performance year. We continue to deliver on our commitment to review and refresh our employment policies (as per our People Strategy 2021-24 and latterly the recommendations of the Independent Inquiry and Review into our Whistleblowing Culture which reinforced this).
- 5.8 This year the following policies have been reviewed and approved – Domestic abuse, Disciplinary (teachers), Disciplinary (Local Government Employees), Disciplinary (Chief Officers), Personnel Appeals Committee (Disciplinary). Additionally, the following are currently being reviewed with the intention of bringing them to Committee for review/approval in quarter one 2023 – Whistleblowing, Code of Conduct, Trade Union Facility Time, Grievance and Bullying & Harassment.
- 5.9 Implement the D&I 2023 Action Plan.



## **6. Financial impact**

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- To note the budgetary implications of workforce costs (both direct and indirect).
- To note the direct and indirect costs related to absence (salary, overtime and agency).

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

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- 7.1 Stakeholder consultation and engagement, including colleagues, Corporate Leadership Team, Senior Management Teams, Trade Unions and Elected Members is ongoing.

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

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- 8.1 [COUNCILS PEOPLE STRATEGY 2021-2024](#)
- 8.2 [Workforce Dashboard with Wellbeing and Absence Deep dive 8 September 2022](#)
- 8.3 POLICY AND SUSTAINABILTY D&I STRATEGY AND PLAN UPDATE – November 2022

## **9. Appendices**

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Not applicable

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Summary Report on Property Transactions concluded under Delegated Authority

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

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- 1.1 Finance and Resources Committee is asked to note the 67 transactions, detailed in Appendix 1, which have been concluded in terms of the Council's 'Scheme of Delegation to Officers.'

**Paul Lawrence**

Executive Director of Place

Contact: Graeme McGartland, Head of Estates

E-mail: [graeme.mcgartland@edinburgh.gov.uk](mailto:graeme.mcgartland@edinburgh.gov.uk) | Tel: 0131 529 5956

## Summary Report on Property Transactions concluded under Delegated Authority

### 2. Executive Summary

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- 2.1 To advise the Committee of all lease agreements, etc. concluded in terms of the Council's 'Scheme of Delegation to Officers'.
- 2.2 This delegated authority currently extends to the conclusion of all new leases of up to five years in length where the rental is no greater than £50,000 per annum and rent reviews where the rental is no greater than £50,000 per annum. The authority also includes the sale of property which has been declared surplus to the requirements of the Council and sold on the open market to the highest bidder. Any transactions outwith these parameters are reported separately to Committee.
- 2.3 The default management position for the commercial investment portfolio is to let properties at the relevant rent. Any lease agreement at less than market levels, otherwise known as a concessionary let, is reported separately for committee approval before the letting is completed.

### 3. Background

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- 3.1 Under the Council's Scheme of Delegation to Officers it is the responsibility of the Chief Executive or relevant Executive Director to keep the elected members appropriately informed about activity arising within the scope of the delegated authority under the Scheme.

### 4. Main report

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- 4.1 Appendix 1 provides details of 67 transactions completed under delegated authority since the last quarterly report.
- 4.2 The financial benefit to the Council of these transactions is summarised below:
  - 4.2.1 17 new leases producing a total income of £112,049 per annum;
  - 4.2.2 17 lease renewals producing an additional £17,300, on a total of £170,388 per annum;

- 4.2.3 Nine licences producing £100,750;
- 4.2.4 One rent review on a leased in property resulting in an increase in annual rent of £1,000 to £3,500 per annum;
- 4.2.5 22 rent reviews producing an additional £106,730, on a total rent of £921,390 per annum; and
- 4.2.6 One disposal producing a receipt of £931,732.

## **5. Next Steps**

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- 5.1 The report sets out transactions which have been completed, under delegated authority. There are no further steps in relation to these transactions.

## **6. Financial impact**

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- 6.1 The financial impact of the transactions noted are set out above.

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

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- 7.1 None.

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

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- 8.1 None.

## **9. Appendices**

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- 9.1 Appendix 1 – Schedule of Property Transactions.

**Appendix 1 - Schedule of Property Transactions**

**NEW LEASE**

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	1 – Almond	Parks & Greenspace	Cammo Road, Edinburgh, EH4 8AN	Leaf and Bean Limited	Stance	<b>Rent:</b> £2,604 per annum <b>Lease Period:</b> 5 October 2022 to 4 October 2024 <b>Payable:</b> Annually

**REMARKS:**

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17314/10	3 – Drumbrae / Gyle	General Property (GP)	Unit 10 Broomhouse Workspace, New Lairdship Yards (775 sq ft)	Extend (Scotland) Ltd	Industrial	<b>Rent:</b> £8,350 per annum <b>Lease Period:</b> 18 August 2022 to 17 August 2024 <b>Payable:</b> Monthly in advance

**REMARKS:** Back-to-back lease renunciation / new letting as part of a company restructure. No rent free granted on entry.

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	4 – Forth	Housing Revenue Account	Inchgarvie Court, 28-30 Ferry Road Drive, Edinburgh, EH4 4DA	Stepping Stones (North Edinburgh)	Office	<b>Rent:</b> £3,000 per annum <b>Lease Period:</b> 1 May 2022 to 30 April 2027 <b>Payable:</b> N/a

**REMARKS:** Ground floor unit within residential high rise

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
P102591	5 – Inverleith	Parks & Greenspace	George V Park, Eyre Place, Edinburgh, EH3 5ED	Gillian Connolly	Stance	<b>Rent:</b> £2,500 per annum <b>Lease Period:</b> 10 January 2022 to 9 January 2023 <b>Payable:</b> Annually

**REMARKS:**

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	6 – Corstorphine/ Murrayfield	Trams	Land adjacent to 23 Roseburn Street (894 sq m)	Balfour Beatty	Site Compound	<b>Rent:</b> Nil <b>Lease Period:</b> 10 January 2022 to 9 January 2023 <b>Payable:</b> N/a

**REMARKS:** Council Contractor – in relation to the CCWEL cycleway project

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16496/3	7 – Sighthill/ Gorgie	General Property (GP)	Unit 4/2, Broomhouse Workspace, New Lairdship Yards, Edinburgh, EH11 3UY	Bens Gutters Limited	Industrial	<b>Rent:</b> £8,450 per annum <b>Lease Period:</b> 1 June 2022 to 30 June 2023 <b>Payable:</b> Quarterly in advance

**REMARKS:**



ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16496/3	7 – Sighthill/ Gorgie	General Property (GP)	Unit 11, Broomhouse Workspace, New Lairdship Yards, Edinburgh, EH11 3UY	Bens Gutters Limited	Industrial	<b>Rent:</b> £8,700 per annum <b>Lease Period:</b> 1 July 2022 to 30 June 2023 <b>Payable:</b> Quarterly in advance

**REMARKS: Back-to-back lease renunciation / new letting as part of a business sale. No rent free granted on entry.**

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16496/3	7 – Sighthill/ Gorgie	General Property (GP)	Unit 3 Russell Road Ind Estate, Sauchiebank (725 sq ft)	Pedal Distribution Limited	Industrial	<b>Rent:</b> £7,000 per annum <b>Lease Period:</b> 1 May 2022 to 31 April 2024 <b>Payable:</b> Quarterly in advance

**REMARKS: Back-to-back lease renunciation / new letting as part of a business sale. No rent free granted on entry.**

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	9 – Fountainbridge /Craiglockhart	Parks & Greenspace	Bainfield Drive, Fountainbridge Park, Edinburgh	Susie Vivian	Stance	<b>Rent:</b> £2,500 per annum <b>Lease Period:</b> 1 March 2022 to 29 February 2025 <b>Payable:</b> Annually

REMARKS:

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	11 – City Centre	General Property	7/9 Blackfriars Street, Edinburgh, EH1 1NB	Angus Struan Carolus Robertson	Office	<b>Rent:</b> £6,000 per annum <b>Lease Period:</b> 19 April 2022 to 31 May 2026 <b>Payable:</b> N/a

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	11 – City Centre	General Property	53 Blackfriars Street, Edinburgh, EH1 1NB	Slow Progress Records	Retail	<b>Rent:</b> £10,700 per annum <b>Lease Period:</b> 20 June 2022 to 19 June 2027 <b>Payable:</b> Quarterly in advance

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	11 – City Centre	General Property	42 Candlemaker Row, Edinburgh, EH1 2QE	Islander Edinburgh	Retail	<b>Rent:</b> £16,800 per annum <b>Lease Period:</b> 1 July 2022 to 31 30 June 2027 <b>Payable:</b> Quarterly in advance

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	11 – City Centre	General Property	43 Candlemaker Row, Edinburgh, EH1 1QB	Bad Boy Barbers	Retail	<b>Rent:</b> £15,058 per annum <b>Lease Period:</b> 1 July 2022 to 30 June 2027 <b>Payable:</b> Quarterly in advance

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	13 – Leith	Parks & Greenspace	Coalie Park, Edinburgh, EH6 6HE	Coffee Waves	Stance	<b>Rent:</b> £2,500 per annum <b>Lease Period:</b> 1 March 2022 to 29 February 2024 <b>Payable:</b> Annually
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	13 – Leith	Parks & Greenspace	Leith Links, Edinburgh, EH6 7QR	Artisan Van Limited	Stance	<b>Rent:</b> £2,500 per annum <b>Lease Period:</b> 30 September 2022 to 31 August 2023 <b>Payable:</b> Annually
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17768/14	17 – Portobello & Craigmillar	General Property (GP)	Unit 14 Pepper Business Centre (750 sq ft)	Mr AJ Karaz	Industrial	<b>Rent:</b> £8,800 per annum <b>Lease Period:</b> 1 April 2022 to 31 March 2025 <b>Payable:</b> Quarterly in advance
<b>REMARKS: Back-to-back lease renunciation / new letting as part of a business sale. No rent free granted on entry.</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17768/18	17 – Portobello & Craigmillar	General Property (GP)	Unit 18 Pepper Business Centre (750 sq ft)	Victors of Edinburgh Holdings Ltd	Industrial	<b>Rent:</b> £6,587 per annum <b>Lease Period:</b> 1 April 2022 to 31 March 2027 <b>Payable:</b> Quarterly in advance
<b>REMARKS: Back-to-back lease renunciation / new letting as part of a business sale. No rent free granted on entry.</b>						

**LEASE RENEWAL**

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17314/1	7 – Sighthill / Gorgie	General Property	Unit 1 Broomhouse Workspace, Edinburgh, EH11 3HY	Raymond Hamil	Warehouse	<b>Old Rent:</b> £7,250 per annum <b>New Rent:</b> £7,900 per annum <b>From:</b> 1 September 2022 to 31 August 2027 <b>Payable:</b> Quarterly in Advance.
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
EHBP/TEMP 2	7 – Sighthill / Gorgie	General Property	Unit 2 East Hermiston Business Park, Edinburgh, EH11 4DQ	Dumbreck Decorators Limited	Warehouse	<b>Old Rent:</b> £9,700 per annum <b>New Rent:</b> £11,400 per annum <b>From:</b> 10 October 2022 to 9 October 2027. <b>Payable:</b> Quarterly in Advance.
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
EHBP/TEMP 3	7 – Sighthill / Gorgie	General Property	Unit 3 East Hermiston Business Park, Edinburgh, EH11 4DQ	Jim Lewis	Warehouse	<b>Old Rent:</b> £9,700 per annum <b>New Rent:</b> £11,400 per annum <b>From:</b> 8 September 2022 to 31 December 2022 <b>Payable:</b> Quarterly in Advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
EHBP/TEMP 5	7 – Sighthill / Gorgie	General Property	Unit 5 East Hermiston Business Park, Edinburgh, EH11 4DQ	Cruden Building (Scotland) Limited	Warehouse	<b>Old Rent:</b> £9,700 per annum <b>New Rent:</b> £11,400 per annum <b>From:</b> 30 October 2022 to 29 October 2027. <b>Payable:</b> Quarterly in Advance
<b>EMARKS:</b>						



ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
EHBP/TEMP7	7 – Sighthill / Gorgie	General Property	Unit 7 East Hermiston Business Park, Edinburgh, EH11 4DQ	Rosevear Tea Group Limited	Warehouse	<b>Old Rent:</b> £9,700 per annum <b>New Rent:</b> £11,400 per annum <b>From:</b> 30 October 2022 to 29 October 2027. <b>Payable:</b> Quarterly in Advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
EHBP/TE MP9	7 – Sighthill / Gorgie	General Property	Unit 9 East Hermiston Business Park, Edinburgh, EH11 4DQ	Insite Contracts Limited	Warehouse	<b>Old Rent:</b> £9,700 per annum <b>New Rent:</b> £11,400 per annum <b>From:</b> 30 October 2022 to 29 October 2027. <b>Payable:</b> Quarterly in Advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16496/2	7 – Sighthill / Gorgie	General Property	Unit 2 Sauchiebank, Russell Road, Edinburgh, EH11 2NN	Fyfe & Allen Limited	Workshop	<b>Old Rent:</b> £7,000 per annum <b>New Rent:</b> £7,300 per annum <b>From:</b> 21 August 2022 to 20 August 2027 <b>Payable:</b> Monthly in Advance

REMARKS:

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16496/9	7 – Sighthill / Gorgie	General Property	Unit 9 Sauchiebank, Russell Road, Edinburgh, EH11 2NN	Ban Joinery Limited	Workshop	<b>Old Rent:</b> £6,800 per annum <b>New Rent:</b> £7,200 per annum <b>From:</b> 1 June 2022 to 31 May 2027 <b>Payable:</b> Monthly in Advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16496/19	7 – Sighthill / Gorgie	General Property	Unit 19 Sauchiebank, Russell Road, Edinburgh, EH11 2NN	Office Papers Limited	Warehouse	<b>Old Rent:</b> £10,450 per annum <b>New Rent:</b> £11,000 per annum <b>From:</b> 26 April 2022 to 25 April 2027 <b>Payable:</b> Monthly in Advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
6608C	11 – City Centre	General Property	7 Cowgatehead, Edinburgh, EH1 1JY	LMTT Limited	Shop	<b>Old Rent:</b> £18,888 per annum <b>New Rent:</b> £18,888 per annum <b>From:</b> 1 April 2022 to 31 March 2027 <b>Payable:</b> Monthly in Advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
723/4	13 – Leith	General Property	Unit 34 Tennant Street, Edinburgh, EH6 5NA	Fitness Soul Limited	Warehouse	<b>Old Rent:</b> £11,350 per annum <b>New Rent:</b> £12,400 per annum <b>From:</b> 25 July 2022 to 24 July 2027 <b>Payable:</b> Monthly in Advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
10407	15 – Southside / Newington	General Property	65 Pleasance, Edinburgh, EH8 9RU	Allan White & Sarah Ross	Shop	<b>Old Rent:</b> £8,050 per annum <b>New Rent:</b> £8,050 per annum <b>From:</b> 29 April 2022 to 28 April 2027 <b>Payable:</b> Quarterly in Advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
NID01-U010	17 – Portobello / Craigmillar	General Property	2 Niddrie Mains Road, Edinburgh, EH16 4BG	Tanz (2004) Limited	Shop	<b>Old Rent:</b> £8,500 per annum <b>New Rent:</b> £9,200 per annum <b>From:</b> 3 May 2022 to 2 May 2027 <b>Payable:</b> Monthly in Advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
NID01-U06	17 – Portobello / Craigmillar	General Property	Unit 1 72-78 Niddrie Mains Road, Edinburgh, EH16 4BG	Food Plus Niddrie Limited	Shop	<b>Old Rent:</b> £40,000 per annum <b>New Rent:</b> £44,000 per annum <b>From:</b> 31 March 2022 to 30 March 2027 <b>Payable:</b> Monthly in Advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17768/20	17 – Portobello / Craigmillar	General Property	Unit 20 Pepper Business Centre, Edinburgh, EH16 4UZ	R J Plumbing & Heating Services	Workshop	<b>Old Rent:</b> £5,500 per annum <b>New Rent:</b> £5,750 per annum <b>From:</b> 1 August 2022 to 31 July 2027 <b>Payable:</b> Monthly in Advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
7866	17 – Portobello / Craigmillar	General Property	103 Portobello High Street, Edinburgh, EH15 1AR	Hien Thi Nguyen	Shop	<b>Old Rent:</b> £13,000 per annum <b>New Rent:</b> £13,000 per annum <b>From:</b> 24 April 2022 to 23 April 2027 <b>Payable:</b> Monthly in Advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16336/2	17 – Portobello / Craigmillar	General Property	115 Portobello High Street, Edinburgh, EH15 1AR	Kirsty Smith	Shop	<b>Old Rent:</b> £7,500 per annum <b>New Rent:</b> £8,300 per annum <b>From:</b> 1 October 2022 to 30 September 2027 <b>Payable:</b> Monthly in Advance
<b>REMARKS:</b>						

## LICENCE AGREEMENTS

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	2 – Pentland Hills	Housing Revenue Account	83 Dumbryden Gardens	Robertson Partnership Homes Limited	Site compound	<b>Rent:</b> £0 <b>Lease Period:</b> 1 October 2022 – 31 January 2023 <b>Payable:</b> N/A
<b>REMARKS:</b> Council contractor - in relation to adjacent Housing development. £250 admin fee						

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ITEM & REF NO.	WARD	OWNER	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	7 – Sighthill/ Gorgie	Big Yellow Self Storage Company Limited	Grassed verge and parking spaces	City of Edinburgh Council	Site investigation works	<b>Rent:</b> £0 <b>Lease Period:</b> 13 July 2022 – 26 August 2022 <b>Payable:</b> N/A
<b>REMARKS:</b> In relation to the West Edinburgh Link cycleway project						



ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	7 – Sighthill/ Gorgie	General property	Ground within Murrayburn Depot car park	Gas Call Services Limited	Site for container	<b>Rent:</b> £0 <b>Lease Period:</b> 20 July 2022 – 19 July 2023 <b>Payable:</b> N/A
<b>REMARKS:</b> Council contractor carrying out works to housing stock. £250 admin fee						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	9 – Fountainbridge / Craiglockhart	Housing Revenue Account	Land at Fountainbridge	Exchange Events Ltd	Ladyboys of Bangkok	<b>Licence fee:</b> £2,500 <b>Surveyor's Fee:</b> £0 <b>Lease Period:</b> 31 July 2022 – 4 September 2022
<b>REMARKS:</b> Compound in connection with Festival Square use						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	9 – Fountainbridge / Craiglockhart	Housing Revenue Account	Land at Fountainbridge	ACREO	Compound	<b>Licence fee:</b> £1,750 <b>Surveyor's Fee:</b> £250 <b>Lease Period:</b> 2 September 2022 – 31 March 2023

**REMARKS:** Compound in connection with adjoining development site

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	11 – City Centre	General Property Account	Festival Square	Active Sport and Entertainment Ltd	Van Gogh Alive exhibition	<b>Licence fee:</b> £60,000 <b>Surveyor's Fee:</b> £500 <b>Lease Period:</b> 14 February 2022 – 29 July 2022

**REMARKS:** Licence fee composed of basic hire plus turnover rent relating to footfall.

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	11 – City Centre	General property	Festival Square	Exchange Events Ltd	Ladyboys of Bangkok	<b>Licence fee:</b> £20,000 <b>Surveyor's Fee:</b> £300 <b>Lease Period:</b> 3 August 2022 – 30 August 2022

**REMARKS:**

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	11 – City Centre	General Property Account	Festival Square	Edinburgh Cocktail Week Ltd	Cocktail Week	<b>Licence fee:</b> £16,500 <b>Surveyor's Fee:</b> £300 <b>Lease Period:</b> 30 September 2022 – 19 October 2022

**REMARKS:** Licence fee composed of basic hire plus turnover rent relating to footfall.

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	16 – Liberton/ Gilmerton	Housing Revenue Account	64 Gilmerton Dykes Street (Site of former Gilmerton Library)	MP Group UK Limited	Site Compound	<b>Rent:</b> £0 <b>Lease Period:</b> 30 June 2022 – 8 March 2023 <b>Payable:</b> N/a
<b>REMARKS:</b> Council contractor carrying out external insulation works to housing stock. £250 admin fee						

## RENT REVIEW

ITEM & REF NO.	WARD	OWNER	SUBJECTS (including area in sq ft)	TENANT	USE	TERMS
	2 – Pentland Hills	Firm of James Lawrie	Ratho Playing Fields 1.16 hectares (2.87 acres)	City of Edinburgh Council (Parks & Greenspace)	PLAYING FIELDS	<b>Old Rent:</b> £2,500 per annum <b>New Rent:</b> £3,500 per annum <b>Lease Period:</b> 12 months <b>Payable:</b> Half yearly
<b>REMARKS:</b> Leased in						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
SGU-U08	3 – Drum Brae / Gyle	General Property	16/22 South Gyle Crescent, Edinburgh, EH12 9EB	The University Court of the University of Edinburgh	Ground	<b>Old Rent:</b> £88,400 per annum <b>New Rent:</b> £101,000 per annum <b>From:</b> 1 October 2021 to 30 September 2027. <b>Payable:</b> Quarterly in advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
PEN01-U01	3 – Drum Brae / Gyle	General Property	Pentad 1, 17 South Gyle Crescent, Edinburgh, EH12 9EB	The Lothian Valuation Joint Board	Office	<b>Old Rent:</b> £340,200 per annum <b>New Rent:</b> £387,000 per annum <b>From:</b> 1 January 2022 to 31 December 2026. <b>Payable:</b> Monthly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17314/14	7 – Sighthill / Gorgie	General Property	Unit 14 Broomhouse Workspace, Edinburgh, EH11 3HY	R & J Bertram Limited	Workshop	<b>Old Rent:</b> £8,400 per annum <b>New Rent:</b> £9,130 per annum <b>From:</b> 1 August 2022 to 31 July 2027. <b>Payable:</b> Quarterly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17646	7 – Sighthill / Gorgie	General Property	25 Morvenside Close, Edinburgh, EH14 2SH	Wester Hailes Land & Property Development Company Limited	Ground	<b>Old Rent:</b> £1,500 per annum <b>New Rent:</b> £2,660 per annum <b>From:</b> 1 April 2022 to 31 March 2027. <b>Payable:</b> Quarterly in advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16496/17	7 – Sighthill / Gorgie	General Property	Unit 17 Sauchiebank, Russell Road, Edinburgh, EH11 2NN	Corstorphine Pram Centre Limited	Warehouse	<b>Old Rent:</b> £10,450 per annum <b>New Rent:</b> £11,100 per annum <b>From:</b> 1 June 2022 to 31 May 2027. <b>Payable:</b> Quarterly in advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
35/W38 0N/2	9 – Fountainbridge / Craiglockhart	General Property	Unit 2 West Gorgie Park, Edinburgh, EH14 1UT	Mr R W F Melvin	Workshop	<b>Old Rent:</b> £6,360 per annum <b>New Rent:</b> £6,850 per annum <b>From:</b> 1 July 2022 to 30 June 2027. <b>Payable:</b> Monthly in advance

REMARKS:

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
35/W38 0N/7	9 – Fountainbridge / Craiglockhart	General Property	Unit 7 West Gorgie Park, Edinburgh, EH14 1UT	Melville Property Limited	Workshop	<b>Old Rent:</b> £6,400 per annum <b>New Rent:</b> £6,850 per annum <b>From:</b> 1 November 2022 to 31 October 2027. <b>Payable:</b> Quarterly

REMARKS:



ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
35/W38 0N/18- 20	9 – Fountainbridge / Craiglockhart	General Property	Unit 18 West Gorgie Park, Edinburgh, EH14 1UT	Get Shirty Limited	Workshop	<b>Old Rent:</b> £6,400 per annum <b>New Rent:</b> £6,850 per annum <b>From:</b> 1 July 2022 to 30 June 2027. <b>Payable:</b> Monthly in advance

REMARKS:

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
35/W38 0N/18- 20/D	9 – Fountainbridge / Craiglockhart	General Property	Unit 20 West Gorgie Park, Edinburgh, EH14 1UT	One Stop Office Supplies Limited	Workshop	<b>Old Rent:</b> £6,400 per annum <b>New Rent:</b> £6,850 per annum <b>From:</b> 1 July 2022 to 30 June 2027. <b>Payable:</b> Monthly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
12558/4	10 – Meadows / Morningside	General Property	129 Lauriston Place, Edinburgh, EH3 9JN	Edinburgh Art Shop Limited	Shop	<b>Old Rent:</b> £12,900 per annum <b>New Rent:</b> £13,900 per annum <b>From:</b> 29 June 2022 to 28 June 2027. <b>Payable:</b> Monthly in advance

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REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
10072	11 – City Centre	General Property	4(1F3) Carrubbers Close, (135 High Street), Edinburgh, EH1 1SJ	Mitchells & Butlers Retail Limited	Public House	<b>Old Rent:</b> £23,850 per annum <b>New Rent:</b> £28,500 per annum <b>From:</b> 1 October 2019 to 30 September 2024. <b>Payable:</b> Quarterly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
1423/6	11 – City Centre	General Property	29 Leith Street, Edinburgh, EH1 3AT	Imran Mahmood	Shop	<b>Old Rent:</b> £11,750 per annum <b>New Rent:</b> £12,500 per annum <b>From:</b> 20 April 2022 to 19 April 2027. <b>Payable:</b> Monthly in advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
1423/11	11 – City Centre	General Property	43&45 Leith Street, Edinburgh, EH1 3AT	Belhaven Pubs	Public House	<b>Old Rent:</b> £85,000 per annum <b>New Rent:</b> £87,500 per annum <b>From:</b> 1 April 2018 to 31 March 2023. <b>Payable:</b> Half yearly in advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
23/P048 /36(GF)	11 – City Centre	General Property	36 Palmerston Place, Edinburgh, EH7 6JA	Early Days Nursery Limited	Nursery	<b>Old Rent:</b> £31,300 per annum <b>New Rent:</b> £35,750 per annum <b>From:</b> 11 April 2022 to 10 April 2027. <b>Payable:</b> Quarterly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
448	11 – City Centre	General Property	71/73 York Place, Edinburgh	Mitchells & Butlers Retail Limited	Public House	<b>Old Rent:</b> £80,000 per annum <b>New Rent:</b> £100,500 per annum <b>From:</b> 1 September 2022 to 31 August 2027. <b>Payable:</b> Quarterly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
723/11A	13 – Leith	General Property	20a Tennant Street, Edinburgh, EH6 5ND	Wendy Wishart	Warehouse	<b>Old Rent:</b> £13,000 per annum <b>New Rent:</b> £13,000 per annum <b>From:</b> 1 April 2022 to 31 March 2027. <b>Payable:</b> Monthly in advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
16513/7	13 – Leith	General Property	33 Tennant Street, Edinburgh, EH6 5NA	Shortbread House of Edinburgh Limited	Ground	<b>Old Rent:</b> £9,000 per annum <b>New Rent:</b> £10,200 per annum <b>From:</b> 1 October 2022 to 30 September 2027. <b>Payable:</b> Quarterly in advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
7855	15 – Southside / Newington	General Property	207 Pleasance, Edinburgh, EH8 9RU	Sinclairs	Office	<b>Old Rent:</b> £6,850 per annum <b>New Rent:</b> £7,700 per annum <b>From:</b> 6 June 2022 to 5 June 2027. <b>Payable:</b> Monthly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17768/5	17 – Craigentenny / Duddingston	General Property	Unit 5 Peffer Business Centre, Edinburgh, EH16 4UZ	James Cranston	Workshop	<b>Old Rent:</b> £5,500 per annum <b>New Rent:</b> £5,850 per annum <b>From:</b> 1 June 2022 to 31 May 2027. <b>Payable:</b> Monthly in advance

REMARKS:

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17768/6	17 – Craigentenny / Duddingston	General Property	Unit 6 Peffer Business Centre, Edinburgh, EH16 4UZ	Thomas Halligan	Workshop	<b>Old Rent:</b> £5,500 per annum <b>New Rent:</b> £5,850 per annum <b>From:</b> 1 November 2022 to 31 October 2027. <b>Payable:</b> Monthly in advance
<b>REMARKS:</b>						

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ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
17768/16	17 – Craigentenny / Duddingston	General Property	Unit 16 Peffer Business Centre, Edinburgh, EH16 4UZ	Mr G Forrest	Workshop	<b>Old Rent:</b> £5,500 per annum <b>New Rent:</b> £5,850 per annum <b>From:</b> 1 July 2022 to 30 June 2027. <b>Payable:</b> Monthly in advance
<b>REMARKS:</b>						

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	TENANT	USE	TERMS
PEF01-U14	17 – Craigentenny / Duddingston	General Property	Block 6, Units 1-4, Peffermill Industrial Estate, Edinburgh, EH16 5UY	Saint-Gobain Building Distribution Limited	Warehouse	<p><b>Old Rent:</b> £50,000 per annum</p> <p><b>New Rent:</b> £56,000 per annum</p> <p><b>From:</b> 14 June 2021 to 13 June 2027.</p> <p><b>Payable:</b> Monthly in advance.</p>
<b>REMARKS:</b>						



**DISPOSALS**

ITEM & REF NO.	WARD	OWNING DEPT/ACCOUNT	SUBJECTS	PURCHSER	USE	TERMS
	10 – Morningside	Health & Social Care	16 Leamington Terrace		Conversion of former hostel to residential use	<b>Price: £931,732</b>
<b>REMARKS:</b>						

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Walled Garden and Stable Block at Gracemount Mansion, Gracemount House Drive, Edinburgh – Proposed New Lease

Executive/routine	Routine
Wards	16 – Liberton/Gilmerton
Council Commitments	

### 1. Recommendations

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- 1.1 It is recommended that Finance and Resources Committee approves a new 40-year lease to Transition Edinburgh South (Scotland) Ltd Limited of the walled garden and stable block at Gracemount Mansion, Gracemount House Drive, Edinburgh on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

Contact: Brian Paton, Senior Surveyor

E-mail: [brian.paton@edinburgh.gov.uk](mailto:brian.paton@edinburgh.gov.uk) | Tel: 0131 469 5228

## Walled Garden and Stable Block at Gracemount Mansion, Gracemount House Drive, Edinburgh – Proposed New Lease

### 2. Executive Summary

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- 2.1 Transition Edinburgh South (TES) (Scotland) Limited have occupied the walled garden at Gracemount Mansion on an informal basis since 2013. To formalise occupation and explore options for the regeneration of the derelict stable block to provide a community café, a longer lease has been requested. This report seeks approval to grant a 40-year lease to TES on the terms and conditions outlined in the report.

### 3. Background

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- 3.1 The walled garden and stable block occupy a site which extends to approximately 0.244 hectares (0.80 acres), as shown outlined red on the plan at Appendix 1.
- 3.2 The site forms part of the grounds of Gracemount Mansion, which was run as a community centre since the 1950's. The building closed in 2018 due to ceiling collapses, leaving the interior of the building in a dangerous condition. The mansion remains unoccupied and has suffered vandalism since closure.
- 3.3 TES is part of the national transition movement created by people working together in local areas towards transformative change that significantly reduces carbon emissions, meets social needs, enables sustainable lifestyles and creates new forms of collaborative democracy and decision making.
- 3.4 TES has occupied the walled garden on an informal basis since 2013. To formalise occupation and explore options for the regeneration of the derelict stable, a lease has been requested.
- 3.5 The mansion and surrounding grounds are being considered for a community asset transfer (CAT) and feasibility studies are being prepared by Gracemount Mansion Development Trust, with a view to prepare a formal CAT request in due course. Representatives of TES sit on the Trust's steering committee.

## **4. Main report**

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- 4.1 The following terms have been provisionally agreed:
- 4.1.1 Subjects: Walled Garden and Stable Block at Gracemount Mansion, Gracemount House Drive, Edinburgh;
  - 4.1.2 Tenant: Transition Edinburgh South (Scotland) Ltd;
  - 4.1.3 Lease term: 40 years from 1 April 2023;
  - 4.1.4 Break Option: the tenant will have the benefit of a break option, on each 5<sup>th</sup> anniversary of the date of entry on serving not less than six months written notice on the Council to this effect;
  - 4.1.5 Rent: £100 per annum;
  - 4.1.6 Repair: the tenant will accept a full repairing liability for the subjects and walls/fences which enclose the perimeter;
  - 4.1.7 Use: as a growing garden which will encourage and support other community use, raise awareness of environmental impact of food and contribute to community cohesion and resources; and
  - 4.1.8 Costs: both parties responsible for their own costs.
- 4.2 The longer lease will allow TES to explore options for the regeneration of the derelict stable block to provide a community cafe and enhance the work they are currently undertaking in the community.

## **5. Next Steps**

---

- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to progress with the documentation for the new lease.

## **6. Financial impact**

---

- 6.1 The rent under the proposed lease is £100 per annum however this reflects the significant liabilities which TES will inherit. As a result of the lease there will be a substantial cost saving to the Council in terms of ongoing future maintenance liabilities.

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

---

- 7.1 Ward members have been made aware of the recommendations of the report.

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

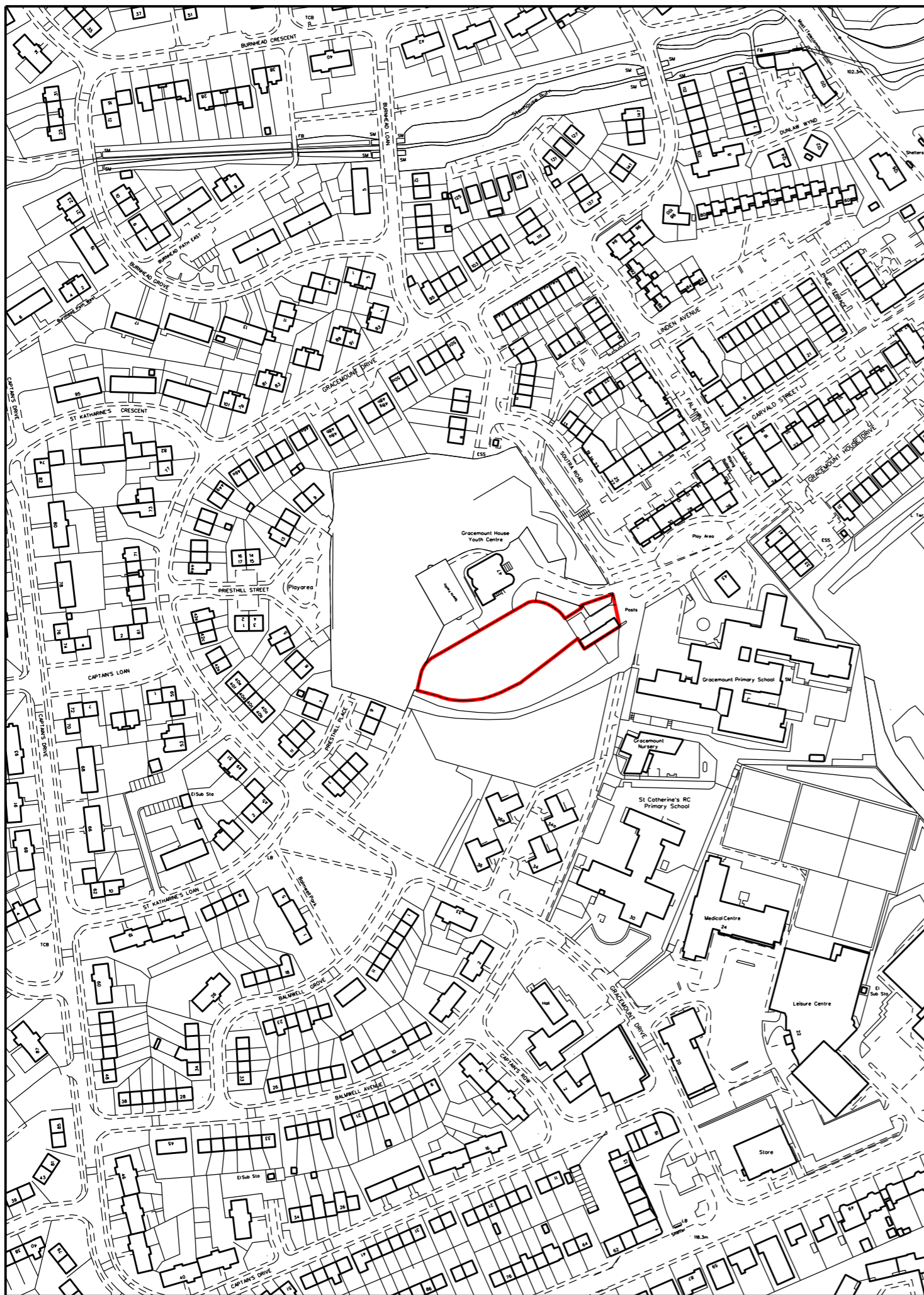
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- 8.1 None.

**9. Appendices**

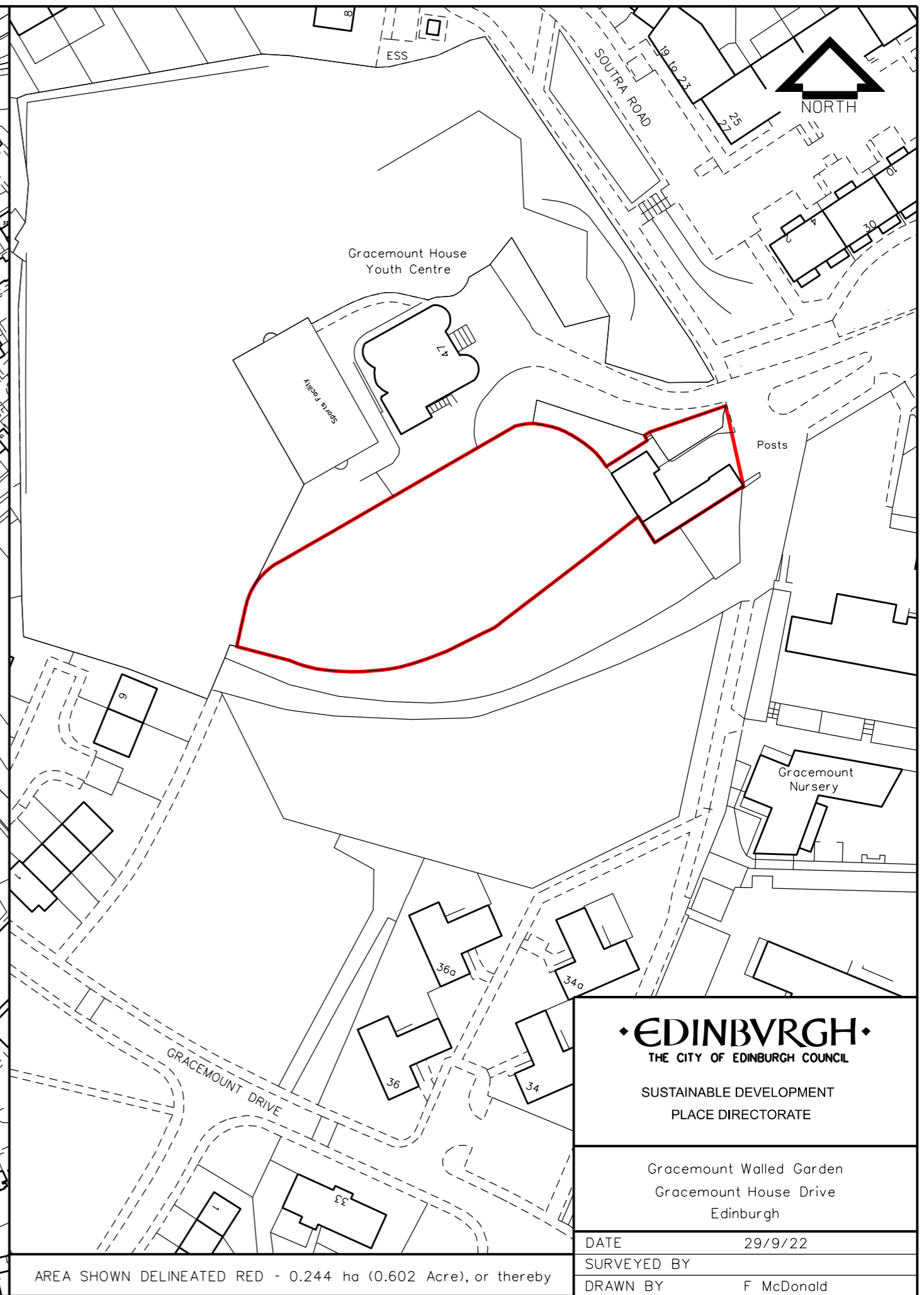
---

9.1 Appendix 1 – Location plan.



LOCATION PLAN

SCALE 1:2500



SITE PLAN

SCALE 1:1000

**• EDINBURGH •**  
 THE CITY OF EDINBURGH COUNCIL

SUSTAINABLE DEVELOPMENT  
 PLACE DIRECTORATE

Gracemount Walled Garden  
 Gracemount House Drive  
 Edinburgh

DATE 29/9/22

SURVEYED BY

DRAWN BY F McDonald

FILE NO.

NEG. NO. NT2768/A3/2144

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Block 1 Unit 1 Pennywell Town Centre, Edinburgh – Proposed New Lease

Executive/routine Wards Council Commitments	Routine 1 – Almond
---	-----------------------

### 1. Recommendations

---

- 1.1 It is recommended that Finance and Resources Committee approves a new 15-year lease to Alliance Property Holdings Limited at Block 1 Unit 1, Pennywell Town Centre, on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

Contact: Andrew McCurrach, Investment Portfolio Officer

E-mail: [andrew.mccurrach@edinburgh.gov.uk](mailto:andrew.mccurrach@edinburgh.gov.uk) | Tel: 0131 529 4682

## Block 1 Unit 1 Pennywell Town Centre, Edinburgh – Proposed New Lease

### 2. Executive Summary

---

- 2.1 The Pennywell/Muirhouse Civic Centre Redevelopment is a three-phase project providing new ground floor retail accommodation with residential uses above. To facilitate the redevelopment Alliance Property Holdings Ltd will relocate from their existing leased property at Block 2 Unit 1 having been successful at a closing date for the larger new unit at Block 1 Unit 1, which is currently being constructed as part of the second phase of the wider development. This report seeks approval to grant a new 15-year lease to Alliance Property Holdings Limited on the terms and conditions outlined in the report.

### 3. Background

---

- 3.1 Pennywell/Muirhouse is a major Council led regeneration project delivering 196 new affordable homes around a new civic square with retail outlets. The development of the new civic centre for Pennywell/Muirhouse involves the demolition of 48 flatted properties, 25 commercial units and existing public realm delivered over three phases.
- 3.2 Block 1 forms part of the second phase of the town centre redevelopment and will consist of eight retail premises on the ground floor and approximately 40 residential properties above.
- 3.3 The demise at Block 1 Unit 1 Pennywell Town Centre extends to 408.60 sq m (4,398 sq ft) or thereby and is shown outlined in red on the attached plan.
- 3.4 This property was openly marketed and a closing date was set for 23 March 2022, although no suitable offers were initially received. A second closing date was therefore set for 14 September 2022 with two offers received.

## **4. Main report**

---

- 4.1 Following assessment of the bids received at the closing date, Alliance Property Holdings Limited has been selected as the preferred bidder for Unit 1. The following terms have been provisionally agreed:
- 4.1.1 Subjects: Block 1 Unit 1 Pennywell Town Centre, Edinburgh;
  - 4.1.2 Tenant: Alliance Property Holdings Limited (trading as Morrisons Daily);
  - 4.1.3 Lease term: 15 years from date of entry (1 December 2022);
  - 4.1.4 Rent: £60,000 per annum;
  - 4.1.5 Rent Review: rent will be reviewed at year five;
  - 4.1.6 Break Option: A tenant only break option will be available on the 5<sup>th</sup> and 10<sup>th</sup> anniversaries;
  - 4.1.7 Use: class 3 retail;
  - 4.1.8 Repair: full repairing obligation on the tenant;
  - 4.1.9 Costs: each party will bear their own costs; and
  - 4.1.10 Rent free; as the unit is in a shell condition a twelve month rent free period will be granted.
- 4.2 Alliance Property Holdings were in the process of acquiring certain assets of McColls Retail Group Plc, who had been trading in Block 2 Unit 1, at the time of the first closing date and were unable to submit an offer.

## **5. Next Steps**

---

- 5.1 Following Committee approval, the Legal Services will be instructed to progress with drafting the essential documentation for the proposed new lease.

## **6. Financial impact**

---

- 6.1 A rent of £60,000 per annum will be received from a new unit to be developed for a 15-year term. The income contributes to the previously approved business case for the civic centre redevelopment.

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

---

- 7.1 Ward members have been made aware of the recommendations of the report.

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

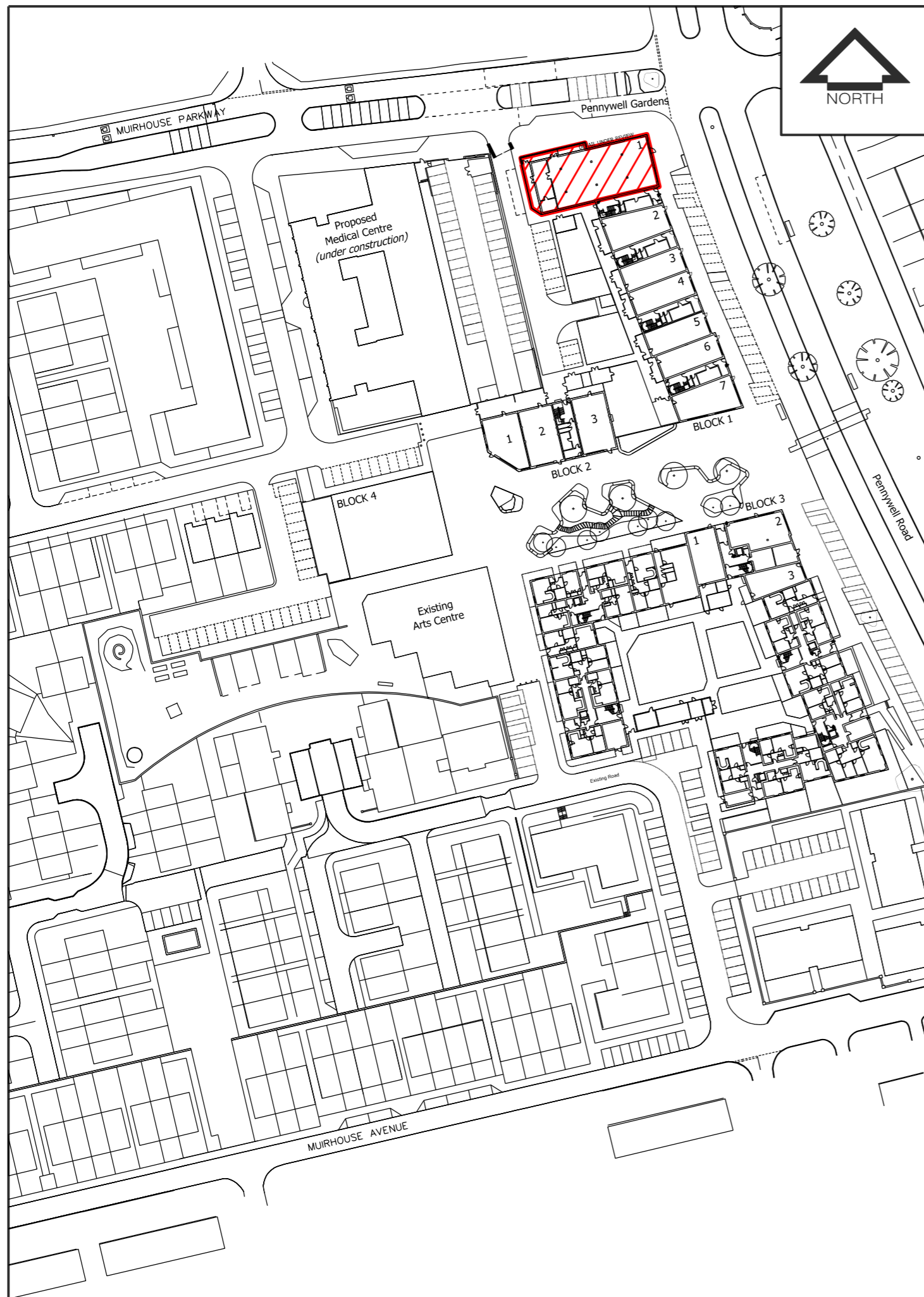
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- 8.1 [Pennywell - Muirhouse Civic Centre](#) - City of Edinburgh Council, 27 October 2016.

## **9. Appendices**

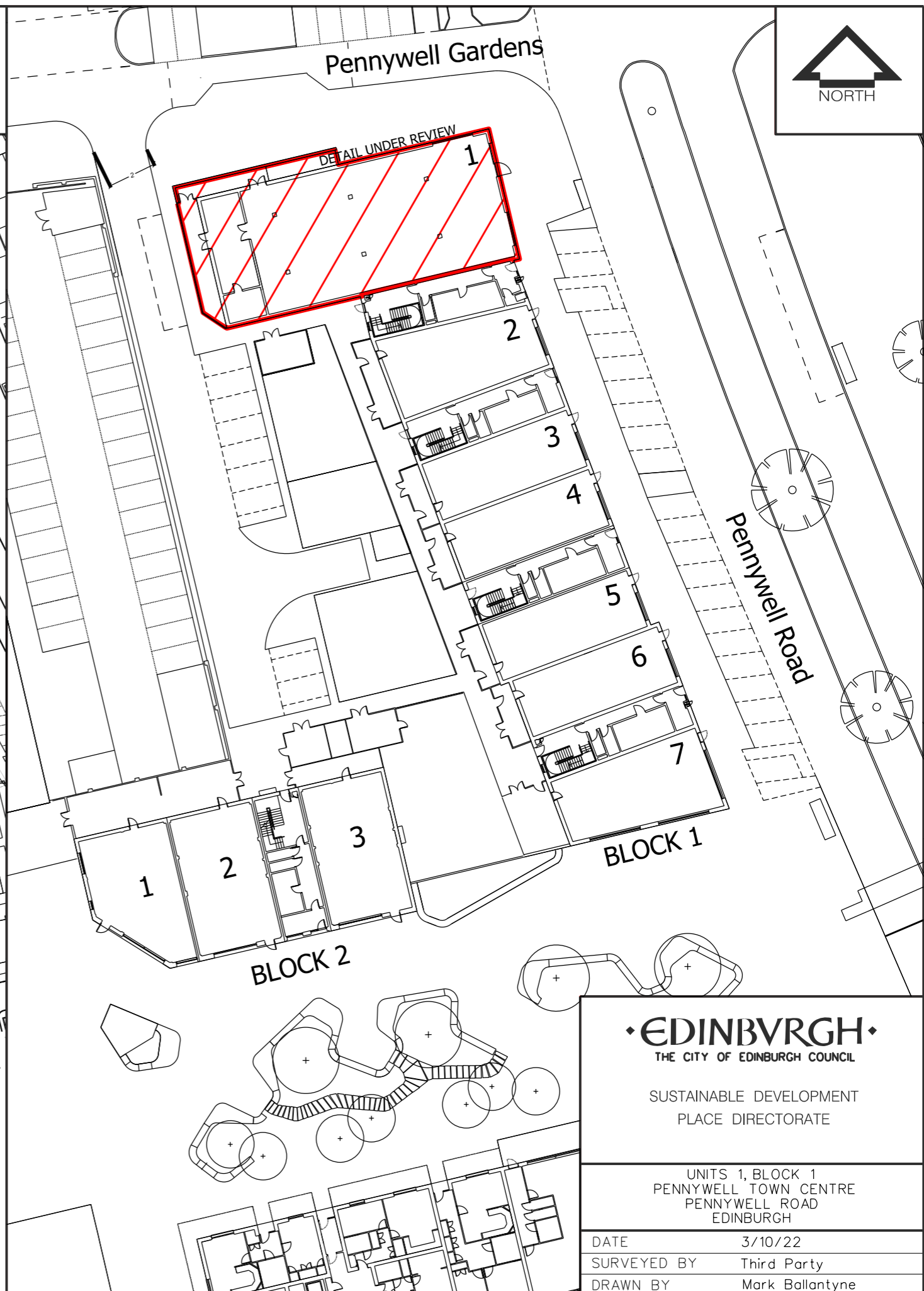
---

9.1 Appendix 1 – Location plan.



LOCATION PLAN

SCALE 1:1250



SITE PLAN

SCALE 1:500

<b>• EDINBURGH •</b> THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
UNITS 1, BLOCK 1 PENNYWELL TOWN CENTRE PENNYWELL ROAD EDINBURGH	
DATE	3/10/22
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:200 @ A3 SIZE
NEG. NO.	A3/2086a

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Powderhall Stable Block, Broughton Road – Proposed Lease

Executive/routine Wards Council Commitments	Routine 12 – Leith Walk
---	----------------------------

### 1. Recommendations

---

- 1.1 Finance and Resources Committee is asked to approve a new 75-year lease to Out of the Blue Arts and Education Trust on the Powderhall Stable Block, Broughton Road, on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

Contact: Graeme McGartland, Head of Estates

E-mail: [graeme.mcgartland@edinburgh.gov.uk](mailto:graeme.mcgartland@edinburgh.gov.uk) | Tel: 0131 529 5956

## Powderhall Stable Block, Broughton Road – Proposed Lease

### 2. Executive Summary

---

- 2.1 Powderhall Stable Block is being refurbished, using various funding sources, to provide a hub of studios and two co-working spaces, aimed at start-ups, artists and micro businesses. Following a marketing exercise, five proposals were received for a head tenant to operate the building. This report seeks approval to grant a 75-year lease to Out of the Blue Arts and Education Trust on the terms and conditions outlined in the report.

### 3. Background

---

- 3.1 Powderhall Stables is the former offices and stable block of the Powderhall Waste Transfer Station as shown in Appendix 1. Built in 1893, it is a two-storey, category 'B' listed property, built in the Scots Baronial style. The building was originally used as offices for the adjacent waste incinerator plant and as stables for the horses that pulled the waste carts; latterly, it was used as a staff facility for waste collection staff. By the 2010s, the building had fallen into poor condition.
- 3.2 The Waste Transfer Station was closed in late-2016 due to equipment failures and drainage issues. On [23 March 2017](#), the Finance and Resources Committee approved the sale of the Waste Transfer Station to the Housing Revenue Account (HRA) for housing-led redevelopment.
- 3.3 The Council made a bid to the 2019/20 round of the Scottish Government's Regeneration Capital Grant Fund (RCGF) for £1.06m towards the Powderhall Stables project. The bid was unsuccessful, principally due to match funding not having been secured at the time, but the Scottish Government provided feedback on the bid and encouraged the Council to resubmit the project. The Council subsequently secured £1.425m in the 2020/21 round of the RCGF (later increased to £1.658m). The Council also secured funding for the project from the Bonnington Micro Business Fund, Edinburgh World Heritage, and the City Centre Recovery Fund.
- 3.4 On [29 August 2019](#), the Housing, Homelessness and Fair Work Committee agreed to seek further funding for the refurbishment of the stable block. On [25 February](#)



[2020](#), the Policy and Sustainability Committee approved the allocation of £500,000 of grant and £290,000 of loan from the City Strategic Investment Fund (CSIF) which, when combined with external funding, would allow the project to proceed.

- 3.5 Powderhall Stables has been restored to a hub concept providing workspaces and events space. The stable block has been comprehensively refurbished to create a collection of 12 studios and two co working spaces, aimed at start-ups, artists and micro businesses. The building also features two function/events spaces aimed at serving the local community. Heat and hot water for the building is supplied from two air source heat pumps. Work on the building is at advanced stage with completion expected in early 2023.
- 3.6 The restoration of Powderhall Stables provides a centre-point for the wider Powderhall redevelopment. This is a mixed-tenure development of approximately 260 homes, a new nursery school, new public realm, and community growing areas.
- 3.7 A Place Brief for the Powderhall development was approved by the Planning Committee on [12 December 2019](#); the Place Brief states that *“bringing the stable block back into use and provision of a nursery should be integral parts of the development proposals”* and that *“Consideration should be given to its future use as workspace/event space with potential community uses.”*

## 4. Main report

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- 4.1 To deliver the vision for the future use of the stable block, a marketing exercise was undertaken for a head tenant to lease the stables on a Full Repairing and Insuring (FRI) basis. The head tenant would then be responsible for the subleasing and management of the studios and co working spaces. They would also be responsible for the day to day running and management of the function spaces.
- 4.2 The head tenant would be expected to cultivate links with local groups, creatives and start-ups to encourage a diverse use of the available space. There is also an expectation that links would be forged with the local community to encourage optimum use of the function and events space.
- 4.3 Marketing details set out the key criteria that would be assessed and interested parties were asked, by a closing date, to set out proposals which addressed the following:
  - 4.3.1 Details of the proposed lease term which the prospective tenant would be prepared to enter into (on a FRI basis only) and the proposed mechanism in which to pay rent to the Council;
  - 4.3.2 Details of how the proposer will cultivate links with the proposed end users of the space, to encourage best use; and
  - 4.3.3 The way the community will be involved in the future use of the building.
- 4.4 At a closing date, five proposals were received which were assessed by a panel of Council officers using the criteria set out above. The preferred submission which

was deemed to best address the key criteria set out in the marketing details was received from Out of the Blue Arts and Education Trust (Out of the Blue) as demonstrated by the scoring table below:

Bidder	Weighted Score
Out of the Blue	191.25
Bidder 2	166.25
Bidder 3	166.25
Bidder 4	150
Bidder 5	150

4.5 The provisional terms for the lease of the property to Out of the Blue are as follows:

4.5.1 Tenant: Out of the Blue Arts and Education Trust (SC235075)

4.5.2 Lease Term: 75 years from date of entry;

4.5.3 Break Option: tenant three yearly break option;

4.5.4 Rent: Base rent of £20,000 per annum plus additional payment based on 15% of all letting income received by the tenant on annual basis;

4.5.5 Rent Free Period: six months from date of entry;

4.5.6 Rent Review: Base rent to be reviewed at five yearly intervals based on the increase in the Consumer Price Index, compounded, subject to a cap and collar of 2% and 5%; and

4.5.7 Use: lease of individual artists studios on flexible sub leases and provision of range of activities with educational, economic, health and cultural benefits for the local community.

4.6 Out of the Blue are an established organisation with a strategic plan to provide creative space which will foster community collaboration and, in doing so, generate cultural, social and economic value for the city. They intend to replicate their successful operational model which has been developed over 27 years in various locations across Edinburgh.

## 5. Next Steps

---

5.1 Following Committee approval, Legal Services will be instructed to progress with drafting the essential documentation for the proposed new lease.

## **6. Financial impact**

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- 6.1 The proposals will create an income to the Council of £20,000 per annum plus a top based on 15% of the letting income achieved through the use of the facility.

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

---

- 7.1 Ward members have been made aware of the recommendations of the report.

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

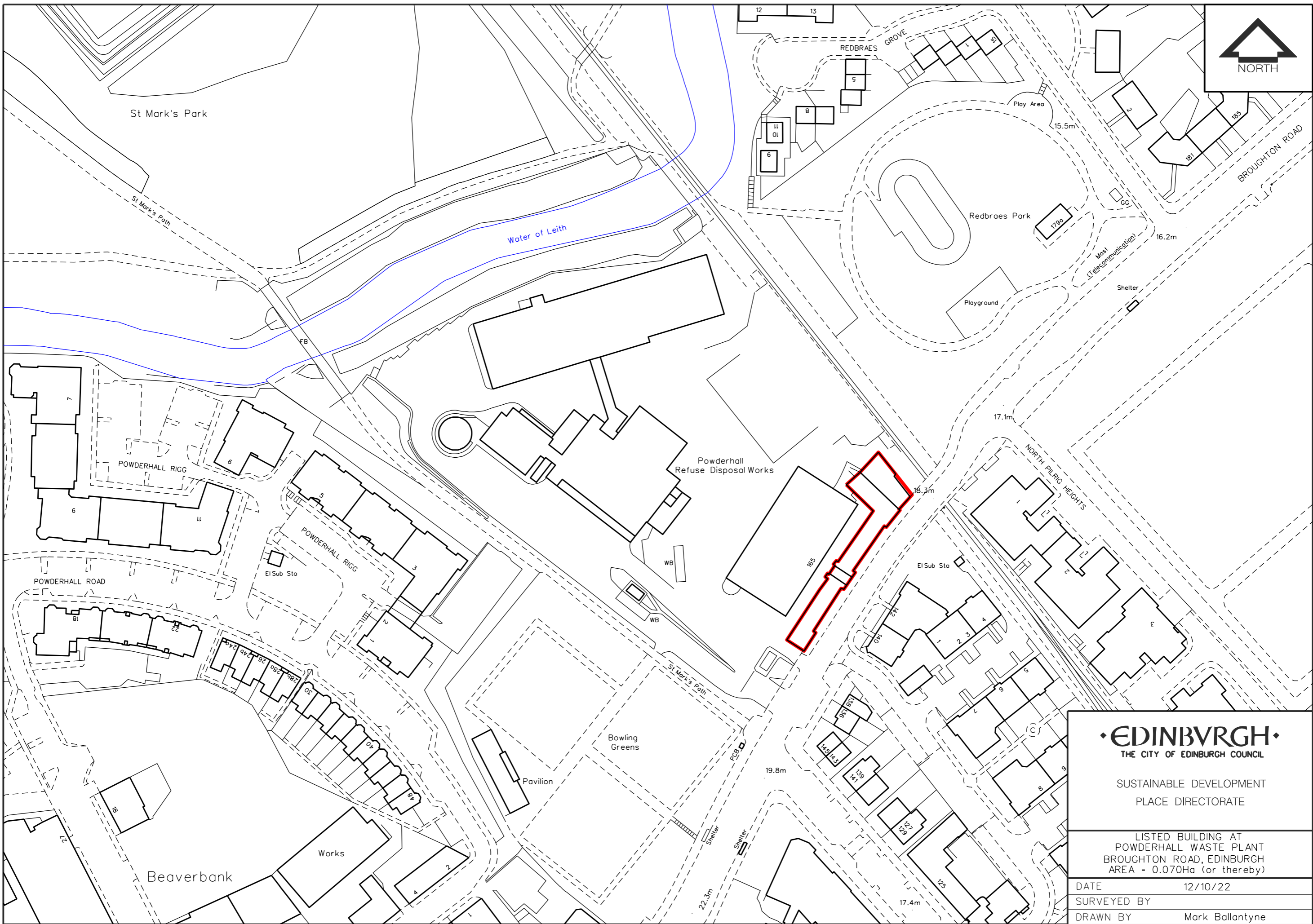
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- 8.1 None.

## **9. Appendices**

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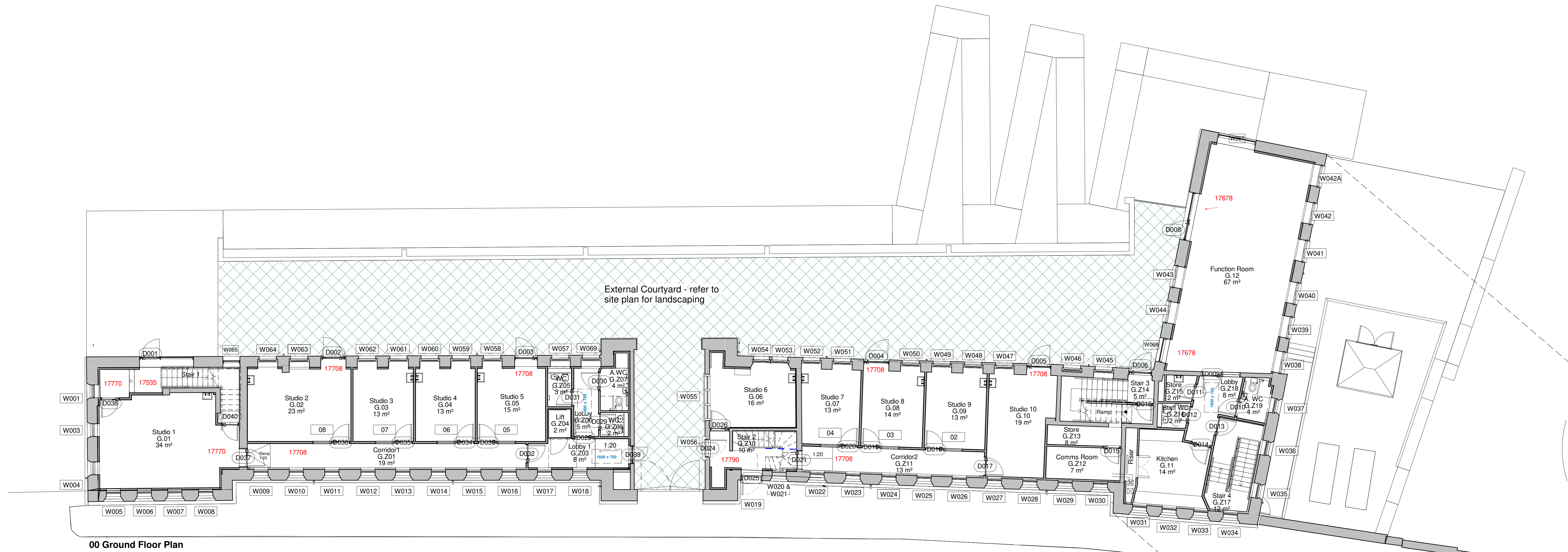
- 9.1 Appendix 1 – Location plan.  
9.2 Appendix 2 – Floor plans.



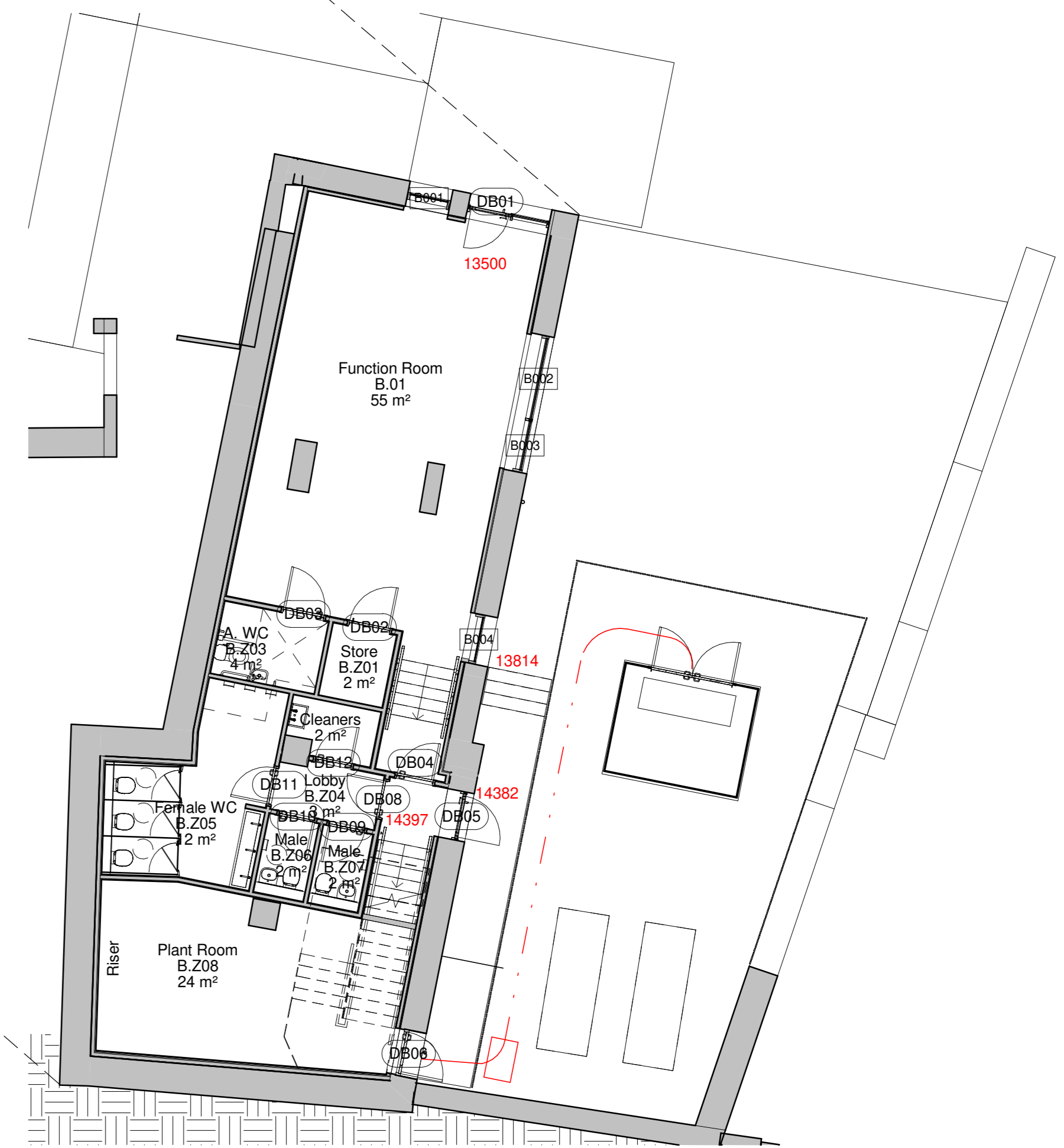
<b>EDINBURGH</b> THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
LISTED BUILDING AT POWDERHALL WASTE PLANT BROUGHTON ROAD, EDINBURGH AREA = 0.070Ha (or thereby)	
DATE	12/10/22
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	1:1250 @ A3 SIZE
NEG. NO.	A3/1812a

SITE PLAN

SCALE 1:1250

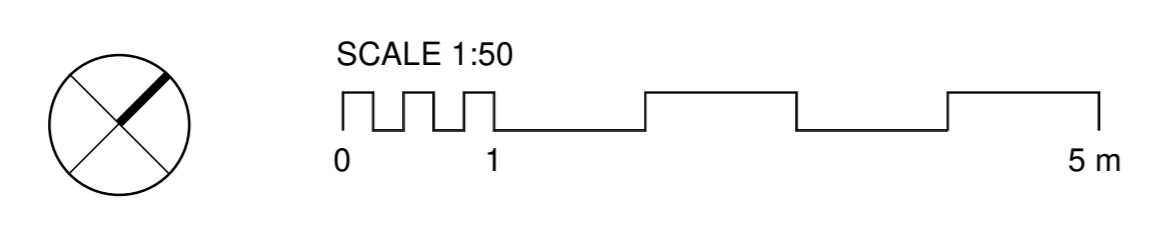


00 Ground Floor Plan



01 Basement Floor Plan

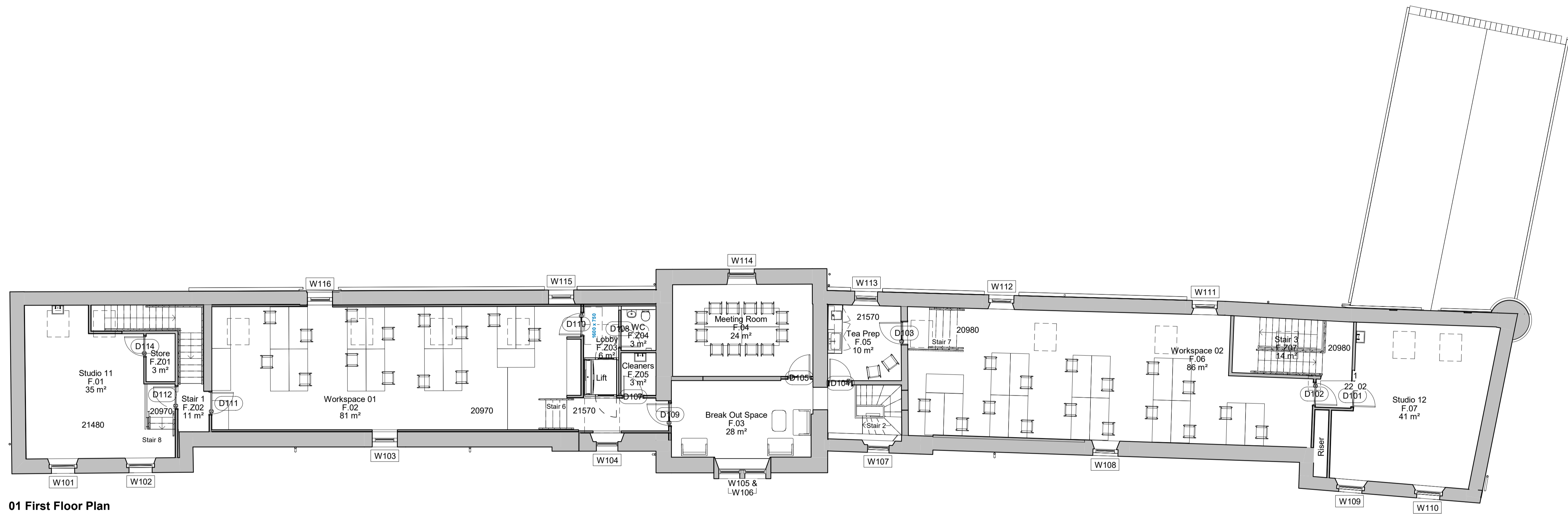
REV.	REVISION NOTE	DATE	BY
L	GA plans updated	18.08.21	EF
K	Layouts updated to suit site conditions	29.06.21	EF
J	D016 position amended	03.06.21	EF
I	Second floor offices omitted, central 60 min zone omitted	14.04.21	EF
H	Ramp at entrance lobby added	11.03.21	EF
G	New works highlighted, a.wc route noted	16.02.21	EF



INFORMATION		CLIENT	
<p>NOTES:</p> <p>DO NOT SCALE FROM DRAWING.</p> <p>ALL DIMENSIONS TO BE CHECKED ON SITE PRIOR TO THE START OF ANY WORK AND ANY DISCREPANCIES NOTIFIED IN WRITING.</p> <p>REFER TO ENGINEERS DRAWINGS FOR ALL STRUCTURAL, HEATING, LIGHTING, POWER, EXTERNAL AND UNDERGROUND DRAINAGE AND VENTILATION INFORMATION.</p> <p>ALL BUILDING WORKS TO COMPLY IN ALL RESPECTS TO CURRENT BUILDING STANDARDS FOR COUNTRY IN WHICH SITE IS LOCATED.</p>		<p>The City of Edinburgh Council</p> <p>PROJECT: Powderhall Stables</p> <p>DRAWING: Ground Floor Plan</p> <p>DATE: April 2018</p> <p>JOB NO.: 20138</p>	
BY:	SCALE:	REV.:	SCALE:
EF	1:100 @ A0	CB	GA_01
REV.:		L	

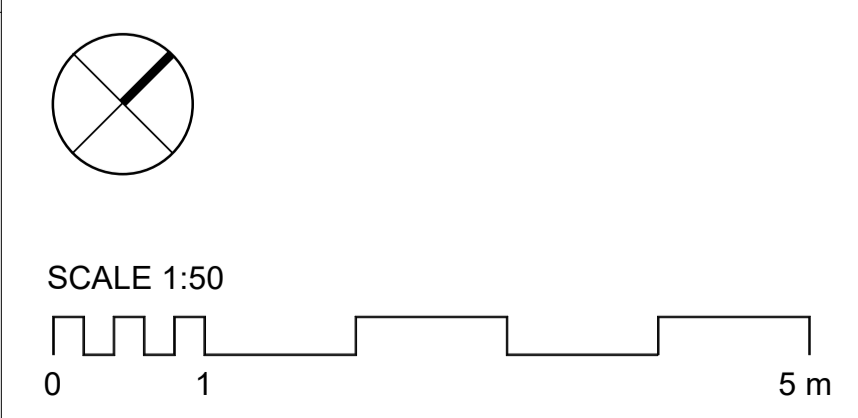
**COLLECTIVE ARCHITECTURE**

4th FLOOR, 13 BATH STREET, GLASGOW, G2 1HY  
 TELEPHONE +44(0)141 552 3001 FAX +44(0)141 552 3888  
 24 AINSIE PLACE, EDINBURGH, EH3 6AJ  
 TELEPHONE +44 (0)131 516 2203  
 EMAIL: INFO@COLLECTIVEARCHITECTURE.CO.UK  
 WWW.COLLECTIVEARCHITECTURE.CO.UK



01 First Floor Plan

REV.	REVISION NOTE	DATE	BY
C	Stair moved, WCs amended, server room added	18.05.20	EF
D	External Stair & Rooflight size/ number/ position updated	31.07.20	EF
E	Layout & level updates	03.12.20	EF
F	New works highlighted, a.wc route noted	16.02.21	EF
G	Note added regarding furniture	11.03.21	EF
H	Second floor stair omitted	31.03.21	EF



**WARRANT**

NOTES -

DO NOT SCALE FROM DRAWING

ALL DIMENSIONS TO BE CHECKED ON SITE PRIOR TO THE START OF ANY WORK AND ANY DISCREPANCIES NOTIFIED IN WRITING.

REFER TO ENGINEERS' DRAWINGS FOR ALL STRUCTURAL, HEATING, LIGHTING, POWER, EXTERNAL AND UNDERGROUND DRAINAGE AND VENTILATION INFORMATION

ALL BUILDING WORKS TO COMPLY IN ALL RESPECTS TO CURRENT BUILDING STANDARDS FOR COUNTRY IN WHICH SITE IS LOCATED.

CLIENT -			
The City of Edinburgh Council			
PROJECT -			
Powerhall Stables			
DRAWING -			
First Floor Plan			
DATE	BY	SCALE	
April 2018	DP	1 : 100 @ A1	
JOB NO.	CHKD.	DRWG NO.	REV.
20138	CB	GA_02	H

**COLLECTIVE ARCHITECTURE**

MERCAT BUILDING, 26 GALLOWGATE, GLASGOW, G1 5AB  
 TELEPHONE +44(0)141 552 3001 FAX +44(0)141 552 3888

24 AINSLIE PLACE, EDINBURGH, EH3 6AJ  
 TELEPHONE +44 (0)131 516 2270

EMAIL INFO@COLLECTIVEARCHITECTURE.CO.UK  
 WWW.COLLECTIVEARCHITECTURE.CO.UK

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Land at Meadowbank – Proposed Acquisition

Executive/routine	Routine
Wards	14 – Craightinny/Duddingston
Council Commitments	

### 1. Recommendations

---

- 1.1 Finance and Resources Committee is asked to approve the acquisition of 751 sq m of land at Meadowbank from the Earl of Moray on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

Contact: Graeme McGartland, Head of Estates

E-mail: [graeme.mcgartland@edinburgh.gov.uk](mailto:graeme.mcgartland@edinburgh.gov.uk) | Tel: 0131 529 5956

## Land at Meadowbank – Proposed Acquisition

### 2. Executive Summary

---

- 2.1 In March 2022, The Edinburgh Meadowbank Group were awarded a pre-development contract for the housing led development located at Meadowbank, Edinburgh. As work has progressed on the contract, a title issue has arisen with two small areas of land that remain in the ownership of the Earl of Moray. This report seeks approval to acquire the two areas on land in question on the terms and conditions outlined in the report.

### 3. Background

---

- 3.1 The Edinburgh Meadowbank Group, (a consortium comprising of John Graham Holdings, Panacea Property Development and Miller Homes) were awarded a pre-development contract for the housing led development at Meadowbank following approval by the Finance and Resources Committee on [3 March 2022](#).
- 3.2 As work has continued with the contract, detailed examination of the title has revealed that two small areas of land, despite forming part of the sports centre site, are not within the ownership of the Council. Both sites, which extend in total to 751 sqm, as shown outlined in red on the plan in Appendix 1 are owned by the Earl of Moray. It is likely that the land was originally part of the Earl of Moray's Estate of Restalrig. The two areas of land, based on historic ordnance survey maps, appear to have aligned with the former Clockmill Road.
- 3.3 It is important that the Council acquires title to the land within a reasonable timeframe to allow the developer to start on site within their contractual programme during 2023. Therefore, in parallel to the negotiations with the Moray Estates (acting on behalf of the Earl of Moray), the Council obtained approval to commence a compulsory purchase (CPO) process at the Planning Committee on [31 August 2022](#). The CPO was a safeguard measure and would only be implemented if the land could not be acquired by agreement before the Development Agreement is awarded, which is expected to be May 2023.



## **4. Main report**

---

- 4.1 The Council contacted Moray Estates in order to negotiate a purchase of the land in question.
- 4.2 The following terms have been provisionally agreed:
  - 4.1.1 Subjects: land extending to 108 sqm and 643 sqm as shown outlined in red on the attached plan;
  - 4.1.2 Vendor: The Earl of Moray;
  - 4.1.3 Purchase Price: £250,000; and
  - 4.1.4 Costs: the Council will cover all costs reasonably incurred by the Vendor.
- 4.3 The Council has sought independent advice on the proposed purchase price, which has confirmed that through negotiation best value has been achieved.

## **5. Next Steps**

---

- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to progress with the documentation to complete the acquisition of the two areas of land.

## **6. Financial impact**

---

- 6.1 The purchase price of £250,000 will be funded by the Housing Revenue Account (HRA). In addition, the reasonably incurred legal and surveyor fees of Moray Estates will be covered.

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

---

- 7.1 Ward members have been made aware of the recommendations of the report.

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

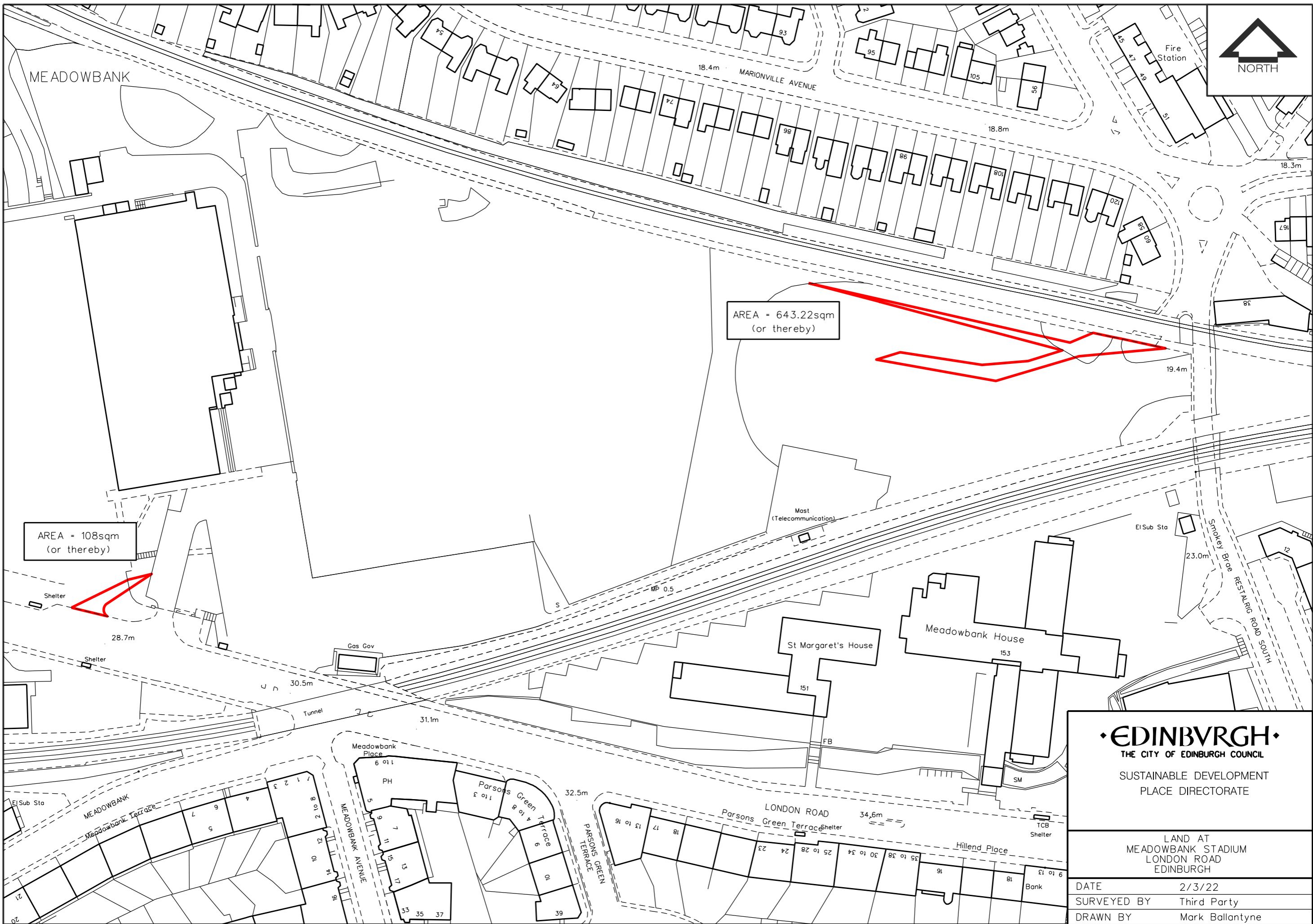
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- 8.1 [Award of Pre-Development Contract for Meadowbank Mixed Use Development](#) – Finance and Resources Committee 3 March 2022.
- 8.2 [Proposed Compulsory Purchase Order - Meadowbank Housing Development Site](#) Planning Committee 31 August 2022.

## **9. Appendices**

---

- 9.1 Appendix 1 – Location plan.



AREA = 108sqm  
(or thereby)

AREA = 643.22sqm  
(or thereby)

SITE PLAN

SCALE 1:1250

<b>• EDINBURGH •</b> THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
LAND AT MEADOWBANK STADIUM LONDON ROAD EDINBURGH	
DATE	2/3/22
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:1250 @ A3 SIZE
NEG. NO.	A3/1288a

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Lochend Golf Club, 147 Craigentiny Avenue, Edinburgh – Proposed Lease

Executive/routine Wards Council Commitments	Routine 14 – Craigentiny/Duddingston
---	---

### 1. Recommendations

---

- 1.1 It is recommended that Finance and Resources Committee approves a new 40-year lease to Lochend Golf Club, 147 Craigentiny Avenue, Edinburgh on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

Contact: Seli McVittie, Trainee Estates Surveyor

E-mail: [seli.mcvittie@edinburgh.gov.uk](mailto:seli.mcvittie@edinburgh.gov.uk) | Tel: 0131 529 5871

# Report

## Lochend Golf Club, 147 Craigentenny Avenue, Edinburgh – Proposed Lease

### 2. Executive Summary

---

- 2.1 Lochend Golf Club currently lease ground at Craigentenny Avenue from the Council for the provision of a club house. The existing lease expired in April 2015 and is currently running on a year-to-year basis. The tenant has requested a new lease to provide greater security of tenure. This report seeks approval to grant a 40 year lease to Lochend Golf Club on the terms and conditions outlined in the report.

### 3. Background

---

- 3.1 Lochend Golf Club have occupied the ground at Craigentenny Avenue, on which the tenant has built a clubhouse, since May 1975.
- 3.2 The ground which is leased to extends to 520 sq m (0.128 acres) and is shown outlined in red on the attached plan.
- 3.3 The original lease was for a term of 40 years from 1975 and expired in April 2015. It has been running on a year to year basis since that time, at a rent of £900 per annum.
- 3.4 To provide increased security of tenure Lochend Golf Club has requested a new 40-year lease to be put in place.

### 4. Main report

---

- 4.1 The following terms have been provisionally agreed:
- 4.1.1 Subjects: ground at 147 Craigentenny Avenue, extending to 520 sq m or thereby;
  - 4.1.2 Tenant: Lochend Golf Club;
  - 4.1.3 Lease term: 40 years from date of entry (to be agreed following Committee);
  - 4.1.4 Rent: £1,000 per annum;
  - 4.1.5 Rent review: five yearly linked to RPI;

- 4.1.6 Repair: tenant full repairing liability;
- 4.1.7 Use: ground for clubhouse; and
- 4.1.8 Costs: both parties responsible for their own costs.

## **5. Next Steps**

---

- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to progress with the documentation for the new lease.

## **6. Financial impact**

---

- 6.1 Effective from the lease start date the annual rent will increase from £900 per annum to £1,000 per annum credited to the General account.

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

---

- 7.1 Ward members have been made aware of the recommendations of the report.

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

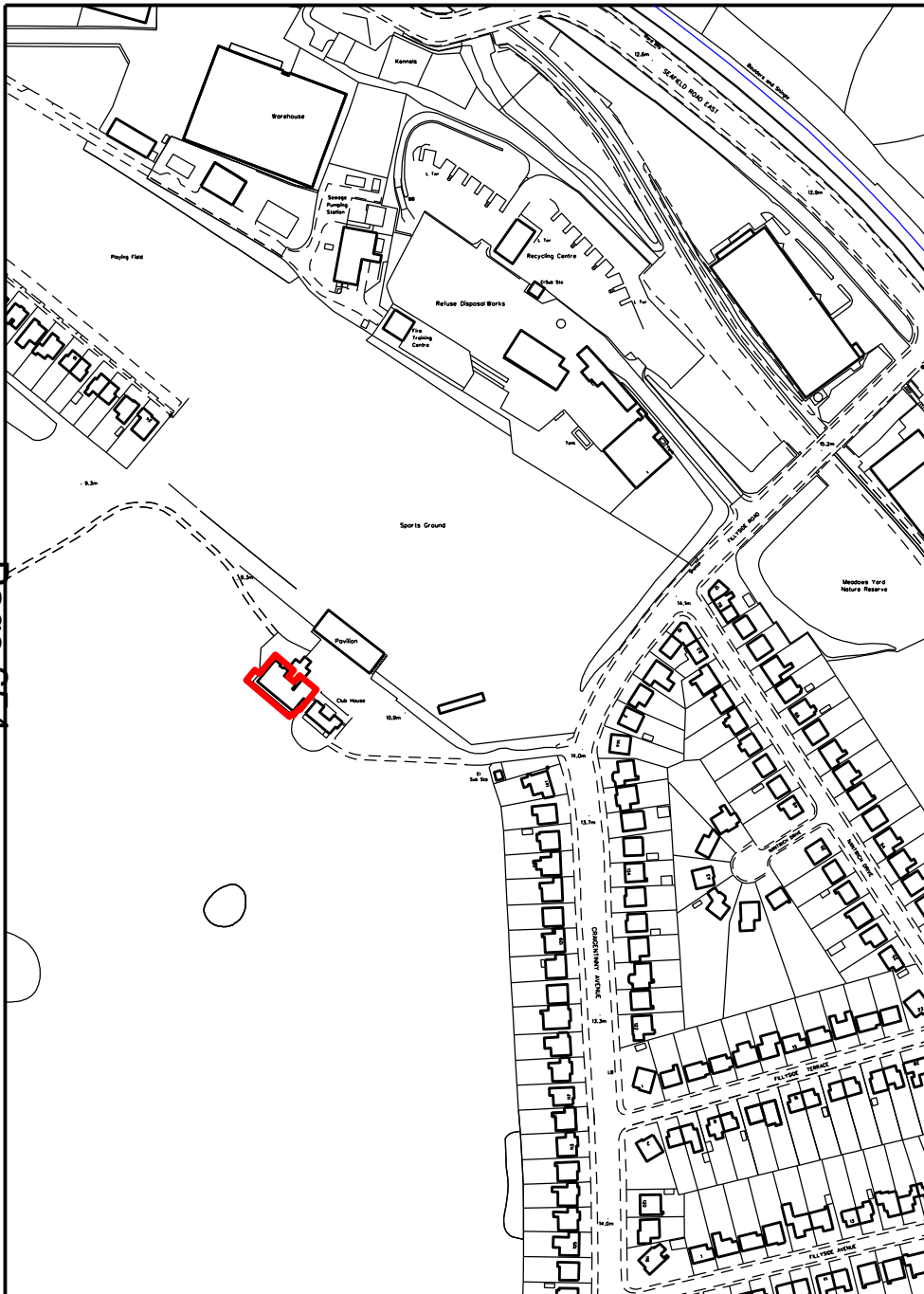
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- 8.1 None.

## **9. Appendices**

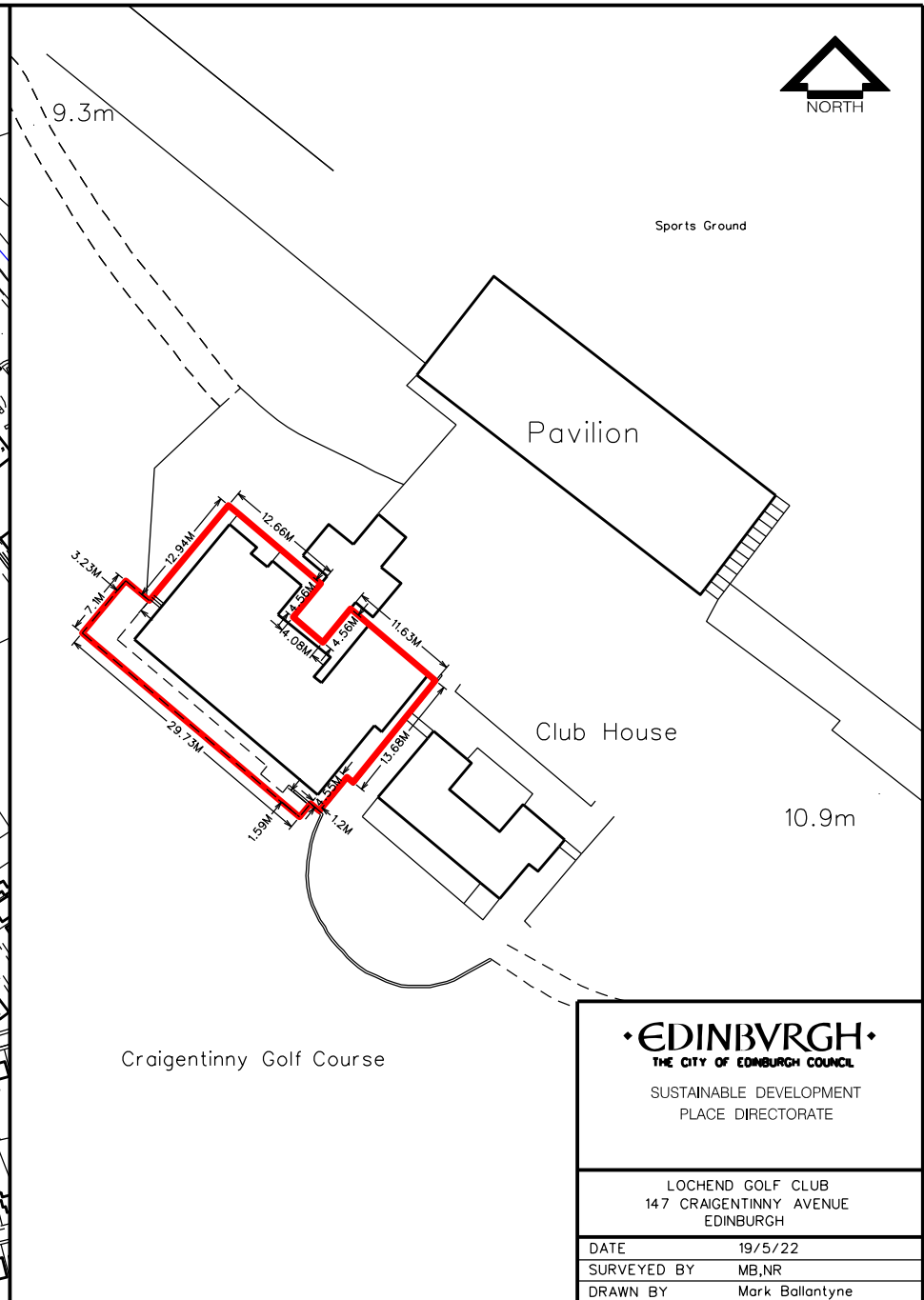
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- 9.1 Appendix 1 – Location plan.



LOCATION PLAN

SCALE 1:2500



SITE PLAN

SCALE 1:500



<b>• EDINBURGH •</b> THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
LOCHEND GOLF CLUB 147 CRAIGENTINNY AVENUE EDINBURGH	
DATE	19/5/22
SURVEYED BY	MB,NR
DRAWN BY	Mark Ballantyne
SCALE	1:500 @ A3 SIZE
NEG. NO.	A3/1292

# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Portobello Town Hall – Proposed Lease

Executive/routine Wards Council Commitments	Routine 17 – Portobello / Craigmillar
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### 1. Recommendations

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- 1.1 It is recommended that Finance and Resources Committee approves a new 25-year lease of Portobello Town Hall to Portobello Central on the terms and conditions outlined in this report.

**Paul Lawrence**

Executive Director of Place

Contact: Alan Robertson, Senior Surveyor

E-mail: [alan.robertson@edinburgh.gov.uk](mailto:alan.robertson@edinburgh.gov.uk) | Tel: 0131 529 5962

## Portobello Town Hall – Proposed Lease

### 2. Executive Summary

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- 2.1 Portobello Town Hall has been vacant since July 2019 and requires significant capital investment due to its condition. It was marketed for lease as a restoration opportunity and the proposal from Portobello Central was accepted by Committee subject to further discussions and engagement with the Council on the 20-minute neighbourhood proposals for Portobello.
- 2.2 With this work complete, this report seeks approval to grant a new 25-year lease to Portobello Central on the terms and conditions outlined in the report.

### 3. Background

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- 3.1 Portobello Town Hall, built in 1914, is a Category B Listed Council owned building situated in a prominent location on Portobello High Street as shown outlined in red on the plan attached as Appendix 1.
- 3.2 Due to the deteriorating condition of the property, it was closed to public access in July 2019. It was estimated that significant capital investment would be required to address the immediate issue (deterioration of the plaster on the barrel-dome ceiling) and in the longer term due to the age and wider condition of the property.
- 3.3 The property was subsequently marketed for lease as a restoration opportunity with the outcome of that process considered by Finance and Resources Committee on [20 May 2021](#). Committee approved the bid, in principle, from Portobello Central Ltd subject to further discussions and engagement with the Council on the 20-minute neighbourhood proposals for Portobello.
- 3.4 At that time, Portobello Central was a company limited by guarantee, a not-for-profit organisation formed by members of the Portobello community specifically to prepare a proposal to the Council in response to its call for proposals for the Town Hall.
- 3.5 The proposals sought a collaboration between the local community, the Council and private sector to deliver a project that would create a sustainable future for the building and ultimately lead to a Community Asset Transfer of the asset to the community.



- 3.6 On 8 July 2021, Portobello Central became a Scottish Charitable Incorporated Organisation that operates within a constitution provided by the Scottish Council Voluntary Organisations. The organisation's purpose is:
- 3.6.1 The advancement of citizenship or community development (including rural or urban regeneration);
  - 3.6.2 The advancement of the arts, heritage, culture or science; and
  - 3.6.3 The provision of recreational facilities or the organisation of recreational activities with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended.

## 4. Main report

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- 4.1 On [25 June 2021](#), the Housing, Homelessness and Fair Work Committee approved funding of £350,000 to Portobello Central as part of the Place Based Investment Programme. The funding was to specifically address wind and water-tight and related health and safety issues with the building so that it could be reopened and put into beneficial use while the Portobello Central worked on longer term solutions.
- 4.2 The contract for the above works is ongoing and, when complete, Portobello Central will be in a position to take possession of the building and operate it as a community facility with the ultimate goal of future significant improvements and investment in the facility.
- 4.3 The project has advanced to the extent that a formal lease to Portobello Central can now be progressed and the following terms have been provisionally agreed:
- 4.1.1 Subjects: Portobello Town Hall and grounds;
  - 4.1.2 Tenant: Portobello Central;
  - 4.1.3 Lease term: 25-years;
  - 4.1.4 Break option: tenant break option at the end of year two;
  - 4.1.5 Rent: £1 per annum (if asked);
  - 4.1.6 Use: performance and events space;
  - 4.1.7 Repair: tenant is responsible for all repairs and maintenance;
  - 4.1.8 Insurance: the Council will insure the building and recharge the premium to the Tenant; and
  - 4.1.9 Costs: tenant is to reimburse Council's reasonably incurred legal and surveyors' fees.
- 4.4 The proposed terms reflect the current status of the project whereby Portobello Central will take possession and manage the building going forward. The lease duration is, in effect, a Community Asset Transfer and a safeguard for the tenant, a break option at the end of year two, has been included. The peppercorn rent

reflects the fact that the building will need considerable investment over time (well in excess of £1m) that will be met by Portobello Central.

## **5. Next Steps**

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- 5.1 Following Committee approval, Legal Services will be instructed to progress with drafting the essential documentation for the proposed new lease.

## **6. Financial impact**

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- 6.1 Implementing the recommendations of this report will result in the required capital expenditure needed being met by the proposed tenant thereby removing the pressure from the Council.
- 6.2 In addition, the Council will save on property costs of approximately £80,000 per annum.

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

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- 7.1 Ward members have been made aware of the recommendations of the report.
- 7.2 There has been significant engagement with the Council's 20-minute Neighbourhood team and the proposals in this report could present future opportunities as Portobello Central deliver their business plan.

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

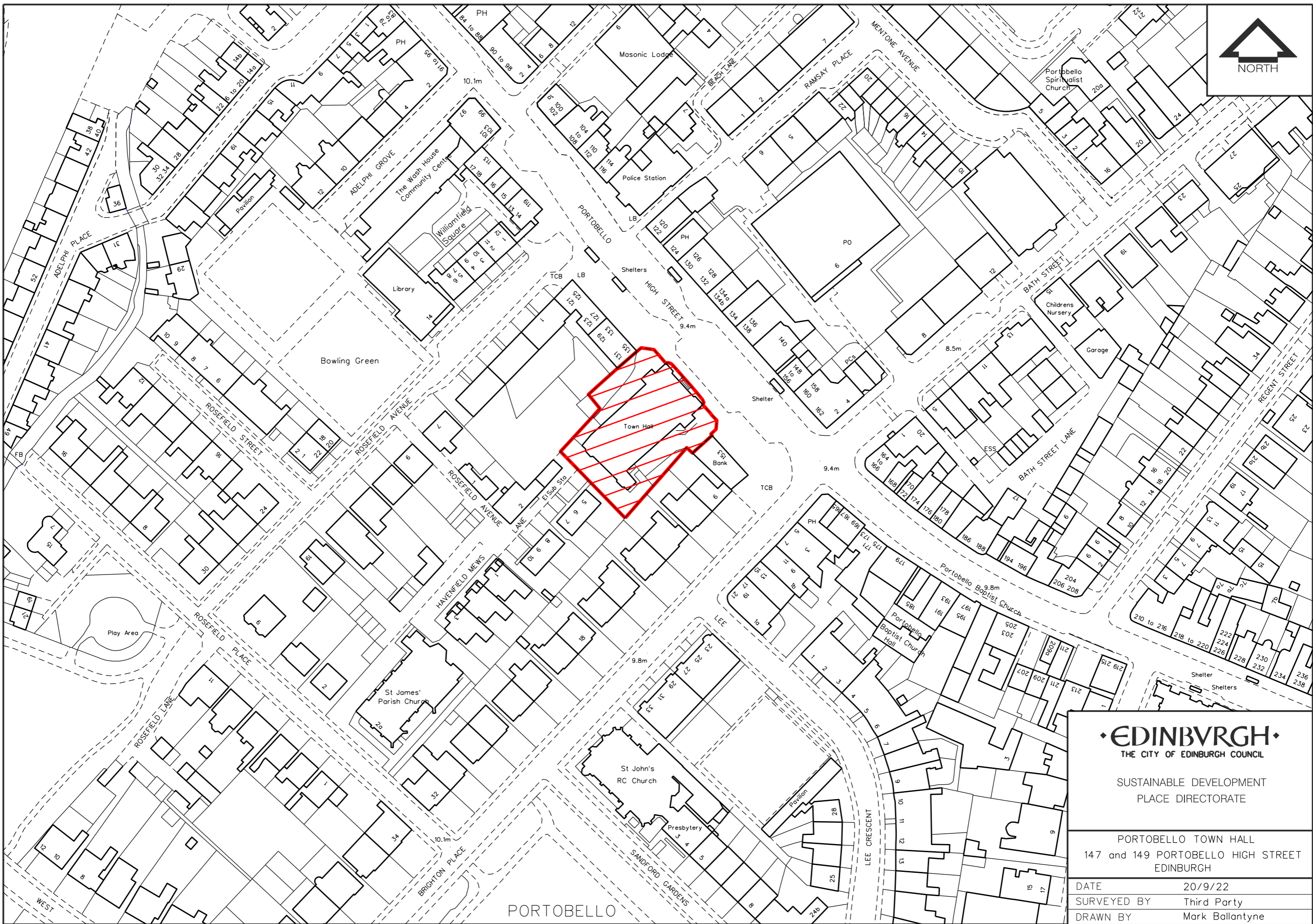
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- 8.1 None.

## **9. Appendices**

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- 9.1 Appendix 1 – Location plan.



SITE PLAN

SCALE 1:1250

**EDINBURGH**  
THE CITY OF EDINBURGH COUNCIL

SUSTAINABLE DEVELOPMENT  
PLACE DIRECTORATE

PORTOBELLO TOWN HALL  
147 and 149 PORTOBELLO HIGH STREET  
EDINBURGH

DATE	20/9/22
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:1250 @ A3 SIZE
NEG. NO.	A3/2346

THIS MAP IS REPRODUCED FROM ORDNANCE SURVEY MATERIAL WITH PERMISSION OF ORDNANCE SURVEY ON BEHALF OF THE CONTROLLER OF HER MAJESTY'S STATIONARY OFFICE CROWN COPYRIGHT. UNAUTHORISED REPRODUCTION INFRINGES CROWN COPYRIGHT LICENCE NUMBER 100023420. CITY OF EDINBURGH 2013 AND MAY LEAD TO PROSECUTION OR CIVIL PROCEEDINGS.

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# Finance and Resources Committee

10.00am, Thursday, 10 November 2022

## Response to motion by Councillor Davidson – Support for Roseburn Businesses

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

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- 1.1 Finance and Resources Committee is asked to note the contents of this report.

**Paul Lawrence**

Executive Director of Place

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## Response to motion by Councillor Davidson – Support for Roseburn Businesses

### 2. Executive Summary

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- 2.1 This report responds to the motion on Support for Roseburn Businesses, which was approved by the Council on [22 September 2022](#).

### 3. Background

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- 3.1 On 22 September 2022, the Council approved a motion by Councillor Davidson on Support for Roseburn Businesses including addendums from the SNP and Green Groups. The approved motion is set out below. Council:
- 1) Notes that the Council Leader recently met with the owners and operators of businesses on Roseburn Terrace and heard about the negative impact that the ongoing CCWEL works had on their operations;
  - 2) Further notes that many businesses have seen a sharp decrease in their takings throughout the programme of works and recognises the legitimate concerns that the resumption of construction activity will damage takings even further in the run up to the vital festive period;
  - 3) Believes that these businesses represent the heart of the Roseburn community, and that the council should do everything within its powers to make sure they are able to survive the disruption caused by these works;
  - 4) Recognises that infrastructure projects that take a significant period of time to complete often have a more acute impact on business than roadworks generally;
  - 5) Understands that measures undertaken to help these businesses so far have proven to be insufficient and that more needs to be done to support them;
  - 6) As such agrees to look into the possibility of setting up a compensation scheme for those businesses who have been adversely affected by the works to ensure they continue to operate over the coming months that the roadworks are in place;

- 7) Agrees that the source of funding for any such scheme is made clear and that no other projects should lose funding as a result. If funding is being reallocated from existing budgets, affected workstreams and projects should be explicitly identified;
- 8) Agrees that the report will establish the principles by which all potential future schemes to compensate businesses for disruption from infrastructure projects could operate;
- 9) Notes the information provided by the council to elected members and businesses on support for businesses during roadworks;
- 10) Notes the documented benefits to businesses of improved walking, wheeling and cycling infrastructure through increased footfall and spend; and
- 11) Calls for businesses along the route to continue their engagement with the project team to ensure all issues are picked up and the council supports businesses throughout project delivery

### **City Centre West to East Cycle Link and Street Improvement Project (CCWEL)**

- 3.2 The project that is referred to in the motion is the City Centre West to East Cycle Link and Street Improvement Project (CCWEL), which seeks to deliver cycling and pedestrian infrastructure improvements from Roseburn Terrace in the west to York Place in the city centre. The project is being delivered in three sections with a budget of approximately £20m.

## **4. Main report**

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- 4.1 The Council's infrastructure programmes principally fall into two general categories:
  - 4.1.1 The Active Travel Programme (of which CCWEL is part); and
  - 4.1.2 The capital investment programme.
- 4.2 The latest current and committed projects within each category were reported to Transport and Environment Committee on [14 October 2021](#) and [18 August 2022](#) respectively.

### **Statutory Roads Authority**

- 4.3 The Council, as Statutory Roads Authority, is not under any obligation to provide compensation or business support for any businesses impacted by road or infrastructure works and, while there have been numerous requests over the years for this kind of measure, these have been rejected. For example, on [6 October 2022](#), the Transport and Environment Committee noted that there were no options available to consider financial support for businesses impacted by the current works on North Bridge. This is consistent with other decisions not to do so (e.g. during recent Royal Mile stone resetting works).

- 4.4 The rationale on this issue is well summarised in a research note for the House of Commons Library, 'Roads: Compensation for loss of business from road works', available here: [SN00200.pdf \(parliament.uk\)](#) . To quote:

*"The general rule is that there is no compensation if a business is affected by road works. Successive governments have taken the view that businesses should not have the right in law to any particular given level of passing trade, and that traders must take the risk of loss due to temporary disruption of traffic flows along with all the other various risks of running a business. There is no statutory provision for compensation by the highway authority ... if a business is affected by road works."*

- 4.5 Furthermore, the Council has an obligation under the Roads (Scotland) Act to maintain and improve the city's roads and footways, but as above, no obligation to recompense businesses for any loss arising from the undertaking of such works. Ultimately, the nature of the work carried out benefits the whole community and cannot be undertaken without some disruption.

### **Trams to Newhaven Business Support Scheme**

- 4.6 During the development of the business case for the construction of the tram to Newhaven and taking into account the impact of the infrastructure works for the original tram line and the programmed length of the works for the project, the team were asked to create a business support scheme for businesses along the route of the tram. This was not established as compensation for loss of business but rather as a business continuity fund.
- 4.6 The Council (and contractor) committed £2.4m to support local businesses via a series of measures developed in consultation with businesses along the route to maintain the accessibility, vibrancy and desirability of affected streets. One aspect of the support package is a Business Continuity Fund which provides direct financial support to businesses suffering short-term cash flow challenges during construction. There are several criteria established to regulate payments such as: who can qualify for assistance; what details are required to make a claim; what qualifies for funding; and the level of contribution available.
- 4.7 Also included in the Business Support Scheme is a voucher scheme whereby consumers can purchase vouchers to spend in businesses in the area from the deal site 'Itison'. The Council funds 50% of the voucher value.
- 4.8 A summary of the above scheme is set out in Appendix 1. The costs of the scheme are met from the Trams to Newhaven approved budget.

### **Request to Support Roseburn Businesses**

- 4.9 The approved motion asks that the possibility of setting up a compensation scheme for businesses in the Roseburn area be investigated, to identify how this would be funded and to set principles by which future infrastructure schemes could be assessed for future infrastructure projects.
- 4.10 The works at Roseburn Terrace, directly adjacent to retail premises, are programmed to take seven months (four months during Spring 2022 and three



during Autumn 2022) with a programmed completion, at this location, by the end of November 2022.

- 4.11 In total, 33 businesses have been identified in the Roseburn area which are potentially affected by these infrastructure works.
- 4.12 A number of measures have already been taken to mitigate the impact of works including:
  - 4.12.1 The introduction of short stay parking spaces at numerous locations throughout Roseburn on surrounding streets;
  - 4.12.2 A Business and Community Forum meeting on 16 August to talk interested parties through the plans and answer questions;
  - 4.12.3 Attending Murrayfield Community Council Meetings to provide updates and respond to questions and concerns;
  - 4.12.4 Weekly meetings between the traders and contractor to talk through any issues;
  - 4.12.5 A comprehensive package of promotional materials for an 'Open for Business Campaign' have been developed, covering social and print media and on street promotion; and
  - 4.12.6 Separately, businesses can appeal the rateable value of their property on the grounds of a material change of circumstances. While the Council has no involvement, the Assessor is obliged to consider each case on its own merits.
- 4.13 However, the project does not just affect the Roseburn area, with future phases of the programme is expected to pass along Haymarket Terrace, Randolph Place, Queensferry Street, St David Street and York Place.
- 4.14 Therefore, the number of businesses potentially affected by the project extends well into the hundreds.

#### **Support for Businesses affected by Infrastructure Works**

- 4.15 As noted in paragraphs 4.3 – 4.5, there is no obligation for the Council to offer compensation for businesses who may be affected by infrastructure improvements. Further, any decision by The City of Edinburgh Council to do so could potentially set a precedent for the future.
- 4.16 While the motion requested that the possibility of offering compensation to businesses in the Roseburn area, it is not possible to consider this in isolation. However, as recognised within the business case for the tram extension, there may be circumstances where support for businesses could be offered while infrastructure works are being progressed.
- 4.17 As requested in the approved motion, the source of funding for any such scheme should be made clear.

## **Funding**

- 4.18 There are two sources of funding available to provide support for business – through the Council's capital or revenue budgets.
- 4.19 The Council's capital programme is fully committed and is currently being realigned to reflect the current significant price increases in construction costs due to inflation and supply chain issues. Reference is made to a separate report on the Committee agenda, Sustainable Capital Budget Strategy 2022-2032, that provides further detail on the financial challenges facing the capital budget. The revised programme will be presented to Committee early in the new year as part of 2023/24 budget setting exercise, and there will be significant impact on existing projects.
- 4.20 The Council's revenue budget is set on an annual basis and the current month five monitoring position is also the subject of a separate report on the Committee's agenda. This shows a forecast overspend of £5.092m for financial year 2022/23. On this basis, there is no spare revenue funding to meet the cost of retrospective business support
- 4.21 Recognising the financial challenges facing the Council, it is considered that any future schemes to provide support for business would need to be funded within the programme or project business case (as is the case with the Trams to Newhaven Business Support Scheme).
- 4.22 This would, however, result in less capital being available for projects that already have a potential funding shortfall due to increasing construction costs and/or could reduce the funding available to complete future schemes.
- 4.23 In addition, depending on the extent of external funding secured, the requirement to meet the costs of a business support scheme could undermine the Council's ability to meet its statutory obligations and/or delay projects until additional funding is identified.
- 4.24 Alternatively, provision could be required to be made for this in the revenue budget setting process for financial year 2023/24 onwards, but would require additional annual savings to be identified.

## **Principles for Supporting Businesses**

- 4.25 As there is no statutory or case law guidance on how support entitlement and/or assessment could be regulated, any payment, and how it would be assessed, would be wholly discretionary. The only guidance available is the decision by the Council to set aside funding to assist businesses during the construction of the Tram to Newhaven.
- 4.26 During the Council meeting that considered this motion, Councillors discussed types of infrastructure schemes which could attract business support in the future.
- 4.27 It is possible to make a distinction between those necessary to fulfil the Council's statutory requirements, i.e. the capital investment programme, and those which the Council chooses to do, i.e. the active travel programme.

- 4.28 In terms of quantum, the active travel five-year programme has had a high-level assessment of potential impacted businesses carried out, using the Council's property data sets and filtered to within 40m of active travel projects, which estimates the number of businesses which could be affected as 3,192.
- 4.29 Consistency of approach is essential to ensure fairness and transparency and it is important to note that a significant element of works to improve public realm and street environment benefit businesses financially in the longer term.

#### **Business Support for Roseburn Businesses**

- 4.30 CCWEL is an 'in flight' capital project approved within the constraints of its budget allocation and any additional cost can only be met from elsewhere from either the Council's capital programme and/or its revenue budget.
- 4.31 In these circumstances, the only option for using capital is to reallocate funds from the wider programme. If Committee is minded to fund a scheme from this source, given CCWEL is an Active Travel project, it is recommended that funding is reallocated from one of the projects in the Active Travel Investment Programme. As fully committed, Committee would have to decide which scheme the funding (and how much) is taken from so this can be factored into the revision of the Sustainable Capital Strategy referred to on paragraph 4.19.
- 4.32 Given the month five monitoring position on revenue, it could not be recommended that revenue is used. However, technically, if revenue was to be used, it would have to be sourced from unallocated revenue reserves. Such a decision would require Council approval and a commitment to replenish the reserves as part of 2023/24 revenue setting proposals, thereby increasing the level of savings required as part of that process.

#### **Conclusion**

- 4.33 Based on the legal position, past and current practice and future financial implications, the subject matter is complicated. Any future proposals would need to be clearly set out and funded in advance to avoid subjectivity and ensure it is consistent, transparent and fair.

## **5. Next Steps**

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- 5.1 The next steps depend on the decision of Committee.

## **6. Financial impact**

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- 6.1 The main financial implications are set out at paragraphs 4.18 to 4.24. In summary, should Committee decide to either fund support retrospectively and/or make a future commitment to do so, provision should be made by the Council in setting its revenue and/or capital budget for FY 2023/24. Any provision should include resources to administer such support.

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

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- 7.1 There has been no stakeholder and/or community impacts considered as part of this report.
- 7.2 However, the impacts associated with the CCWEL project have been considered and support has been offered to businesses in the Roseburn area, as set out in paragraph 4.13.

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

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- 8.1 None.

## **9. Appendices**

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- 9.1 Appendix 1 – Tram to Newhaven Business Support scheme.

## **Appendix 1 – Tram to Newhaven Business Support Scheme**

### **Business Continuity Fund**

The business continuity fund was established to support businesses experiencing hardship due to the Trams to Newhaven construction works. While the COVID 19 pandemic has had an impact on businesses in the area and it is important to distinguish between the two.

Latest figures show that retail sales, minus online sales, across the UK have fallen by 12% over a six-month period. These figures are regularly reviewed.

To process applications, businesses' need to provide full details of their financial situation. To do this, an understanding of the impact on net income over a minimum of a three-month period is required and a comparison year on year. The following details are required:

- a. What monies the business is paying out to keep operational – this will include items such as rent, utilities, staff payments, etc. Businesses must declare any support you have received from the UK and Scottish Government as part of the COVID 19 pandemic (e.g., furlough scheme, business support grants, etc)
- b. What income the business generated over the same time.
- c. How this compares to the same time period last year
- d. Any changes to how the business operate (e.g.: reduced hours, reduced staffing, reduced offering, etc).

### **What Qualifies for Funding**

- Rent payments
- Staff overheads e.g., wages
- General operational costs e.g., utility bills
- Business rates
- Other costs agreed as essential at the discretion of the Council

### **Level of Financial Contribution**

To ensure that the fund operates in an effective way and works for the largest number of businesses as possible, there are some limits on the level of financial contribution that each individual business can qualify for:

- Maximum number of single payments to each affected business over the construction period:3
- Maximum amount paid out in any single payment £3000
- Maximum fund available to any qualifying business over the construction period £9000

- There will be a minimum waiting time of three months between the processing of each application.

#### **Other Conditions:**

- A payment from the Business Continuity Fund will be classed as a grant. A grant awarded on a valid application does not need to pay back.
- Information provided will be verified against other information sources held by us. This will assist application processing, fraud prevention and for auditing purposes.
- Applications may be subject to delay if incomplete or incorrect details given.
- A business bank account is required for the monies to be paid into.
- If successful, monies will be paid within four weeks on completion of a full application and once all information and evidence has been verified.
- If a payment is made based on false or inaccurate information, it may result in arrangements being made to recover the award, and legal proceedings being initiated.
- Any grant awarded must be declared for tax purposes or if applying for any other forms of support in the future.
- Applications must be made within three months of the end of construction directly outside the applying business.

#### **ITISON Discounts Funded by the Council**

On the deal site 'itison', customers can purchase vouchers online to spend in local stores at a discounted rate, which is funded by the Council. Vouchers remitted in stores are redeemed to the businesses by the Council. £10 vouchers can be purchased for £5.

by virtue of paragraph(s) 8, 9 of Part 1 of Schedule 7A  
of the Local Government(Scotland) Act 1973.

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by virtue of paragraph(s) 8, 9 of Part 1 of Schedule 7A  
of the Local Government(Scotland) Act 1973.

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**CITY OF EDINBURGH COUNCIL**  
**FINANCE AND RESOURCES COMMITTEE**

**Item No 3**

**10 November 2022**

**DEPUTATION REQUESTS**

<b>Subject</b>	<b>Deputation</b>
<b>3.1</b> In relation to item 8.4 - Walled Garden and Stable Block at Gracemount Mansion, Gracemount House Drive, Edinburgh – Proposed New Lease	Gracemount Mansion Development Trust (verbal)
<b>3.2</b> In relation to item 8.10 – Response to Motion by Councillor Davidson – Support for Roseburn Businesses	Murrayfield Community Council (verbal and written submission)
<b>3.3</b> In relation to item 8.10 – Response to Motion by Councillor Davidson – Support for Roseburn Businesses	Roseburn Traders (verbal)

## F&R COMMITTEE DELEGATION FROM MURRAYFIELD COMMUNITY COUNCIL

### Introduction

The Murrayfield Community Council contains as one would expect a range of opinions on transport policy issues. However, we are united in our desire to get the best from the CCWEL for our community, including renewal of the streetscape and provision of additional pedestrian crossings.

### The Roseburn Terrace traders

Central to our community is the availability of the unique range of 33 shops and other businesses along Roseburn Terrace. These include not only bars and eateries but also hairdressers, florists, a pet-shop, an art-dealer, a furniture-restorer, shoe-repairer, electrical repair-shops, an optician, chemist, dentist, cakeshop etc

These traders offer accessibility to local residents in the Murrayfield hinterland and also convenience to visitors for events at BT Murrayfield. The street retains a remarkable duality of character – a busy corridor in peak hours and a shopping parade at quieter times – that showcases the best of suburban Edinburgh. Historically it has been dependent on people arriving by a variety of modes, with people hopping out of their cars as well as pedestrians bus-users and cyclists.

### Impact of CCWEL

Since the start of CCWEL works in February, the traders have had to endure not only disruption to parking and delivery arrangements – which has to an extent been mitigated through measures taken by the project-team – but also damage to their businesses caused by loss of amenity. Notwithstanding notices saying “open for business”, the clutter of fencing and barriers has conveyed a clear visual message that this is no longer a space to hang about in – and temporary banning of the right turn into Russell Road has exacerbated the fumes and noise of traffic.

Unforeseen problems with asbestos and a gas-leak have prolonged the programme, with only a hiatus for the Festivals, and during the autumn when some of the traders might have been hoping for Christmas sales the pace of work has intensified, with the start on construction of the actual cycleway. There has been a belated recognition by the team of the need for better communication, and the alternative short-stay parking by The Maltings has been inadequately signed.

Thus far, there have been only two casualties, and the rest are hanging on, but are reporting that when they might have expected a post-pandemic boost the impact is actually worse than that of lockdown or, for those with longer memories, the banking crisis of 2008. Takings are down typically 50% or more (some say up to 80%), and the full picture may only emerge next year when account is taken of Christmas takings which completion may come too late to ensure.

### Status and context

Had the works been essential maintenance for the upkeep of the road, there might have had to be an acceptance that this was a burden whose time had come, to be borne stoically in the knowledge that these things come round periodically – and indeed Roseburn Terrace has had its share of gas-main and other utility renewals in recent years.

However, CCWEL is markedly different. As the first cross-city cycle-priority investment it is a prestige project that leads the way on delivery in accordance priorities set out in the Scottish Government’s ongoing Strategic Transport Projects Review. It is new infrastructure, and as such ought to be considered alongside the Trams to Newhaven since both will deliver sustainable transport options that address the current Climate Emergency.

Conclusion

How will posterity judge CCWEL if in the absence of compensation our traders go under and future users in search of a diverse local shopping experience are greeted only by the sight of boarded-up premises?

Rebuttal

Please see at Annex a detailed response to officers' claims which we consider erroneous.

John Yellowlees Chair, Murrayfield Community Council 7 November 2022

## ANNEX : DETAILED POINTS OF REBUTTAL

Back in 2014, the Council's Project Justification Report convinced the Transport Committee that the CCWEL would boost the city's economy, observing the health benefits that would result from thousands of the city's inhabitants taking to two wheels which, it argued, would result in reduced work absenteeism. On these grounds the Council officers proposed a Cost-Benefit Ratio of 3.3, yet no account was taken of the economic impact on traders of shops losing their parking. Reference was instead made to American streets like 6<sup>th</sup> Avenue where cyclists had brought more trade to shops, which ignored the fact that such thoroughfares are built for cars - they are extremely wide, and can easily suffer the loss of a lane with no impact to shoppers on four wheels.

Moving to the present day, the officers' report ignores the fact that Roseburn will have suffered 10 months of severe access restrictions. They also do not consider that a massive loss of revenue (up to 80%) for our local shops for 10 months is problematic. They think if they give cash to Roseburn, they must give it to all CCWEL-impacted traders. Do they really think they are going to spend 10 months digging up Haymarket as well?

The report draws parallels between the impact of CCWEL on Roseburn and that of the current works on the North Bridge. They have not grasped the difference between Roseburn, a suburban area significantly serviced by shoppers on 4 wheels, as well as a primary route from the West into town - and the North Bridge, which is a city centre location with negligible custom from motorists, as parking restrictions there have always been severe. Nobody takes their car to visit a shop on the North Bridge- whereas Roseburn has historically benefitted from the A8 traffic of people travelling across town and visiting Roseburn shops en route.

Trams to Newhaven has wisely received £2.4M "Business Continuity Fund", which compensates with cash grants to meet a trader's proven loss of income as a result of the tram "roadworks". That the CCWEL project omitted to consider a similar scheme for affected businesses losing up to 80% of income is not something the traders should be made to carry.

Some actions by the Council have achieved the very opposite of the mitigation which was the stated aim. In March, we were assured that there would be consultation with businesses prior to making changes to parking. The very next morning the Council was out with the contractors applying yellow paint to add double yellow lines so as to remove even more parking.

Reference is made to the other areas through which the CCWEL will pass, suggesting these businesses there may also want to make a claim. However the roads referred to - parts of Haymarket Terrace, Randolph Place, Queensferry Street, St David Place and York Place - are all:

- a) much wider than Roseburn Terrace
- b) do not have shops many shops on either side of a very narrow street
- c) are in the city centre so have historically not depended upon 4-wheeled traffic ; and
- d) are mostly home to businesses that do not depend on shoppers passing in vehicles for their custom

The loss sustained to the Roseburn shops is around £100,000. In council spending terms we are not talking about a massive amount of money here; a few thousand pounds to each of those traders that have been badly affected.