

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

**10.00 am Tuesday, 2nd May, 2023**

Hybrid Meeting - Dean of Guild Court Room, City Chambers / Microsoft Teams - City Chambers

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

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 Any items under "Private Reports" will not be published, although the decisions will be recorded in the minute.

### Contact

Email: [rachel.gentleman@edinburgh.gov.uk](mailto:rachel.gentleman@edinburgh.gov.uk)

## **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 Governance, Risk and Best Value Committee of 14 March 2023 – submitted for approval as a correct record | 7 - 16 |
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## **5. Outstanding Actions**

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- |     |                     |         |
|-----|---------------------|---------|
| 5.1 | Outstanding Actions | 17 - 44 |
|-----|---------------------|---------|

## **6. Work Programme**

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<b>6.1</b>	Work Programme	45 - 52
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## **7. Business Bulletin**

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<b>7.1</b>	Business Bulletin	53 - 60
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## **8. Reports**

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<b>8.1</b>	Internal Audit Open and Overdue Internal Audit Actions - Performance Dashboard at 31 March 2023 – Report by the Head of Internal Audit	61 - 74
<b>8.2</b>	Internal Audit Update Report - 5 December 2022 to 31 March 2023 – Report by the Head of Internal Audit	75 - 100
<b>8.3</b>	Audit Scotland - The City of Edinburgh Council Annual Audit Plan 2022-23 – Report by the Executive Director of Corporate Services	101 - 124
<b>8.4</b>	Corporate Leadership Team Risk Report at 20 March 2023 – Report by the Chief Executive	125 - 138
<b>8.5</b>	Quarterly Status Update - Digital Services – Report by the Executive Director of Corporate Services	139 - 184
<b>8.6</b>	Annual Treasury Management Strategy 2023/24 - referral from the City of Edinburgh Council	185 - 222
<b>8.7</b>	Capital Strategy 2023-2033 - Annual Report – referral from the Finance and Resources Committee	223 - 252
<b>8.8</b>	Risk Management Policy - referral from the Policy and Sustainability Committee	253 - 266
<b>8.9</b>	Best Value Assurance Audit - Update – referral from the Policy and Sustainability Committee	267 - 292

<b>8.10</b>	Edinburgh Leisure Annual Report 2021-22 – referral from the Culture and Communities Committee	293 - 342
<b>8.11</b>	Edinburgh Living Annual Update 2022 – referral from the Housing, Homelessness and Fair Work Committee	343 - 370

## **9. Motions**

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<b>9.1</b>	None.
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## **10. Resolution to Consider in Private**

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<b>10.1</b>	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 Paragraph 14 of Part 1 of Schedule 7A of the Act.
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## **11. Private Reports**

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<b>11.1</b>	CGI Security Operations Centre Audit Progress – Report by the Executive Director of Corporate Services	371 - 376
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### **Nick Smith**

Service Director – Legal and Assurance

## **Committee Members**

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Councillor Kate Campbell (Convener), Councillor Jule Bandel, Councillor Marco Biagi, Councillor Katrina Faccenda, Councillor Stephen Jenkinson, Councillor Adam McVey, Councillor Claire Miller, Councillor Joanna Mowat, Councillor Jason Rust, Councillor Edward Thornley and Councillor Lewis Younie.

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

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The Governance, Risk and Best Value Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The meeting will be held on a hybrid basis in the Dean of Guild Court Room, City Chambers, High Street, Edinburgh and by Microsoft Teams and will be webcast live for viewing by members of the public.

## **Further information**

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

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

## **Webcasting of Council meetings**

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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)).

# Minutes

## Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

### Present

Councillors Campbell (Convener), Bandel, Biagi, Faccenda, Jenkinson, McVey, Miller, Mowat, Rust, Thornley and Younie.

### 1. Minutes

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#### Decision

To approve the minute of the Governance, Risk and Best Value Committee of 24 January 2023 as a correct record.

### 2. Outstanding Actions

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Details were provided of the Outstanding Actions arising from decisions taken by the Committee.

#### Decision

- 1) To agree to close the following actions:
  - Action 3 – Community Centres (update)
  - Action 5 (2) – Business Bulletin
  - Action 10 – Revenue Budget 2022/27 Framework: progress update
  - Action 12 (1) – Internal Audit: The Chartered Institute of Internal Auditors - External Quality Assessment
  - Action 13 (3) – Internal Audit Update Report: 1 May to 31 August 2022
  - Action 15 (1&2) – Outstanding Actions
  - Action 16 (1&2) - Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 5 December 2022
  - Action 17 (2&3) – Internal Audit Update Report: 1 September to 5 December 2022
- 2) To request an update and revised expected completion date for action 8 (Annual Assurance Schedule – Edinburgh Health and Social Care Partnership) by Committee in May.
- 3) To otherwise note the remaining outstanding actions.

(Reference – Outstanding Actions March 2023, submitted.)

### 3. Work Programme

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The Work Programme was presented.

#### Decision

To note the Work Programme.

(Reference – Work Programme March 2023, submitted.)

### 4. Business Bulletin

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The Committee Business Bulletin was presented.

#### Decision

To note the Business Bulletin.

(Reference – Business Bulletin March 2023, submitted.)

### 5. Internal Audit: 2023/24 Internal Audit Annual Plan

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The Internal Audit: 2023/24 Internal Audit (IA) Annual Plan was presented for approval. The plan set out how IA assurance would be delivered and developed in accordance with the Internal Audit Charter for the period 1 April 2023. The proposed 2023/24 plan included a total of 42 audits. The proposed plan was risk-based, proportionate and flexible to recognise the changing risk profile of the Council and was aligned to the Council's 2023-27 Business Plan outcomes, business critical risks and emerging issues.

#### Decision

- 1) To note the budget process for 2023/24 was particularly challenging for the Council.
- 2) To note complaints from residents, councillors and stakeholders which included concerns over a lack of information, and information being provided very late in the process.
- 3) To note that, unlike in previous years, there was no residents' consultation and the full suite of budget proposals was not published anywhere ahead of the papers being published for the Finance and Resources Committee meeting held on the 7<sup>th</sup> February 2023.
- 4) To agree that this was not a good model for budget setting, transparency or the reputation of the Council.
- 5) To agree that there would be an internal audit undertaken to review the budget process and make best practice recommendations for future years.
- 6) To agree that this audit should be prioritised to be carried out in the first half of the year so that management actions could be completed ahead of next year's budget process.
- 7) To approve the 2023/24 Internal Audit Annual Plan with the addition of CLT undertaking a lessons learnt exercise in relation to the budget process and internal audit adding an audit of that exercise to the priority audits plan.



(Reference – report by the Head of Internal Audit, submitted.)

## **6. Internal Audit: Internal Audit Charter Annual Update**

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Details were presented on the revised Internal Audit (IA) Charter for 2023/24 for approval. The revised IA Charter included a refreshed IA Journey Map and Key Performance Indicators (KPIs). It was proposed that the IA Charter included the standard CIPFA definitions which would apply for IA reports from 2023/24 onwards.

### **Decision**

To approve the refreshed 2023/24 Internal Audit (IA) Charter, including revisions to the Internal Audit Journey Map and Key Performance Indicators (KPIs) and proposals to adopt the CIPFA standard definitions for audit report overall opinions from 2023/24 onwards.

(Reference – report by the Head of Internal Audit, submitted.)

## **7. Change Portfolio**

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Details were presented on an overview of strategic delivery and the associated risks and issues managed by Change Board. The projects reviewed through this process would be updated to take account of the Council's revised Business Plan.

### **Decision**

- 1) To note the status of the Council's Change Portfolio.
- 2) To note that detailed reporting on expenditure within capital and revenue projects were included within the Revenue and Capital Monitoring Reports submitted to Finance and Resources Committee.
- 3) To request a workshop on risks being presented.
- 4) To request a further column in the appendix in future reports, noting the actions taken for each risk.

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

## **8. Annual Assurance Schedule – Corporate Services**

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Committee was presented with the annual assurance schedule covering 2021/22.

### **Decision**

- 1) To note the report.
- 2) To request that a schedule of HR policies, indicating which had been reviewed, were to be reviewed and those which were out of date, be circulated to members.
- 3) To request a Business Bulletin update on this to Committee in May.

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

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

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Committee was presented with the annual assurance schedule covering 2021/22.

## **Decision**

To note the report.

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

### **10. Gas Service Improvement Plan Closure Report**

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Details were provided that all the actions in the Gas Service Improvement Plan (GSIP) had been completed.

## **Decision**

- 1) To note the progress made with the Gas Service Improvement Plan (GSIP).
- 2) To note the outcome of the CORGI and Gas Safe audits.
- 3) To agree to accept the closure report.

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

### **11. Procurement of Edinburgh's Christmas – referral from the Finance and Resources Committee**

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Committee considered a report on the procurement approach and options currently under consideration for the future delivery of Edinburgh's Christmas, which had been referred by the Finance and Resources Committee for information.

## **Decision**

To note the report by the Executive Director of Place.

(References – Finance and Resources Committee of 26 January 2023 (item 14); referral from the Finance and Resources Committee, submitted.)

### **12. Revenue Monitoring 2022/23 – month eight position – referral from the Finance and Resources Committee**

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Committee considered a report on Revenue Monitoring 2022/23 – month eight position, setting out the projected Council-wide revenue budget position for 2022/23, based on analysis of the first eight months' financial data and projections of income and expenditure for the remainder of the year, which had been referred from the Finance and Resources Committee for scrutiny.

## **Decision**

- 1) To note the report by the Interim Executive Director of Corporate Services.
- 2) To request a briefing note providing more details on the reduction in the assumed Housing Benefit recovery rate for those accommodated in dispersed flats, as referenced in paragraph 4.20 (v) of the report by the Executive Director of Corporate Services.

(References – Finance and Resources Committee of 26 January 2023 (item 4); referral from the Finance and Resources Committee, submitted.)

### **13. Capital Monitoring 2022/23 – month eight position – referral from the Finance and Resources Committee**

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The Finance and Resources Committee had referred a report on 26 January 2023 on the Capital Monitoring 2022/23 – month eight position, which set out the capital expenditure and funding position as at month eight and full-year outturn projections for the 2022/23 financial year, providing explanations for key variances.

#### **Decision**

- 1) To note the report by the Interim Executive Director of Corporate Services.
- 2) To request further details on how capital budgeting for the Edinburgh Health and Social Care Partnership works, with particular reference to Appendix 1 (approved budget, adjustments, revised budgets, etc.)

(References – Finance and Resources Committee of 26 January 2023 (item 6); referral from the Finance and Resources Committee, submitted.)

### **14. Sustainable Capital Budget Strategy 2023-2033 – referral from the Finance and Resources Committee**

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The Finance and Resources Committee had referred a report on 7 February 2023 on the Sustainable Capital Budget Strategy 2023-2033, which set out priorities for £1.47bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

#### **Decision**

To note the report by the Interim Executive Director of Corporate Services.

(References – Finance and Resources Committee of 7 February 2023 (item 3); referral from the Finance and Resources Committee, submitted.)

### **15. Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22 – referral from the Finance and Resources Committee**

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Committee considered a report that had been referred by the Finance and Resources Committee on 7 February 2023 on the Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22, which provided a summary of the main issues and themes identified within the Accounts Commission’s recently published Financial Bulletin 2021/22 and how these related to the local context within Edinburgh.

#### **Decision**

- 1) To note the report by the Interim Executive Director of Corporate Services.
- 2) To request a briefing note on the impact of the Deposit Return Scheme to the budget.

(References – Finance and Resources Committee of 7 February 2023 (item 4); referral from the Finance and Resources Committee, submitted.)

## **16. Treasury Management: Mid-Year Report 2022/23 - referral from the City of Edinburgh Council**

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On 9 February 2023, the City of Edinburgh Council considered a report on the Treasury Management: Mid-Year Report 2022/23, which provided an update on Treasury Management activity undertaken in the first half of 2022/23. This was referred to the Governance, Risk and Best Value Committee for scrutiny.

### **Decision**

- 1) To note the report by the Interim Executive Director of Corporate Services.
- 2) To note as part of the skills assessment of GRBV that elected member training would be reviewed on specific areas such as Treasury Management.

(References – Act of Council No. 20, 9 February 2023; referral from the City of Edinburgh Council, submitted.)

## **17. Capital Theatres Company Performance Report 2021/22 – referral from the Culture and Communities Committee**

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On 7 March 2023, the Culture and Communities Committee considered the performance report covered the period from September 2021 to September 2022 which included the reopening of the Festival and King's Theatres in a challenging post-Covid environment for the performing arts. This was referred to the Governance, Risk and Best Value Committee for noting and scrutiny of the financial performance of the organisations and any risks impacting the Council and/or Capital Theatres.

### **Decision**

To note the report by the Executive Director of Place.

(References – Culture and Communities Committee of 7 March 2023; referral from the Culture and Communities Committee, submitted.)

## **18. Update on Council Transport Arms Length Companies – referral from the Transport and Environment Committee**

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On 2 February 2023, the Transport and Environment Committee considered a report on the Update on Council Transport Arms Length Companies, which summarised the performance of Transport for Edinburgh, Edinburgh Trams, and Lothian Buses. This was referred to the Governance, Risk and Best Value Committee for noting and scrutiny.

### **Decision**

To note the report by the Executive Director of Place.

(References – Transport and Environment Committee of 2 February 2023 (item 5); referral from the Transport and Environment Committee, submitted.)

## 19. Drumbrae Care Home – status report

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Details were provided on the actions taken leading up to the closure of Drumbrae as a care home and the actions that had taken place post closure in response to the motions from the Full Council meetings held on 15 December 2022 and 9 February 2023.

### Motion

To note the briefing note on the status of Drumbrae Care Home, the steps taken leading up to the closure of the facility as a care home and the actions that have been taken post closure.

- moved by Councillor Campbell, seconded by Councillor Biagi

### Amendment

- 1) To note the briefing note on the status of Drumbrae Care Home, the steps taken leading up to the closure of the facility as a care home and the actions that have been taken post closure.
- 2) To note that the terms of the motion agreed at the meeting of Full Council on 15 December 2022 had not been fulfilled by this report (fulfilled clauses noted below for ease of reference) and to call for a complete report to the next meeting of this committee.

*Full council decision 15 December 2022:*

*To call for a report to the Governance, Risk and Best Value Committee into the Council's actions leading up to the closure and post closure, in particular actions to move forward with the lease to NHS Lothian or identify and resolve any problems, **in order to identify any potential lessons learned.***

- 3) To note that, as stated in the report, NHS Lothian advised in October 2022 it was unable to deliver the direction set by the Board, but the report was silent on who was advised and that this communication did not result in either the Board or the Finance and Resources Committee being informed or asked to update their direction or decisions, and to request that this too is analysed in the report to the Governance, Risk and Best Value Committee.

- moved by Councillor Miller, seconded by Councillor Bandel

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

### Decision

To approve the following adjusted motion by Councillor Campbell:

- 1) To note the briefing note on the status of Drumbrae Care Home, the steps taken leading up to the closure of the facility as a care home and the actions that have been taken post closure.
- 2) To note that the terms of the motion agreed at the meeting of Full Council on 15 December 2022 had not been fulfilled by this report (fulfilled clauses noted below

for ease of reference) and to call for a complete report to the next meeting of this committee.

*Full council decision 15 December 2022:*

*To call for a report to the Governance, Risk and Best Value Committee into the Council's actions leading up to the closure and post closure, in particular actions to move forward with the lease to NHS Lothian or identify and resolve any problems, **in order to identify any potential lessons learned.***

- 3) To agree that the report would set out the dependencies between Drumbrae, Ferryfield and Liberton Hospital in relation to the bed based review, including information about the type and number of beds in each facility; provide a best value analysis of the extension of provision at Liberton, completion of works at Drumbrae and the decision on extension of the Ferryfield PFI contract, including options to reopen Drumbrae as a 60 bed care home; and also set out the decision making process, specifically in relation to directives which are not completed, where decisions will be reported and the timelines that can be expected.
- 4) To note that, as stated in the report, NHS Lothian advised in October 2022 it was unable to deliver the direction set by the Board, but the report was silent on who was advised and that this communication did not result in either the Board or the Finance and Resources Committee being informed or asked to update their direction or decisions, and to request that this too is analysed in the report to the Governance, Risk and Best Value Committee.

(References – Act of Council No. 20 of 15 December 2022; report by the Chief Officer, Edinburgh Integration Joint Board, submitted.)

## 20. Whistleblowing Update

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A high-level overview of the operation of the Council's whistleblowing service for the quarter 1 October – 31 December 2022 was provided.

### Decision

To note the report.

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

## 21. Whistleblowing Annual Report 2022

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A high-level overview of the operation of the Council's whistleblowing service for the period of 1 January – 31 December 2022 was provided.

### Decision

- 1) To note the report.
- 2) To request an update on the progress on timetabling dates for the Whistleblowing Sub-Committee be circulated to members.

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

## **22. Whistleblowing Monitoring Report**

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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 1, 12 and 15 of Part 1 of Schedule 7A of the Act.

An overview of the disclosures received and investigation outcome reports completed during the quarter 1 October – 31 December 2022 was presented.

### **Decision**

To note the report.

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

## **23. MCEC-30-21 - Whistleblowing Major Investigation Outcome Report - Review of processes relating to Woodlands Special 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 1, 12 and 15 of Part 1 of Schedule 7A of the Act.

### **Decision**

To agree to continue to Committee in May 2023, or to the Whistleblowing Sub Committee, whichever comes first, to allow appropriate officers to attend.

(Reference – report by the Service Director, Legal & Assurance and Council Monitoring Officer, submitted.)

## **24. CEC-32-22 - Major Investigation Outcome Report - Pupil Abuse at a Primary 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 1, 12 and 15 of Part 1 of Schedule 7A of the Act.

### **Decision**

To agree to continue to Committee in May, or to the Whistleblowing Sub Committee, whichever comes first, to allow appropriate officers to attend.

(Reference – report by the Service Director, Legal & Assurance and Council Monitoring Officer, submitted.)

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# Outstanding Actions

## Governance, Risk and Best Value Committee

2 May 2023

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	10.08.21	<a href="#">First Line Governance and Assurance Model</a>	To agree that progress updates should be provided in each GRBV Committee Business Bulletin from November onwards, including an update on the finalised structure and recruitment.	Service Director - Legal & Assurance	August 2023		<p><b><u>Update May 2023</u></b> Report will be presented to August Committee.</p> <p><b><u>Update March 2023</u></b> Report will be presented to May Committee.</p> <p><b><u>November 2022</u></b> Following the update in November, the next update will be provided in</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>March.</p> <p><b><u>October 2022</u></b> Updates will be provided monthly in the Business Bulletin.</p> <p><b><u>August 2022</u></b> Update included in August Business Bulletin.</p> <p>Updates will be provided on an ongoing basis.</p>
2	21.09.21	<a href="#">Corporate Leadership Team Risk Report as at 23 August 2021 – Report by the Chief Executive</a>	1) To agree that the Service Director – Legal and Assurance would send an email to Directors and senior managers to request that risk is properly considered in Council and committee Reports.	Service Director - Legal & Assurance			<b>Closed</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			2) To request that the next review of the Report template for Council and committees includes a 'risk' section to ensure this is considered.	Executive Director of Corporate Services	May 2023		<p><b>Recommended for closure</b></p> <p>On the agenda for Full Council on 4 May 2023.</p> <p><b><u>Update May 2023</u></b> Report has been deferred to Council in May 2023.</p> <p><b><u>March 2023</u></b> Reviewed report template going to Council on 16.03.23.</p> <p><b><u>January 2023</u></b> Review of Report Template will be considered at Council in February 2023.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p><b><u>October 2022</u></b>            To be discussed as part of the Political Management Arrangement report which will be considered at Council in December. Further information in Business Bulletin.</p> <p><b><u>June 2022</u></b>            Report template will be submitted to Council for consideration in September alongside the Council's other governance documents.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			3) Agree that Item 6 (Implementation of BVAR recommendations) will be reported to each meeting of GRBV under the Business Bulletin to monitor progress (tabular form acceptable) towards completion dates.	Executive Director of Corporate Services	May 2023	May 2023	<p><b>Recommended for Closure</b></p> <p>Report was considered at P&amp;S on 21.03.23 and has been referred to GRBV for May 2023, with an overview of overall progress reported to the Policy and Sustainability Committee bi-annually.</p> <p><b><u>Update March 2023</u></b></p> <p>Best Value report going to P&amp;S Committee on 21.03.23 and will thereafter be referred to GRBV in May.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<b><u>November 2022</u></b> Following the update in November, the next update will be provided in March.
			4) That reports are prepared in the following terms on the following areas:  4.1) Common Good – a Report reviewing progress towards completion of 2017/18 recommendations on the Common Good Asset Register and what outstanding work there is to complete this and what resource is required (in officer hours) in two cycles and copied to the	Executive Director of Corporate Services	March 2022		<b>Closed March 2022</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			relevant Executive Committee.				
			4.2) Framework for collaboration with community councils – a Report detailing current arrangements, funding and how this links into wider community planning responsibilities with any actions for improvement identified and Reporting framework detailed in two cycles and copied to the relevant Executive Committee.	Executive Director of Corporate Services	March 2022		<b>Closed March 2022</b>
			4.3) Community Asset Transfer – short Report in two cycles on current process and timescales to include a table on number of requests	Executive Director of Place	March 2022		<b>Closed March 2022</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			received and stage in process with time taken to get to that point.				
3	18.01.22	<a href="#">Committee Decision Process and the Policy Register</a> – Report by the Executive Director of Corporate Services	<p>1) To request that a review or internal audit (to be decided in March when the 2022/23 Internal Audit Annual Plan is considered to ensure capacity) is undertaken to ensure the recommendations at paragraph 4.18 of the report have been implemented and that the processes are working effectively.</p> <p>2) To agree to produce a simple guide to the Council's governance arrangements, decision making and committee process, including IIAs, implementation of</p>	Executive Director of Corporate Services	December 2022		<b>Closed January 2023</b>
				Executive Director of Corporate Services	August 2023		<b><u>Update March 2023</u></b> This guidance will be informed by the workshops and survey on the barriers to elected



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			decisions, the policy register and the use of the webcast for reviewing committee discussion. The guide to be included in members' training and made available to members and officers on the Orb, with a link to it to be included in committee action sheets for information.				office as agreed by Policy and Sustainability Committee and Council.  <b><u>October 2022</u></b> A guide is being prepared and will be circulated to members when available.
4	23.08.22	Annual Governance Statement	To request officers consider the role of the GRBV Committee in performance monitoring including potential dashboard reporting and the referral process between Policy and Sustainability Committee and GRBV Committee for overall scrutiny of council performance.	Executive Director of Corporate Services	March 2023	March 2023	<b>Recommended for Closure</b> Report was considered at P&S on 21.03.23.  <b><u>Update March 2023</u></b> Report on how performance is considered by committee will go to P&S on

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>21.03.23.</p> <p><b><u>January 2023</u></b>  Report was considered at the Policy and Sustainability Committee on 17 January, confirming how performance is scrutinised at Committees is being reviewed.</p> <p><b><u>November 2022</u></b>  Meeting to discuss with Convener has been requested.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
5	23.08.22	Corporate Governance Code	To request that a section on areas for improvement and potential actions to address areas where there were issues would be considered in the next self-assessment exercise and provided in the next iteration of the report.	Executive Director of Corporate Services	August 2023		
6	23.08.22	Annual Assurance Schedule – Edinburgh Health and Social Care Partnership	To request information on the percentage of teams which currently have a risk register in place and that greater detail on progress be provided in future Annual Assurance Schedules.	Chief Officer – Edinburgh Health and Social Care Partnership	February 2023	March 2023	<p><b>Recommended for Closure</b></p> <p>Note to committee circulated on 14 March 2023.</p> <p><b><u>Update January 2023</u></b></p> <p>By February 2023 to have all teams transitioned to the new risk management process.</p> <p>All teams in the</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Partnership have risk management processes in place. We are transitioning the Partnership over to an integrated risk management process which takes account of NHSL and CEC risk management approaches and we have transitioned 25% over to the new operating process.
7	23.08.22	Gas Services Improvement Plan Closure Report	To agree to continue the report for two cycles to allow completion of the two audits currently underway and for these to be presented to the Committee with the report.	Executive Director of Place	March 2023	March 2023	<b>Recommended for Closure</b> Report was considered at GRBV on 14.03.23.  <b><u>Update January</u></b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p><b><u>2023</u></b> Report is agenda for March Committee.</p> <p><b><u>November 2022</u></b> Report will be submitted once the results from the external assessment have been received.</p>
8	11.10.22	Outstanding Actions	To agree to provide an update on action 4 (Community Centres (update)), to advise if a report concerning the future management of community centres was presented to the Culture and Communities Committee in August 2022.	Executive Director of Place	March 2023		<p><b><u>Update</u></b> <b><u>November 2022</u></b> A report on the future management of community centres was not submitted to Culture and Communities Committee in August 2022. Culture and Communities</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Committee will be kept updated on how the Council will work with Community Centres in the future.
9	11.10.22	Internal Audit: The Chartered Institute of Internal Auditors - External Quality Assessment	1) To note that a risk maturity assessment would take place and this would form the basis for measurement of progress toward organisational risk maturity.	Head of Health & Safety	February 2023		<b>Closed March 2023</b>
			2) To agree committee would be advised, via the business bulletin, of progress relating to organisational risk maturity.	Head of Health & Safety	January 2023		<b>Closed January 2023</b>
			3) To agree that an assurance map would	Senior Audit Manager	November 2022		<b>Closed December 2022</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			be shared with Elected Members for the Elected Member Training Session in November 2022.				
			4) To agree that a report was presented to Committee by end of March 2023 to propose the council's risk model.	Service Director – Legal and Assurance	May 2023	March 2023	<b>Recommended for Closure</b> Report was considered at P&S on 21.03.23. The Risk Management Policy (RMP) is going back to P&S in August with a more detailed assessment of elected member involvement, roles, reporting and escalation following the workshop with GRBV members, and will be

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							referred to GRBV thereafter.  <b><u>Update March 2023</u></b> Included in report going to P&S on 21.03.23 and will thereafter be referred to GRBV in May 2023.
10	11.10.22	Internal Audit Update Report: 1 May to 31 August 2022	1) To agree that Committee would be advised of the Council's second line assurance landscape.	Senior Audit Manager	December 2023		<b><u>Update May 2023</u></b>  Work is progressing to understand the sources of assurance across the Council.
			2) To agree that Committee were advised of the timescales proposed	Service director – Legal and Assurance	August 2023		<b><u>Update May 2023</u></b> Report will be presented to



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			for the delivery of the second line assurance framework.				August Committee.  <b><u>Update March 2023</u></b> Report will be presented to May Committee.
			3) To agree that assurance was provided to Committee concerning risk to Internal Audit capacity, as a result of the council accepting third party funding with audit conditions, which may compromise Internal Audit's capacity for existing workload commitments and generate vulnerabilities for the council.	Senior Audit Manager	31 March 2023		<b>Closed March 2023</b>
			4) To agree that a briefing note would be provided	Chief Executive			<b>Closed December 2022</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			to Committee by 18 October 2022, to advise why the Audit found that the Directorate Whistleblowing monitoring and reporting processes were inadequate and not operating effectively.				
			5) To agree that Committee during the planned whistleblowing workshop would review the process for how Committee received assurance on the satisfactory implementation of whistleblowing actions.	Governance Manager			<b>Closed December 2022</b>
			6) To agree that a briefing note would be provided to members, concerning CGI's	Interim Executive Director of			<b>Closed December 2022</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			inability to provide network availability assurance.	Corporate			
			7) To agree that a briefing note concerning progress with data quality and management was provided to committee particularly in view of how any planned improvements to the management of data would correlate with organisational effectiveness and robust decision making.	Interim Executive Director of Corporate			<b>Closed December 2022</b>
11	24.01.23	Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 5 December 2022	1) To note that the management action for the Asset Management Strategy would be reopened and continued to the next committee to allow the Convener of the	Executive Director of Corporate Services			<b>Closed March 2023</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Finance and Resources Committee, the Executive Director of Place and the Chief Executive to attend to answer questions.				
			2) To note the management update for action 16 does not correspond to the management action, and that the Executive Director of Education and Children's Services would circulate an appropriate update to members.	Executive Director of Education and Children's Services			<b>Closed March 2023</b>
			3) To note that Place Directorate would provide a revised completion date and update for actions 10 and 11.	Executive Director of Place			<b><u>Update March 2023</u></b> Action has been reopened and the service have been requested to update.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
12	24.01.23	Internal Audit Update Report: 1 September to 5 December 2022	1) To note the SWIFT Application Technology Controls audit report would be referred to the Policy and Sustainability Committee; and to request that regular updates on this work are reported to the Committee.	Senior Audit Manager	May 2023	March 2023	<b>Recommended for Closure</b> Report was considered at P&S on 21.03.23.  <b><u>Update March 2023</u></b> Report going to P&S Committee on 21.03.23.
			2) To note the link to the Elected Members MyLearning Hub would be recirculated to members.	Executive Director of Corporate Services			<b>Closed March 2023</b>
			3) To request a Business Bulletin update on discussions with the Convener of the Transport and Environment Committee on setting up an Active Travel	Executive Director of Corporate Services			<b>Closed March 2023</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Board or forum.				
13	24.01.23	Corporate Leadership Team Risk Report as at 28 November 2022	1) To note discussions would take place out with Committee on how the Council's risk appetite and risk ratings are presented in this report.	Executive Director of Corporate Services	May 2023	May 2023	<p><b>Recommended for Closure</b> Session with members held on 08.03.23. There are a number of changes to the report prepared for GRBV on 2 May 2023</p> <p><b><u>Update March 2023</u></b> In progress, session requested with Members and work has begun on drafting a more detailed report to address points highlighted.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			2) To request Business Bulletin updates on setting risk appetite; and that the Policy and Sustainability Committee would take this work forward.	Executive Director of Corporate Services		May 2023	<b>Recommended for closure</b>  This work is being taken forward by P&S committee and will be covered in the RMP and Risk Appetite Statement (RAS) going to P&S committee in August 2023.
14	24.01.23	Quarterly Status Update – Digital Services	To request a table in the next report which tracks changes in volume vs. service availability, to highlight how the service performs with change and how this impacts the end service user.	Executive Director of Corporate Services		May 2023	<b>Recommended for closure</b>  Report is on the agenda for 2 May 2023.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
15	24.01.23	Annual Assurance Schedule - Executive Director of Education and Children's Services	To request a Teams briefing for members on the background of the report.	Executive Director of Education and Children's Services	March 2023		<b><u>Update March 2023</u></b> Executive Director of Children, Education and Justice Services will provide a presentation to members.
16	24.01.23	Edinburgh International Conference Centre - annual update for the year ending 31 December 2021 - referral report from the Housing, Homelessness and Fair Work Committee	To note the Convener would write to the Convener of the Housing, Homelessness and Fair Work Committee to ask for Business Bulletin updates on the progress of the hotel build project.	Convener of Housing, Homelessness and Fair Work / Head of Development & Regeneration			<b><u>Update March 2023</u></b> Convener wrote to the Convener of the Housing, Homelessness and Fair Work Committee on 15.02.23.



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
17	14.03.23	Outstanding Actions	To request an update and revised expected completion date for action 8 (Annual Assurance Schedule – Edinburgh Health and Social Care Partnership) by Committee in May.	Chief Officer, Edinburgh Health and Social Care Partnership			
18	14.03.23	Change Portfolio	1) To request a workshop on risks being presented.	Executive Director of Corporate Services	End May 2023		
			2) To request a further column in the appendix in future reports, noting the actions taken for each risk.	Executive Director of Corporate Services	May 2023	May 2023	<b>Recommended for closure</b>  A column will be added to show the mitigating action taken for each risk and this will be included in any future reports to GRBV.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
19	14.03.23	Annual Assurance Schedule - Corporate Services	1) To request a schedule of HR policies, indicating which have been reviewed, are to be reviewed and those which are out of date, be circulated to members.	Executive Director of Corporate Services	April 2023	April 2023	<b>Recommended for closure</b>  Briefing note circulated on 17 April 2023.
			2) To request a Business Bulletin update on this to Committee in May.	Executive Director of Corporate Services	May 2023	May 2023	<b>Recommended for closure</b>  On the Business Bulletin for May 2023.
20	14.03.23	Revenue Monitoring 2022/23 – month eight position – referral from the Finance and Resources Committee	To request a briefing note providing more details on the reduction in the assumed Housing Benefit recovery rate for those accommodated in dispersed flats, as referenced in paragraph 4.20 (v).	Executive Director of Corporate Services	May 2023		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
21	14.03.23	Capital Monitoring 2022/23 – month eight position – referral from the Finance and Resources Committee	To request further details on how capital budgeting for the Edinburgh Health and Social Care Partnership works, with particular reference to Appendix 1 (approved budget, adjustments, revised budgets, etc.)	Chief Officer, Edinburgh Health and Social Care Partnership	March 2023	March 2023	<b>Recommended for Closure</b>  Briefing note was circulated to members on 16 March 2023.
22	14.03.23	Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22 – referral from the Finance and Resources Committee	To request a briefing note on the impact of the Deposit Return Scheme to the budget.	Executive Director of Place			
23	14.03.23	Whistleblowing Annual Report 2022 – report by Chief Executive	To request an update on the progress on timetabling dates for the Whistleblowing Sub-Committee be circulated to members.	Committee Services	May 2023		The first meeting of the Whistleblowing Sub-Committee has been arranged to be

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							held on 22 May 2023. A full timetable for future meetings will be circulated as soon as it has been agreed with members.

# Work Programme

## Governance, Risk and Best Value Committee – 2 May 2023

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
1	Internal Audit: Overdue Findings and Key Performance Indicators	Quarterly report	Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	August 2023 November 2023

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
2	Internal Audit Quarterly Activity Report	Quarterly report	Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	August 2023 November 2023
3	IA Annual Report for the Year	Annual report	Review of annual IA activity with overall IA opinion on governance framework of the Council for consideration and challenge by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	August 2023
4	IA Audit Plan for the year	Annual report	Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2024

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Corporate Services	Council Wide	Annually	March 2024
6	Accounts Commission	Annual report	Accounts Commission: Local Government in Scotland Overview 2021	External Audit	Executive Director of Corporate Services	Council Wide	Annually	October 2023
7	Annual Audit Plan	Audit Scotland	Annual audit plan	External Audit	Executive Director of Corporate Services	Council Wide	Annually	March 2024
8	City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit	Audit Scotland	Annual Audit Report	External Audit	Executive Director of Corporate Services	Council Wide	Annually	October 2023
9	External Audit Review of Internal Financial Controls	Azets	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Corporate Services	Council Wide	Annually	October 2023 (as part of 2021/22 Annual Audit report)
10	Internal Audit Charter	Annual Report	Annual Audit Charter	Internal Audit	Executive Director of Corporate Services	Council Wide	Annually	March 2024

Section B – Scrutiny Items								
11	Change Portfolio		To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Executive Director of Corporate Services	All	Six- monthly	March 2024 October 2023
12	CLT Risk Report	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Executive Director of Corporate Services	Council Wide	Quarterly	August 2023 November 2023
13	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Executive Director of Corporate Services	Internal	Quarterly	August 2023 November 2023 March 2024
14	Whistleblowing Annual Report		Annual report	Scrutiny	Executive Director of Corporate Services	Internal	Annual	March 2024
15	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Quarterly	October 2023 March 2024
16	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Quarterly	October 2023 March 2024



17	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2023
18	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2023
19	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	March 2024
20	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2023
21	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	January 2024
22	Annual Assurance Schedules	Review	Progress Report	Scrutiny	All Directorates	Council	Annual	August 2023 (EIJB) January 2024 (Education and Children’s Services) March 2024 (Corporate Services) & (Place

23	Review of the Member/Officer Protocol	Review	Including timescales for submission	Scrutiny	Executive Director of Corporate Services	Council Wide	Flexible	August 2023
<b>Section C – Council Companies</b>								
24	Capital Theatres	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	January 2024
25	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	May 2023
26	Capital City Partnership	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	November 2023
27	Transport for Edinburgh	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	October 2023
28	Lothian Buses	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	October 2023
29	Edinburgh Trams	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	October 2023

30	Edinburgh International Conference Centre	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	January 2024
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# Business Bulletin

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

**10.00am, Tuesday, 2 May 2023**

Dean of Guild Court Room, City Chambers / Microsoft Teams

# Governance, Risk and Best Value Committee

Convener:	Members:	Contact:
<p>Councillor Kate Campbell</p> 	<p>Councillor Jule Bandel            Councillor Marco Biagi            Councillor Katrina Faccenda            Councillor Stephen Jenkinson            Councillor Adam McVey            Councillor Claire Miller            Councillor Joanna Mowat            Councillor Jason Rust            Councillor Edward Thornley            Councillor Lewis Younie</p>	<p><a href="#">Jamie Macrae</a>            Committee Officer            0131 553 8242</p>

Recent news	Background/Contact
<p><a href="#">First Line Governance and Assurance Model</a></p> <p><b>To agree that progress updates should be provided in each GRBV Committee Business Bulletin from November onwards, including an update on the finalised structure and recruitment.</b></p> <p>A report providing this information will be presented to GRBV Committee on 1 August 2023. Recruitment within the Governance team has now been completed and staff are beginning to implement the business partnering approach with directorates. The report in August will outline the work that has been undertaken over the past few months and also how the approach links with other corporate governance initiatives.</p> <p><a href="#">Annual Assurance Schedule - Corporate Governance</a></p> <p><b>To request a schedule of HR polices, indicating which have been reviewed, are to be reviewed and those which are out of date, be circulated to members. To request a Business Bulletin update on this to Committee in May.</b></p> <p>A briefing note providing this information was circulated to GRBV committee members on 17 April 2023.</p>	<p><a href="#">Nick Smith</a></p> <p>Service Director: Legal and Assurance, Corporate Services Directorate</p> <p>Tel: 0131 529 4377</p> <p><a href="#">Margaret-Ann Love</a></p> <p>Acting Service Director: HR, Corporate Services Directorate</p> <p>Tel: 0131 529 6476</p>

[Response to Emergency Motion – Edinburgh’s Christmas](#)

**Asked the Convenor to write to the Minister for Business, Trade, Tourism and Enterprise on behalf of Committee, courtesy copying the Finance and Resources Convener, outlining the risk and impact of public procurement procedures on concession contracts which prevented the Council from conducting due diligence on the price bid by tenderers and which compelled the Council to award contracts despite concerns regarding financial deliverability. The letter would also request that lengthy procurement processes were reviewed to enable a dialogue to take place in order to reduce risk in certain circumstances.**

Letter from GRBV Committee Convenor and response from former minister for Business, Trade, Tourism and Enterprise letter attached below.

[Councillor Kate Campbell](#)

Convenor GRBV  
Committee

Tel: 0131 529 4933



**Cllr Kate Campbell**  
**Convener of the Governance, Risk and Best Value Committee**

Ivan McKee MSP  
Minister for Business, Trade, Tourism and Enterprise  
St Andrew's House  
Regent Road  
Edinburgh  
EH1 3DG

Dear Ivan

Following on from well publicised issues that Edinburgh had in relation to the procurement of the Christmas Market this year, a report was discussed at the Governance Risk and Best Value committee which I chair.

One of the actions which came out of those discussions was that committee requested that I write to you to raise some of the specific issues which Edinburgh faced in relation to the current procurement rules, and how these impacted on the process, the outcome and ultimately put the Christmas celebrations at risk.

Committee feels that there may be scope for changes to the procurement regulations which would allow for enhanced due diligence and reduction of risk in public procurements.

Following a recent council procurement review on an 'Open' procurement procedure it was found that whilst the Public Contracts (Scotland) Regulations 2015 (PCR) provide authorities with a duty to apply further due diligence of tenders where the price or costs proposed appear abnormally low (Regulation 69<sup>1</sup> - abnormally low tenders), there is nil such express provision where the price proposed appears abnormally high or otherwise indicates an outlier when compared to the tenders received following a competitive tender process.

The absence of such further due diligence opportunity in these circumstances is of particular concern in relation to concession contracts. The Concession Contracts (Scotland) Regulations 2016 do not have an equivalent regulation to the PCR, Regulation 69, requiring the authority to seek an explanation of the price (income)



offered or for the tenderer to provide any evidence to satisfy the authority that the proposed high-level offer is acceptable.

In such circumstances the only course of action left to the authority is to either 'abandon' the competitive tender and publish a new tender with revised evaluation criteria or to progress with the award with limited assurances from the tenderer that the offer presented will be honoured. Neither of these options is satisfactory and may result in increased cost for the authority and for the tenderers where the tender is abandoned, or increased risk for the authority where potential income offered may not be relied upon.

In addition to the above, concerns have also been raised in relation to the lengthy procurement processes where 'dialogue' is included in the procedure, such as Competitive Dialogue procedure PCR, Regulation 31<sup>2</sup>. Past experience of such procedures is that the end-to-end process takes on average 18 to 24 months to complete and therefore should be avoided.

There are few examples by way of best practice which offer a solution to the perception that a dialogue approach will likely result in a significant increase in procurement timescales and will be costly and resource intensive<sup>3</sup> and therefore should be avoided. The Council would be interested to learn of any competitive dialogue tenders undertaken in other Scottish public sector organisations which offer a best practice solution to overcome these perceptions and that could be utilised by the Council.

Committee hope that by raising this with you the Scottish Government will be able to consider these concerns, and review if there are changes which could help address these.

Yours sincerely

**Kate Campbell**  
**SNP Councillor - Portobello/Craigmillar**  
**Convener of the Governance, Risk and Best Value Committee**

Minister for Business, Trade, Tourism & Enterprise  
Ministear airson Gnothachas, Malairt, Turasachd agus  
Iomairt  
Ivan McKee BPA/MSP



Scottish Government  
Riaghaltas na h-Alba  
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Kate Campbell SNP Councillor Portobello Craigmillar  
Cllr.Kate.Campbell@edinburgh.gov.uk

Our Reference: 202300341081  
Your Reference: -

28 March 2023

Dear Kate,

Thank you for your letter on 27 January 2023 relating to the City of Edinburgh Council's recent procurement of the Christmas Market.

It is not possible, nor appropriate, for me to comment specifically in relation to the procurement exercise undertaken by the City of Edinburgh Council. This is because I do not have all the information in relation to that exercise and, of course, because local authorities operate independently from Scottish Ministers for their procurement activities. Whilst it is not appropriate to comment on this procurement exercise specifically, I can offer some general observations.

The procurement regulations in Scotland are designed to ensure that public purchases are made in a transparent and fair manner with a view to achieving value for money for the taxpayer. The public procurement landscape in Scotland is diverse; as are the goods, services and works that are bought by public sector organisations across Scotland. That is why it is essential for an individual body to determine which sets of rules apply in any given circumstances and for selecting the appropriate procedure, where applicable.

You mentioned in your letter the Committee hope that by raising the issues experienced by the City of Edinburgh Council, the Scottish Government will be able to consider the concerns you have outlined. My officials would be happy to respond on specific concerns, however, it would be helpful if you, or your officials, could set out in more detail the procurement procedures used by the Council and the specific issues with the rules that inhibited the Council from achieving a value for money outcome in a reasonable timeframe.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbying.scot](http://www.lobbying.scot)

Tha Ministearanna h-Alba, an luchd-comhairleachaidh sònraichte agus Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh [www.lobbying.scot](http://www.lobbying.scot)

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[www.gov.scot](http://www.gov.scot)



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You also indicate within your letter that the Council would be interested to learn of any competitive dialogue tenders undertaken in other Scottish public sector organisations. I am pleased to advise that the procurement policy forum, at which the Council is represented, is a cross-sectoral forum that is in place to share and learn from experiences (including, for example, experience of the use of procurement procedures for particularly complex procurements). My officials would be happy to facilitate your request via that forum. I would ask that your officials contact [REDACTED] in the first instance.

Yours sincerely

[REDACTED]

**IVAN MCKEE**

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbying.scot](http://www.lobbying.scot)

Tha Ministearanna h-Alba, an luchd-comhairleachaidh sònraichte agus Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh [www.lobbying.scot](http://www.lobbying.scot)

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# Governance, Risk and Best Value Committee

10:00am, Tuesday, 2 May 2023

## Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 31 March 2023

Item number	
Executive/routine	Executive
Wards	
Council Commitments	

### 1. Recommendations

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- 1.1 It is recommended that the Governance Risk and Best Value Committee:
- 1.1.1 notes the status of open and overdue Internal Audit (IA) actions as at 31 March 2023;
  - 1.1.2 refers this paper to the relevant Council Executive committees for ongoing scrutiny of the overdue IA actions relevant to their respective remits; and
  - 1.1.3 refers this paper to the Edinburgh Integration Joint Board Audit and Assurance Committee for information in relation to the current Health and Social Care Partnership position.

**Laura Calder**

Head of Internal Audit

Legal and Assurance, Corporate Services Directorate

E-mail: [laura.calder@edinburgh.gov.uk](mailto:laura.calder@edinburgh.gov.uk) | Tel: 0131 469 3077



## Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 31 March 2023

### 2. Executive Summary

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#### Progress with closure of open and overdue management actions

- 2.1 As at 31 March 2023, there were a total of 112 open Internal Audit (IA) management actions, with 27 of them overdue (24%), an increase of 4 when compared to December 2022 position (23) but a decrease of 23 when compared to the same period last year (50).
- 2.2 Further detail on the status of open and overdue actions as at 31 March 2023 is provided in the open and overdue IA dashboard at [Appendix 1](#). This includes a comparison with December 2022 and March 2023.
- 2.3 One management action was closed based on management's acceptance of risk during the period 5 December 2022 to 31 March 2023.

### 3. Background

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#### Open and overdue agreed management actions

- 3.1 Progress in implementing open and overdue management actions raised in IA reports are reported monthly to the Corporate Leadership Team (CLT) and quarterly to the GRBV Committee.
- 3.2 This report specifically excludes open and overdue findings that relate to the Edinburgh Integration Joint Board (EIJB) and the Lothian Pension Fund (LPF). These are reported separately to the EIJB Audit and Assurance Committee and the Pensions Audit Sub-Committee respectively.

### 4. Main report

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- 4.1 [Figure 1](#) of the IA activity dashboard at [Appendix 1](#) illustrates that as at 31 March 2023, there were 112 open IA actions across the Council, with 27 actions (24%) overdue, and 85 actions (76%) not yet due.
- 4.2 Six of the 27 overdue actions are currently marked as implemented, with updates/evidence provided by services being reviewed by IA.

- 4.3 The movement in open and overdue IA actions for the period 5 December 2022 to 31 March 2023 is reflected in [figure 2](#) which highlights that the total number of open actions decreased by 60 during the reporting period (from 172 to 112) and overdue management actions have increased from 23 to 27.
- 4.4 [Figure 2](#) also highlights that during the period a total of 88 IA actions were closed across the Council and a total of 28 new IA actions were created.
- 4.5 Evidence for 11 (5 not yet due and 6 overdue) actions is currently being reviewed by IA. IA has continued to achieve the established KPI for reviewing all implemented management actions within four weeks of the date they are proposed for closure by management.
- 4.6 [Figure 3](#) and [Figure 4](#) and the table below illustrate the allocation of the 27 overdue management actions across all directorates:

Directorate	No. of overdue actions	Change from December 2022	No. implemented for review by IA
Corporate Services	12	+4	5
Place	11	-1	1
Children, Education and Justice Services	3	+1	0
Health and Social Care Partnership	1	-4	0

- 4.7 [Figure 3](#) also highlights a reduction in number of overdue management actions across directorates when compared to the same position last year (March 2022).
- 4.8 [Figure 4](#) shows the composition of 27 overdue management actions as 8 High; 15 Medium; and 4 Low rated management actions.

#### **Ageing profile of overdue actions**

- 4.9 [Figure 5](#) compares the ageing profile of current (March 23) overdue management actions with the last reported period (December 2022) and shows actions overdue for:
- less than three months have increased from 3 to 14
  - three to six months have decreased from 9 to 2
  - six months to one year have increased from 4 to 7
  - more than 1 year have decreased from 7 to 4
- 4.10 It should be noted that some of the reduction in ageing overdue actions reflects that a number of overdue historical actions which had longstanding revised future dates,

(which have been reported to Committee over the past year) have been rebased. As a result, they will not be reported as overdue unless the revised due date is passed. This will enable a focus on review and scrutiny of new overdue actions or actions where sufficient progress is not being made. Details of the relevant rebased actions are provided in Appendix 4.

- 4.11 The analysis of the ageing of the current 27 overdue management actions across directorates shown at [figure 6](#) highlights that continued improvements are needed within the Corporate Services and Place Directorate to ensure management actions are addressed by originally agreed implementation dates.
- 4.12 Appendix 2 provides details of all overdue management actions as at 31 March 2023 together with an update from management on progress with implementation of the action. A link to the audit report is also provided where available.

#### **Management actions closed based on management's acceptance of risk**

- 4.13 Management periodically review audit actions to consider whether they remain appropriate and whether there has been any movement on risks originally identified at the time of the audit. In line with agreed audit processes, management can request that a risk is closed based on management's risk acceptance aligned to risk appetite.
- 4.14 Management are required to complete a risk acceptance proforma which provides rationale for the risk acceptance including details of mitigating controls in place, the residual risk following application of controls and any further action planned. The risk acceptance must be approved by the appropriate Executive Director/Chief Officer.
- 4.15 One management action was closed based on management's acceptance of risk during the period 5 December 2022 to 31 March 2023. Details of the risk accepted action is provided in Appendix 3.

## **5. Next Steps**

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- 5.1 IA will continue to monitor the open and overdue actions position providing monthly updates to the CLT and quarterly updates to the GRBV Committee.

## **6. Financial impact**

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- 6.1 There are no direct financial impacts arising from this report, although failure to close management actions and address the associated risks in a timely manner may have some inherent financial impact.

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

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- 7.1 If agreed actions are not implemented by management, the Council will be exposed to the risks set out in the relevant audit reports. IA actions are raised due to control



gaps or deficiencies identified during reviews; therefore, overdue items inherently impact upon effective risk management, compliance, and governance.

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

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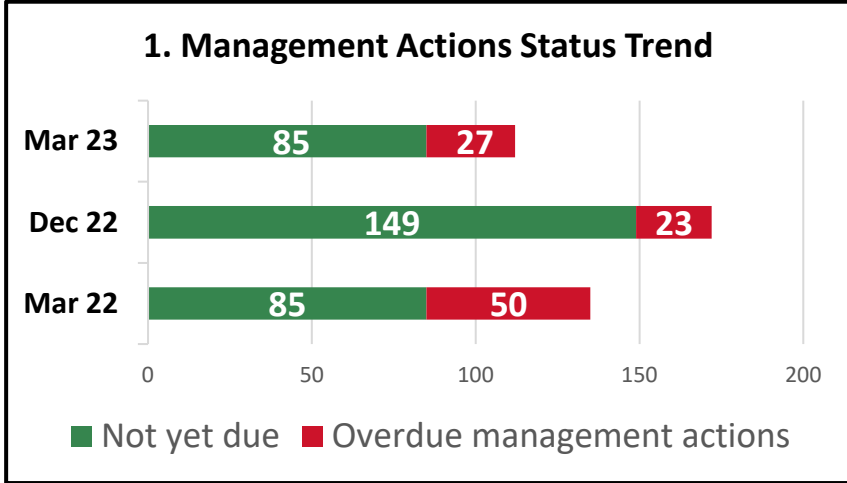
- 8.1 [Open and Overdue IA Findings – Performance Dashboard as at 5 December 2022 - GRBV January 2023](#)

## **9. Appendices**

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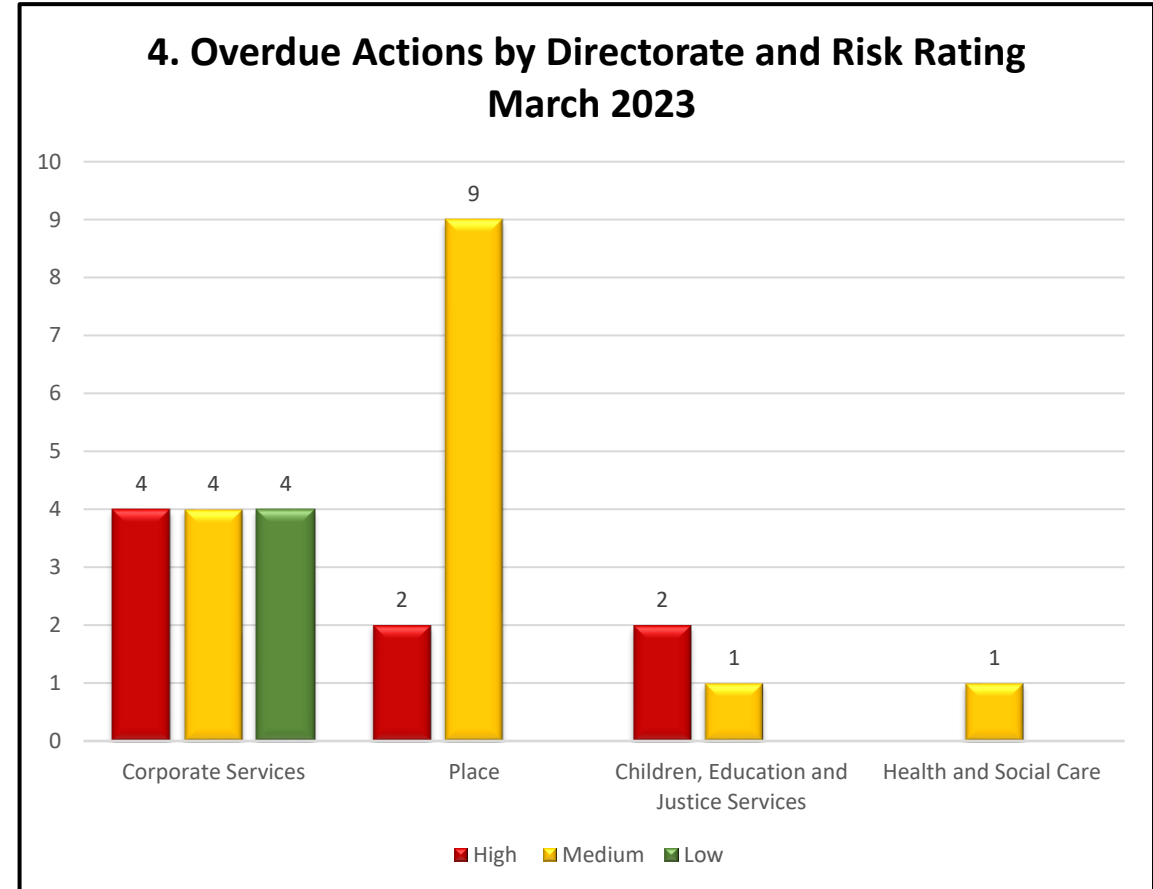
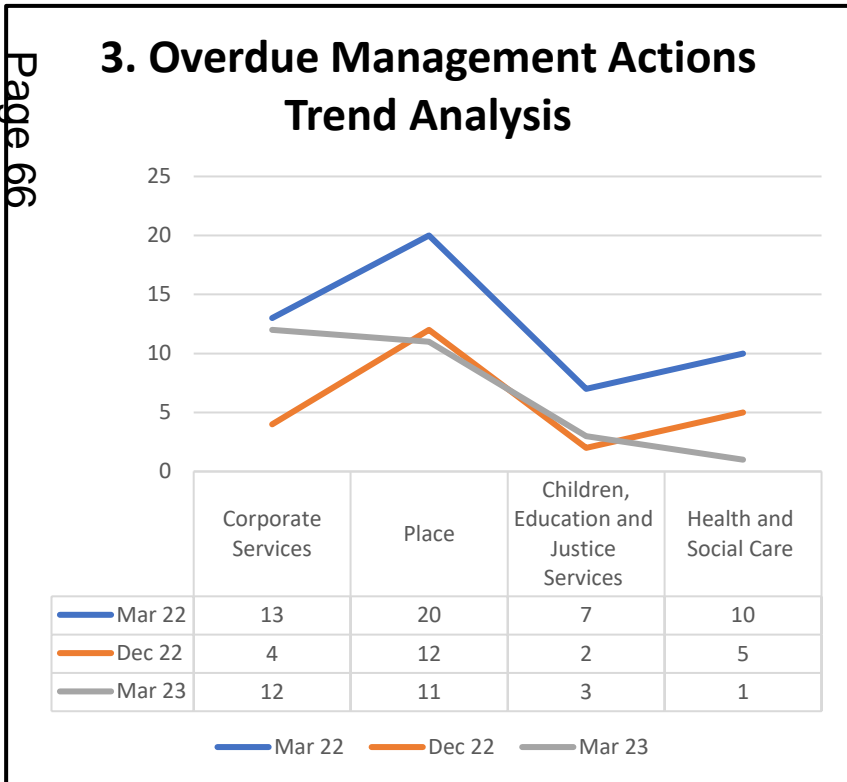
- 9.1 Appendix 1: Open and overdue IA actions dashboard as at 31 March 2023
- 9.2 Appendix 2: Overdue IA actions as at 31 March 2023
- 9.3 Appendix 3: Actions closed as risk accepted (5 December 2022 to 31 March 2023)
- 9.4 Appendix 4: Rebased actions with longstanding revised dates

# Appendix 1: Open and overdue IA actions dashboard as at 31 March 2023



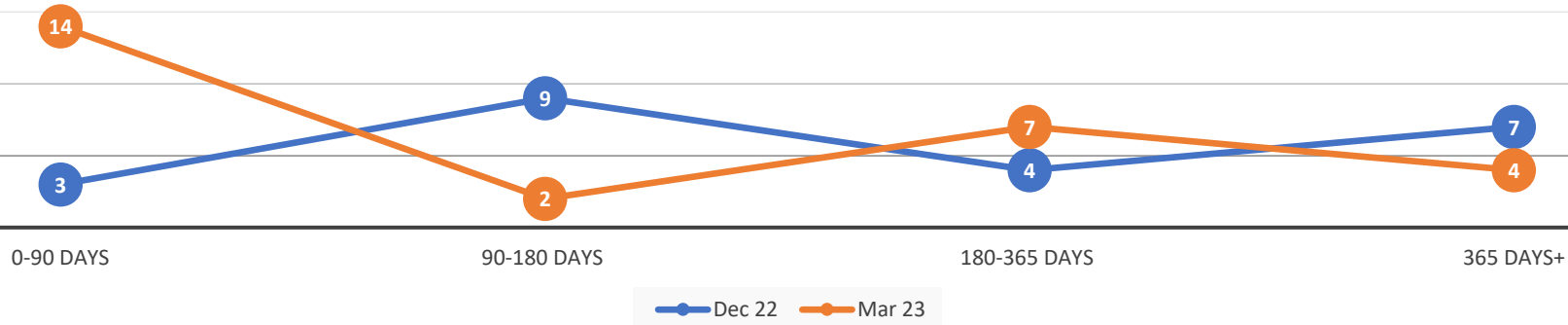
### 2. Analysis of changes in management actions between Dec 22 to Mar 23

	05/12/22	New	Closed	31/03/23	Trend
Open Actions	172	28	88	112	↓
Overdue Actions	23	21	17	27	↑

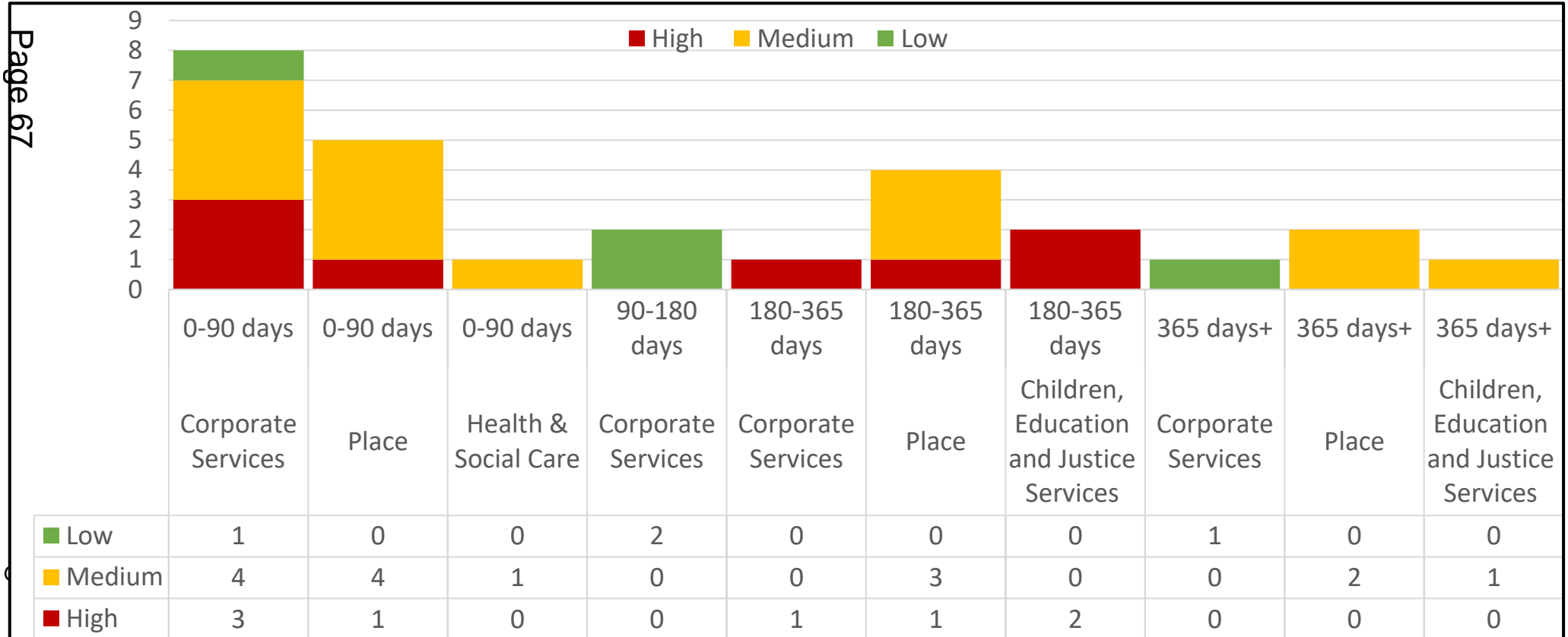


## Appendix 1: Open and overdue IA actions dashboard as at 31 March 2023

### 5. Overdue management actions ageing (Dec 22 vs Mar 23)



### 6. Overdue actions ageing by ratings across Directorates









## Appendix 2 - Internal Audit Overdue Management Actions as at 31 March 2023

\* **Implemented** - actions where evidence has been provided and is currently being reviewed by IA

Ref	Directorate	Audit Name and link to report	Audit progress	Issue Title	Rating	Recommendation Title	Agreed Management Action	Status	Est Date	Revised Date	Management Update	Officers
1	Corporate Services	<a href="#">CW2005 GRBV Committee Effectiveness Review</a>	<div style="background-color: #4CAF50; width: 86%; height: 15px; margin-bottom: 5px;"></div> <b>86%</b> 14 actions 12 complete 2 outstanding <b>1 overdue</b>	Issue 7: Other GRBV Operational Matters	Low	Rec 7.1: Level of Detail in GRBV Committee Papers	Reporting to committees will be part of the review of political management arrangements and councillors will be able to feed into that process.	<b>Implemented*</b>	16/12/2022	16/03/2023	Evidence currently being reviewed by IA. Report template developed which will be presented to Full Council in May 2023.	Gavin King
2	Corporate Services	<a href="#">CW2009 Fraud and Serious Organised Crime</a>	<div style="background-color: #f44336; width: 0%; height: 15px; margin-bottom: 5px;"></div> <b>0%</b> 2 actions 0 complete 2 outstanding <b>2 overdue</b>	Issue 1: Established Fraud and SOC Arrangements	High	Rec 1.1: Fraud and SOC Arrangements - phased implementation plan	Fraud and SOC arrangements will be reviewed and appropriate recommendations for relevant policies and the framework presented to CLT for approval. A phased implementation approach will be adopted, to enable sufficient time for the design and implementation of the new process.	<b>Implemented*</b>	31/03/2023	30/11/2023	Draft framework developed - currently being reviewed by IA, following which further actions to be agreed.	Gavin King Hugh Dunn
3			<div style="background-color: #ffc107; width: 0%; height: 15px; margin-bottom: 5px;"></div> <b>*note further actions will be tracked following agreement on the action plan</b>	Issue 2: Risk Management: Fraud and SOC	Medium	Rec 2.1: Risk Management: Fraud and SOC	As per 1.1, this will be addressed via the phased implementation approach and implementation plan.	<b>Implemented*</b>	31/03/2023		New date provided to allow time to finalise the framework and design relevant processes with support from finance, corporate risk team and internal audit.	
4	Corporate Services	<a href="#">CW2101 Complaints Management</a>	<div style="background-color: #ffc107; width: 25%; height: 15px; margin-bottom: 5px;"></div> <b>25%</b> 8 actions 2 complete 6 outstanding <b>2 overdue</b>	Issue 2: Complaints management, performance monitoring, and reporting	Medium	Rec 2.2: Council wide quarterly performance reporting	The Strategic Complaints function will develop and introduce standardised reporting templates for use across all Council directorates, including documented processes to support the activity. This will ensure a consistency of approach, regardless of the systems being used to record complaints, and will facilitate the improved collation, analysis, and presentation of complaints data. This will include reporting on the mandatory performance indicators produced by the SPSO.	<b>Implemented*</b>	31/03/2023		Evidence currently being reviewed by IA. New data collection templates have been developed and recording and reporting processes have been established to enable the first quarterly report in early July.  <b>Update 24/4/23 - now closed</b>	n/a now closed
5			<div style="background-color: #ffc107; width: 0%; height: 15px; margin-bottom: 5px;"></div>								Rec 2.3: Publishing complaints information	
6	Place	<a href="#">CW2106 Implementation of Whistleblowing Investigation recommendations</a>	<div style="background-color: #4CAF50; width: 59%; height: 15px; margin-bottom: 5px;"></div> <b>59%</b> 17 actions 10 complete 7 outstanding <b>2 overdue</b>	Issue 2: Directorate Monitoring and Reporting Processes	High	Rec 2.1: Place Directorate monitoring processes and retention of supporting information	Directorates will annotate the Whistleblowing Actions extract provided by the Governance Team with details of current action owners and target completion dates. This will be maintained on an ongoing basis and updated when individual action owners depart the organisation. Assurance will be sought from action owners as to completion of actions, with supporting information stored in a secure file location. Where disciplinary investigations are required as a result of whistleblowing disclosure recommendations. Investigating Officers will be required to complete the Council's mandatory disciplinary learning modules.	<b>Implemented*</b>	31/03/2023		Evidence currently being reviewed by IA.  <b>Update 24/4/23 - now closed</b>	n/a now closed

Ref	Directorate	Audit Name and link to report	Audit progress	Issue Title	Rating	Recommendation Title	Agreed Management Action	Status	Est Date	Revised Date	Management Update	Officers
7	Corporate Services			Issue 1: Corporate Whistleblowing Policy and Procedures	Low	Rec1.1a: Whistleblowing policy and procedures	The Whistleblowing Policy is being updated following the Tanner reviews and these changes will be implemented as part of this.	Started	31/03/2023	30/06/2023	No further comments have been received from our Trade Union partners on either the Policy or Toolkit. Both documents are considered to be in their final form. A meeting will be convened between relevant TU partners and GRBV Committee members to discuss the new documents and thereafter, they will be finalised for onward referral for Policy and Sustainability Committee approval in May 2023.	Laura Callender Nick Smith
8	Children, Education and Justice Services	<a href="#">CF2003 Health and Safety – Managing Behaviours of Concern</a>	73%	Issue 1: Policies, Procedures and Complaints	High	Rec 1.2: Policy and Procedures (Children, Education and Justice Services)	A lead officer will be nominated for Managing Behaviours of Concern (Policy and Practice). Their responsibilities will include: Reviewing / cross referencing all relevant procedures with revised Council and Scottish Government guidance. Highlighting revisions to the policies and procedures and share with Headteachers and Business Managers via the Inclusion Hub and School Business Manager Toolkit. Setting annual calendar and version controls.	Started	30/09/2022	30/09/2023	This is linked to completion of rec 1.3	Lorna French Gillian Tracey
			11 actions 8 complete 3 outstanding <b>2 overdue</b>									
10	Corporate Services	<a href="#">CS2103 CGI Performance Reporting</a>	60%	Issue 2: Application Availability	Medium	Rec 2.2: KPI Appropriateness and Measurement	Digital Services will review the appropriateness of established application availability key performance indicator (KPI) targets 5, 6 and 7 with CGI and request that CGI investigates and implements (where feasible) alternative options for accurately identifying and recording application availability.	Started	31/03/2023	31/05/2023	Action is progressing however extension required to confirm agreement following the review of KPIs 5, 6 and 7 as set out in the action.  Part complete - new date to be provided to complete the remainder of action needed.	Heather Robb
11	Corporate Services	<a href="#">CS2108 Payment Card Industry (PCI) Data Security Standard Compliance</a>	0%	Issue 1: Payment Card Industry Data Security Standards (PCI DSS) Governance	High	PCI DSS - Phased implementation plan - Treasury & Digital Services	An implementation plan will be prepared by Treasury and Digital Services for development of a PCI DSS Council wide framework that considers and addresses (where possible) the IA recommendations included in this report and will be agreed with all services and external stakeholders who will be required to support the process.	Started	31/01/2023	30/04/2023	Draft plan has been developed actions to be agreed by both Digital Services and Finance.	Heather Robb Alison Henry
			0% complete 1 action 0 complete 1 outstanding <b>1 overdue</b>  <b>*note further actions will be tracked following agreement on the action plan</b>									

Ref	Directorate	Audit Name and link to report	Audit progress	Issue Title	Rating	Recommendation Title	Agreed Management Action	Status	Est Date	Revised Date	Management Update	Officers
12	Corporate Services	<a href="#">CS2109 Planning and Performance Framework Design Review</a>	 42% 12 actions 5 complete 7 outstanding 1 overdue	Issue 3: Directorates and Divisional Data Quality Objectives	Low	Rec 3.1: Development of Divisional Data Quality Objectives	The DP&BP team will prepare data quality objectives and share with directorates and divisions involved in provision of data for inclusion in performance report for discussion and agreement.	Started	31/12/2022	31/07/2023	<p>The objectives will be prepared by the Data, Performance and Business Planning team and agreed at the Information Board – which is the correct governance forum. The need for these will also be in the upcoming data strategy and the work tracked as a workstream in the implementation plan.</p> <p>The DP&amp; BP team will also communicate these to all Information</p>	Edel McManus
13	Place	<a href="#">CW1910 Life Safety</a>	 89% 19 actions 17 complete 2 outstanding 1 overdue	Issue 1: Life safety systems and reporting	High	Rec 1.2 Life safety key performance measures and reporting	<p>A life safety performance framework will be established following consolidation of the second line teams and resources that have life safety responsibilities across the housing and operational property estate, and implementation of comprehensive life safety systems that include all relevant life safety data.</p> <p>This framework will incorporate all existing performance frameworks and will include a new set of standard risk based and proportionate life safety key performance measures designed to support reporting to management and governance forums and confirm ongoing compliance with applicable legislation and regulations</p>	Started	29/04/2022	31/08/2023	<p>Implementation of action has been delayed by absence within the Housing Team. Replacement resource now identified and action being progressed</p>	Gareth Barwell Ross Murray
Page 70	Children, Education and Justice Services	<a href="#">CW1914 Unsupported Technology (Shadow IT) and End User Computing</a>	 94% 16 actions 15 complete 1 outstanding 1 overdue	CW1914 Issue 1: Digital strategy and governance	Medium	CW1914 Rec 1.4d - Review of existing shadow IT contracts (Children, Education and Justice Services)	The Directorate will complete a review of all contracts supporting the ongoing use of shadow IT / cloud based applications used within divisions in comparison to the guidance provided by CPS ensure identify any contracts that need to be refreshed or procured, with support from CPS and Digital Services. Where inadequate contracts are identified, and the supplier is unable to support an immediate contract refresh, the criticality of the system and the service it supports will be assessed to determine whether the system is required, or whether an alternative system solution can be procured. Where inadequate contracts support critical systems that cannot be immediately re-procured, the risks associated with ongoing use of these systems and their contracts will be recorded in risk registers, and the contract re-procured at the earliest possible date.	Started	30/09/2021	29/12/2023	<p>The audit was completed in October 2020, and the original completion date was 30/09/21. It was revised in October 2021 to 29/09/23 to align with work being completed as part of the Empowered Learning project – which would include additional work on Shadow IT. The action was also given a three months extension through the extensions provided as a result of Covid-19 in October 2021 – resulting in a due date of 29/12/23.</p>	Lorna French Gillian Tracey
	15	Corporate Services	<a href="#">CW2001 Arms length external organisations (ALEOs)</a>	 29% 7 actions 2 complete 5 outstanding 1 overdue	Issue 1 - ALEO Governance Framework	High	Rec 1.1: ALEO Governance Framework	Second line responsibilities for the design, implementation, and ongoing maintenance of an ALEO governance framework will be agreed; and An ALEO governance framework will be designed implemented, and communicated that incorporates all of the recommendations above.	Started	30/09/2022	30/06/2023	<p>Work is being undertaken on the new transport company that will act as best practice for the ALEO framework. The implementation date has been revised to align with this.</p>
16	Place	CW2006 Health and Safety – Asbestos Recommendations	 89% 9 actions 8 complete 1 outstanding 1 overdue	Issue 2: Asbestos location and condition data	Medium	Rec 2.1b: Estates and Facilities Management – population of CAFM system	Asbestos registers will be manually transferred from the current PDF version and populated directly into CAFM where they will be maintained in the CAFM asbestos module. There is no requirement for a technology upgrade to support this process. This has already been performed for a sample of three properties and the full population should be achievable by 31 March 2023.	Started	31/03/2023	31/03/2024	<p>Input of data to CAFM/AMIS has stalled due to system issues. Information is currently being updated and maintained in Excel in meantime.</p>	Gareth Barwell Ross Murray
18	Health and Social Care Partnership	<a href="#">HSC2102 HSCP Transformation and Benefits Realisation</a>	 56% 9 actions 5 complete 4 outstanding 1 overdue	Issue 2: Risk, Assumptions, Issues and Dependencies Management	Medium	Rec 2.1: Transformation Programme RAID Log	A RAID log for the Innovation & Sustainability portfolio is in development.	Started	31/03/2023	30/06/2023	<p>RAID logs have been established however, further work is needed to fully populate these. Risks are well articulated, but more work required on assumptions, dependencies and issues. Request an extension to the implementation date of 3 months to complete this work.</p>	Mike Massaro-Mallinson Jess Brown

Ref	Directorate	Audit Name and link to report	Audit progress	Issue Title	Rating	Recommendation Title	Agreed Management Action	Status	Est Date	Revised Date	Management Update	Officers
19	Place	<a href="#">PL1902 Tree Management</a>	67%	Issue 1: Strategic direction and operational delivery	Medium	Rec 1.3b - Update of procedures	Procedures be reviewed in tandem with the review of the Trees in the City document.	Started	31/03/2023	30/09/2023	Trees in the City Strategy will go out for public engagement over the summer, with an updated report and the final strategy (and policy) document presented to Culture and Communities Committee by September 2023.	Gareth Barwell Ross Murray
20			9 actions 6 complete 3 outstanding 3 overdue			Rec 1.4 - Performance Management and KPIs	The Forestry service will implement a strategic and operational performance framework. This piece of work will be completed in tandem with the review of the Trees in the City document.	Started	31/03/2023	30/09/2023	A draft "Forestry Service - Service Level Agreements, Service Standards, and Performance Indicators" has been created and is currently being considered by senior management. It includes a model SLA, service standards for the service, and draft KPIs. KPIs will be subject to review dependent on the asset system chosen. A further update will be provided in August 2023.	Gareth Barwell Ross Murray
21			Rec 1.5 - Review and development of service level agreements			Parks and Greenspace management review the SLAs as recommended.	Started	31/03/2023	30/09/2023	Model SLA produced (under recommendation 1.4) in interim and scope of action to be discussed with IA. Current intention is only one SLA will be required.	Gareth Barwell Ross Murray	
22	Place	<a href="#">PL2003 Registration and Bereavement Services</a>	83%	Issue 2: Bereavement Services systems and records	Medium	Rec 2.1: Digitalisation of historic burial records	Management plan to move burial records on-line. This will require transfer from current CGI BACAS to a Cloud based version which is currently in progress. Thereafter, that will give access to a bolt on module which will allow more secure management of burial and memorial safety records in compliance with anticipated new legislation. The cost of the module is not anticipated to be onerous, but if required will be the subject of a business case. The business case will also identify resources required to transfer historic hard copy records to the system as required.	Started	31/03/2022	31/08/2023	Quotes have now been received from all potential suppliers re scanning and indexing archives before uploading smart indexed data to BACAS system. No suppliers are able to provide this service. An alternative route will now be explored. Quote and business case to be progressed.	Andrew Mitchell Ross Murray
23	Place	PL2004 Edinburgh Trams Contract Management	67%	Issue 1: Integrated Asset Management System	Medium	Rec 1.1.a: Asset management system design and implementation	As part of the ongoing supplier management arrangements, the Council will Monitor the implementation of the project plan for deployment of Agility, be involved in the development and testing of Agility, to ensure that officers understand how the system works, will be able to monitor activities through the system and to ensure that the system is operating as expected prior to implementation.	Started	30/09/2022	30/06/2023	Edinburgh Trams will create a formal log of any changes made to Agility as part of the period review of PPM tasks and this will be reported to the following Period Meeting. The Agility change log will be formally copied to CEC. On track for revised date.	Stuart Lowrie
24			9 actions 6 complete 3 outstanding 3 overdue			Rec 1.1.b: Asset management system data cleansing and transfer	As part of the roll-out of the new system, it has been agreed that the historic provider records will not be transferred into Agility but will be held separately on the Sharepoint system and will be accessible to the Council and to Edinburgh Trams. Once transferred to Sharepoint, these records will be reviewed to determine the extent of the records held by the provider. When this is complete, a review of the asset management records will be undertaken by the Council and Edinburgh Trams to ensure that all assets are accounted for.	Started	30/09/2022	30/06/2023	Linked to completion of rec 1.1a,	Stuart Lowrie
25			Issue 2: Term maintenance plan	Medium	Rec 2.2: Ongoing operational effectiveness and compliance assurance	An on-going risk assessment will be undertaken to identify and address any risks arising until the Agility system is fully operational. However, as outlined in the agreed management action 1.1b, the on-going arrangements in place between Edinburgh Trams and the provider will include a review of the historic information held and a risk based approach to address any weaknesses highlighted will be implemented.	Started	31/08/2022	31/05/2023	Action progressing and expected to be complete by revised date.	Stuart Lowrie	

Ref	Directorate	Audit Name and link to report	Audit progress	Issue Title	Rating	Recommendation Title	Agreed Management Action	Status	Est Date	Revised Date	Management Update	Officers
26	Place	<a href="#">Asset Management Strategy and CAFM system 18/19</a>	<div style="background-color: #4CAF50; color: white; padding: 2px; text-align: center;">91%</div> 11 actions 10 complete 1 outstanding <b>1 overdue</b>	Issue 3 - Property and Facilities Management Data Completeness; Accuracy; and Quality	Medium	Issue 3.2 - Reporting to Executive Committee - volume and value of concessionary lets	The volume and value of known concessionary lets across the Council Estate will form part of the Annual Investment Portfolio update which is reported to the Finance and Resources committee.	Started	31/03/2016	30/06/2023	Volume and value of concessionary lets data available. It is the intention to include this in the next portfolio update report to Committee in June.	Peter Watton Ross Murray
27	Corporate Services	<a href="#">RES1803 Budget Setting and Management</a>	<div style="background-color: #4CAF50; color: white; padding: 2px; text-align: center;">86%</div> 7 actions 6 complete 1 outstanding <b>1 overdue</b>	Issue 3: Continuous improvement: Lessons learned and customer feedback.	Low	Issue 3.2: Finance customer and staff feedback surveys	Finance will conduct customer and staff feedback exercises every two years. A feedback process will be developed and implemented that is aligned with the lessons learned methodology as described in recommendation 3.1. In addition, feedback from each exercise will be consolidated and used to generate improvement actions. The survey results and improvement actions will be reported to service managers and staff.	Started	31/12/2020	30/06/2023	Customer Survey delayed due to other priorities / staff ill health. Date revised to 30 June 2023	John Connarty



## Appendix 3: Actions closed as management accept risk (5 December 2022 to 31 March 2023)

Directorate	Audit	Recommendation	Date raised	Initial Risk Rating	Residual Risk Rating at closure
Corporate Services	Employee Wellbeing	2.1d DSE & risk assessments - management information (H&S)	31 August 2022	Medium	Medium

**Audit recommendation:**

Management should consider providing consolidated Digital Screen Equipment (DSE), risk and stress risk assessment completion data and thematic outcomes to the Council's Health and Safety Group and directorate risk committees for review and resolution of any significant gaps.

**Agreed Management Action:**

Corporate Health and Safety will explore whether DSE and risk assessment workflows can be recorded and managed through the SHE system for reporting to management and trade union groups as appropriate.

**Management rationale for risk acceptance:**

Management have explored the use of existing healthy and safety system, SHE portal, to capture DSE assessment and output and risk assessment for performance tracking purposes. To implement this action, it would require capture forms to be developed and all line managers to be provided with access to SHE portal. The H&S team have also decided to re-procure the H&S Management Information System, with the current contract expiring in October 2023. Management has concluded that while the current system has functional capacity the audit action cannot be delivered with the current number of user licences. Furthermore, implementing the action now would require additional budget and time invested in developing the current system will be a lost investment if the H&S team contracts with a new supplier in October 2023.

Management has confirmed that this action will however be considered as part of re-procurement process, where they will develop the new system specifications to include additional user licences and system operability which delivers more within the budget provision.

## Appendix 4 – Rebased actions with longstanding revised dates

Ref	Directorate	Audit Name and link to report	Audit progress	Rating	Action	Rebased date	Rationale
1	Place	<a href="#">RES1712 Asset Management Strategy</a>	<div style="background-color: #6aa84f; color: white; padding: 2px; text-align: center; font-weight: bold;">95%</div> 19 actions 18 complete 1 outstanding	Medium	Review of existing shared property	01/06/2026	Reflects the ongoing review of the council estate aligned with the Change Programme and changes to use of estate following the pandemic and increased remote working.
2	Cross Directorate	<a href="#">CW1702 Resilience</a>	<div style="background-color: #6aa84f; color: white; padding: 2px; text-align: center; font-weight: bold;">79%</div> 28 actions 22 complete 6 outstanding	High	Update of Council Business Continuity Plan to include key elements from resilience protocols	30/06/2024	The Council BCP was approved in May 2019. Following Directorate review and update of resilience protocols as a result of Covid-19, the BCP will be updated to include key elements of Directorate plans.
				Medium	Place Directorate review of third party contracts to confirm appropriate resilience arrangements	31/01/2024	Following the organisational review and directorate restructure initial work to understand the extent of contracts has been undertaken. The directorate will now complete the review of each contract in line with the recommendation.
				High	Directorate review and testing of resilience protocols	31/03/2025	This is linked to initial development of protocols and relates to biennial testing to enable lessons learned to be incorporated into the protocols. Four actions in total - one per directorate.
5	Health and Social Care Partnership	<a href="#">HSC1902 Lone working</a>	<div style="background-color: #6aa84f; color: white; padding: 2px; text-align: center; font-weight: bold;">94%</div> 18 actions 17 complete 1 outstanding	Medium	Lone working operational procedures and monitoring controls	31/03/2024	Significant progress has been made in streamlining processes across the HSCP. Further work is planned during 2023 to address the remaining actions following business case approval. Extension of the date recognises the continued challenges and pressures faced across the HSCP.

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 2 May 2023

## Internal Audit Update Report: 5 December 2022 to 31 March 2023

Item number	
Executive/routine	Executive
Wards	
Council Commitments	

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
  - 1.1.1. notes progress with delivery of the 2022/23 Internal Audit (IA) plan and reviews the outcomes of IA reviews completed in the last quarter;
  - 1.1.2. approves a revision to the Committee work programme to allow the annual activity report and audit opinion to be presented to Committee in September 2023;
  - 1.1.3. agrees the deferment of two 2022/23 IA reviews into the 2023/24 IA plan;
  - 1.1.4. notes commencement of the 2023/24 IA plan approved by Committee in March 2023;
  - 1.1.5. notes progress with recommendations and improvement actions arising from the 2021/22 External Quality Assessment;
  - 1.1.6. notes outcomes and feedback from audit surveys;
  - 1.1.7. notes the current IA risk profile and action being taken to mitigate risks; and
  - 1.1.8. notes progress with delivery of IA key priorities and ongoing areas of focus.

**Laura Calder**

Head of Internal Audit

Legal and Assurance, Corporate Services Directorate

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## Internal Audit Update Report: 5 December 2022 to 31 March 2023

### 2. Executive Summary

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- 2.1 Delivery of the 2022/23 Internal Audit (IA) plan is in its final stages. A total of 27 of 42 reviews are now complete, with 10 completed since December 2022. A summary of overall progress and outcomes included within this update.
- 2.2 Updates to the 2022/23 IA plan since December 2022 are outlined in section 4.1 of this report, including the proposed deferment of two 2022/23 IA reviews into the 2023/24 IA plan.
- 2.3 A further 10 reviews are at reporting stage and are due to be finalised by the end of May 2023 and will be presented to the Committee for review and scrutiny in August 2023.
- 2.4 The IA annual activity report and annual audit opinion is currently scheduled to be presented to Committee in August 2023. It is proposed that this now be presented to the September 2023 meeting, to allow Committee adequate time to review and scrutinise the remaining 2022/23 reports ahead of considering the 2022/23 annual report and opinion.
- 2.5 The [2023/24 IA plan](#) approved by Committee in March 2023 has commenced, with one review in reporting and a further 9 reviews underway.
- 2.6 Progress continues with implementation of IA actions following the External Quality Assessment completed by the Institute of Internal Auditors in March 2022.
- 2.7 IA stakeholder surveys demonstrate continued positive engagement between IA and services across the Council.
- 2.8 The IA risk profile continues to be managed within risk appetite, with mitigating actions in place as required.

### 3. Background

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#### 2022/23 IA Plan

- 3.1 The rebased [2022/23 IA plan](#) was approved by Committee in October 2022.
- 3.2 All IA reports are provided to Members to review via the GRBV MS Teams room when complete.

- 3.3 In [March 2023](#), Committee agreed to apply the standard CIPFA ratings and definitions to IA reports. All reports with an overall outcome of 'limited or no assurance' or which include any high rated findings are automatically presented to the Committee for scrutiny.
- 3.4 As part of the Agenda Planning Meeting (APM) process, elected members may also request presentation of other completed audit reports outwith this criteria, for review and scrutiny at Committee.

### **2022/23 annual activity report and audit opinion**

- 3.5 The 2022/23 annual activity report and annual opinion is currently scheduled on the [Committee work programme](#) for August 2023. However, it is proposed that this instead be presented to the September 2023 meeting, to allow Committee adequate time to review and scrutinise the remaining 2022/23 IA reports in August 2023, ahead of considering the 2022/23 annual report and audit opinion.

### **2023/24 IA plan**

- 3.6 The [2023/24 IA plan](#) was approved by Committee on 14 March 2023. As agreed by Committee, the plan will be reviewed quarterly with any proposed changes presented to Committee for review and approval.

### **External Quality Assessment**

- 3.7 An External Quality Assessment (EQA) of the Council's IA function undertaken by the Chartered Institute of Internal Auditors (IIA) during 2021/22 and reported to Committee in [October 2022](#). This report provides a progress update on recommendations and actions resulting from the EQA.

### **Internal Audit Surveys**

- 3.8 An audit survey is issued to key contacts following completion of audits to obtain feedback on both audit performance and the audit experience for services. This report provides a summary of audit survey outcomes from 5 December 2022 to 31 March 2023.

## **4. Main report**

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### **2022/23 IA Plan**

- 4.1 The 2022/23 IA plan includes a total of 42 IA reviews (33 for the Council and 9 for other organisations).
- 4.2 Delivery of two IA reviews included in the 2022/23 IA plan (one for the Council and one for Lothian Pension Fund) have been delayed and will not be complete by 30 April 2023 (the agreed cut-off date for the 2022/23 IA plan). Therefore, Committee is requested to approve that these be deferred to Quarter 1 of 2023/24. No change to the 2023/24 IA plan will be required to accommodate this.

4.3 As a result of the proposed deferrals above, a total of 40 audits will be delivered through the 2022/23 IA plan (32 for the Council and 8 for other organisations).

4.4 The status of the 42 reviews is as follows:

- 27 are complete
- 4 draft reports have been provided to management for responses
- 6 draft reports are currently being prepared by IA
- 5 reviews will be completed as part of the 2023/24 IA plan (see below for details)

#### Ongoing agile reviews

4.5 The five IA reviews due to be completed as part of the 2023/24 IA plan include the ongoing agile reviews of the Trams to Newhaven project, the Enterprise Resource Planning project and review of historic complaints in line with Project Apple.

4.6 The annual activity report and annual opinion will include a summary assessment of the effectiveness of the governance, risk and control framework for these agile reviews as observed by IA during 2022/23. All three reviews are expected to complete during 2023/24 and a standard audit report detailing outcomes at conclusion will be provided.

4.7 A full audit report was not provided for the Schools Admissions Appeals review as the IA review provided agile feedback to management to enable implementation of improvements in time for the appeals cycle.

4.8 Further detail on the content, progress and completion timescales for the 2022/23 IA plan is included at [Appendix 2](#).

#### **2022/23 audit reports for scrutiny**

##### City of Edinburgh Council

4.9 No reports completed for the council during the period 5 December 2022 to 31 March 2023 have been assessed as 'limited or no assurance'.

4.10 The following audit has been assessed as 'reasonable assurance' and includes a high rated finding, therefore is presented to Committee for review and scrutiny:

- Annual validation review of previously implemented audit actions - *(please note that this is a final draft version of the report, minus management responses due to annual leave at Easter. The final report including management responses will be provided when the papers are issued for Committee following APM).*

4.11 During the period, a further 5 reviews have been complete for the Council and assessed as either 'reasonable assurance' or 'substantial assurance' and have no high rated findings. Reports detailing the outcomes of these audits have been provided to members to review via the GRBV MS Teams room. A list of the 5 Council audit reports and outcomes is provided in [Appendix 1](#).

##### Other organisations

- 4.12 The following 5 audits have been completed for other organisations during the reporting period and will be subject to review and scrutiny by the relevant governance forums of each organisation:
- Lothian Pension Fund – Third Party Supplier Management
  - Royal Edinburgh Military Tattoo - Revenue Budget Management
  - Lothian Valuation Joint Board – Non-Domestic Business Rate Appeals
  - South East of Scotland Transport Partnership (SEStran) - Thistle Assistance Project
  - Edinburgh Integration Joint Board (EIJB) - Set Aside Budgets
- 4.13 The EIJB Set Aside Budgets audit report will be presented to the EIJB Audit Assurance Committee for review and scrutiny in June 2023, and will be referred to the August 2023 GRBV Committee meeting for information.
- 4.14 One review for Lothian Pension Fund was assessed as ‘limited assurance’ during the period. A report detailing the outcomes of this review was presented to the Pensions Committee on [23 March 2023](#) for review and scrutiny.

### **2022/23 annual activity report and opinion**

- 4.15 The remaining 10 reports which finalise completion of the 2022/23 IA plan and support completion of the annual activity report and audit opinion are due to be complete by end of May and will be presented to the Committee for review and scrutiny on 1 August 2023.
- 4.16 The annual activity report and audit opinion is currently scheduled on the [Committee work programme](#) for August 2023, however it is requested that this is presented to the September 2023 meeting to allow Committee adequate time to review and scrutinise the remaining 2022/23 IA reports, ahead of considering the 2022/23 annual report and opinion.
- 4.17 The annual activity report and audit opinion will provide an assessment on the efficiency and effectiveness of the Council’s governance, risk and internal control frameworks based on the outcomes of all completed 2022/23 IA reviews, the position of audit actions as at 31 March 2023, IA consideration of emerging areas of risk, and any issues arising from the work of the Council’s external auditors, Audit Scotland.
- 4.18 Presentation of the IA annual activity report and audit opinion to Committee in September 2023 is aligned to the external audit timetable for presentation of the annual accounts.

### **2023/24 IA Plan**

- 4.19 The [2023/24 IA plan](#) was approved by Committee on 14 March 2023. The plan consists of 45 audits, which includes the addition of an audit of Council Budget Setting Lessons Learned at the request of the Committee, and deferral of two

2022/23 audits to Quarter 1 of 2023/24. As a result, a total of 34 audits are planned for the Council and 11 for other organisations.

- 4.20 Delivery of the 2023/24 IA plan has commenced with 10 audits either in planning or fieldwork. Details of the 2023/24 plan progress and expected outcomes is provided in [Appendix 3](#).
- 4.21 In addition, preparation for the GRBV committee skills assessment agreed as part of the 2023/24 IA plan has commenced.

### **IA Key Performance Indicators**

- 4.22 Revised key performance indicators (KPIs) to support effective and timely delivery of the IA plan by both services and the IA team were approved by Committee in [March 2023](#).
- 4.23 Performance in achieving these KPIs during 2023/24 will be reported monthly to the Corporate Leadership Team and quarterly to the Governance, Risk and Best Value Committee.

### **External Quality Assessment (EQA)**

- 4.24 The EQA finalised in [September 2022](#) concluded that the Council's IA function is generally conforming with public sector internal audit standards. Two recommendations to address partial conformance with the standards were made by the IIA, together with a range of continuous improvement recommendations.
- 4.25 Progress continues with implementing the management actions in response to the EQA recommendations:

#### **EQA Recommendation 1**

We recommend that the methodology for the design of the audit plan is updated to ensure a risk-based approach focused more on the Council's strategic risks, core governance and control areas. We recommend the approach includes:

- Presentation of the plan starting from the Council's critical risks with demonstration of alignment and explanations of any different views held by internal audit on the risk areas.
- A mix of engagement styles from more light touch to more in-depth reviews and upfront advisory work
- Highlighting the engagements on which the annual opinion has a key dependency at the outset to ensure these can be prioritised for delivery

#### **Update as at 31 March 2023**

The [2023/24 IA plan](#) is aligned to business-critical risks and was approved by the Committee in March 2023. The plan sets out those audits which are considered 'priority' with an aim to complete these reviews in the first six months. The plan includes a range of engagement styles including in-depth audits, lighter touch reviews and consultancy work and will be reviewed quarterly to ensure IA work



continues to provide timely and relevant assurance aligned to emerging risks and priorities.
<b>EQA Recommendation 2</b>
As the maturity of the risk management framework improves and further second line activity is embedded (e.g., in the role of the Operations Managers), the approach to internal audit planning should be re-considered to take account of other sources of assurance even if they are not yet fully mature.
<b>Update as at 31 March 2023</b>
During the 2023/24 IA annual planning and risk assessment process, an initial understanding of other first and second line assurance processes, and third line assurance sources has been gained. IA will continue to establish the extent to which reliance can be placed on these other sources to avoid duplication where possible, throughout 2023/24.

**Internal Audit Surveys**

4.26 A total of 9 audit surveys were issued to stakeholders between 5 December 2022 to 31 March 2023 with following responses received from 6 stakeholders:

- 100% agreed that the audit objectives, scope, approach, and timing were clearly communicated and agreed
- 100% agreed that the audit focused on the key risks associated with their service
- 100% agreed that information required to support the audit and timeframes for provision were discussed and agreed
- 100% agreed that the audit opinion provided appropriate balance and context and was relevant to the agreed audit objectives and scope
- 100% agreed that the audit recommendations addressed the risks identified and were relevant and achievable.

4.27 The following specific feedback was also provided:

<i>“This was a productive experience for the Service. The audit was carried out in a professional and collaborative manner”</i>	<i>“The outcomes and recommendations are helpful, will enhance and protect the service, and will be implemented”</i>	<i>“There was open discussion and transparency at each stage of the process. The Audit team were very approachable”</i>
<i>“Audit discussions were open and pragmatic. All aspects of the process worked well”</i>	<i>“We liked the overall step by step approach and how areas identified were insightful and has given us new ideas on how to improve”</i>	<i>“The was clear discussion of findings and recommendations with management, recognising both the business context of the business and area being reviewed, and the application of the context when</i>

4.28 Results from post audit surveys are incorporated into post audit briefings held between the auditor and the audit manager. Where relevant, performance improvements / training requirements are discussed and agreed. This is also linked to monthly performance conversations.

### **IA Risk Profile**

4.29 The IA risk register was reviewed in March 2023, with assurance that appropriate actions are currently being taken to address the risks highlighted in the January 2023 update to Committee.

4.30 Actions to mitigate the following risks continue:

- Applications and systems design – an upgrade of the current audit system is in progress and on track to go live at the beginning of June 2023. IA capacity will be reduced temporarily to allow adequate time for roll-out and training, however, once implemented, several improvements and efficiencies are expected including streamlined audit workflows and automated reporting.
- Capacity – following successful recruitment, two new auditors are expected to join the team in May 2023. Reductions in capacity within the team are however expected due to parental leave from May to October 2023.

### **Progress with Internal Audit key priorities**

4.31 Progress with IA key priorities and ongoing areas of focus is detailed below:

- implementation of recommendations and continuous improvement actions identified in the 2022 EQA
- audit reports are now available on the Council's [website](#), and linked to the IA pages on the Orb, together with details on the [audit process](#) including the [2023/24 IA plan](#) and refreshed [audit charter](#) and KPIs.

## **5. Next Steps**

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5.1 IA will continue to monitor progress with plan delivery and the other activities noted in this report.

## **6. Financial impacts**

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6.1 Costs for delivery of agreed PwC audits remain within the agreed budget. Delivery of the 2023/24 IA plan will seek to limit PwC resource to specialist areas only.

6.2 There are no associated budget implications for completion of audits completed for other organisations as direct recharge is applied for costs incurred.

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

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- 7.1 Delivery of an IA plan which is not aligned to key risks and priorities will result in a disproportionate use of limited resources across both services and IA.
- 7.2 Responses to audit surveys are reviewed and appropriate action is taken, where relevant.

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

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- 8.1 [Public Sector Internal Audit Standards](#)
- 8.2 [Approved rebased 2022/23 IA plan GRBV October 2022 - item 8.3](#)
- 8.3 [The Chartered Institute of Internal Auditors: External Quality Assessment Report GRBV October 2022 - item 8.1](#)
- 8.4 [GRBV Committee 2023/24 annual work programme](#)
- 8.5 [Approved 2023/24 IA Plan GRBV March 2023 – item 8.1](#)
- 8.6 [Approved 2023/24 IA Audit Charter GRBV March 2023 – item 8.2](#)

## **9. Appendices**

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- 9.1 [Appendix 1- 2022/23 Council audits assessed as either overall amber or green, with no high rated findings](#)
- 9.2 [Appendix 2 - 2022/23 IA plan, outcomes and expected completion dates as at 31 March 2023](#)
- 9.3 [Appendix 3 – 2023/24 IA plan progress and expected completion dates as at 31 March 2023](#)
- 9.4 Appendix 4 –Internal Audit Report: Annual validation review – April 2023

## Appendix 1 – Council audits completed in period and assessed as either overall amber or green, with no high rated findings

Audit Title	Overall Audit Assessment	Number of findings raised		
		H	M	L
1. Preparation for IFRS 16 – Lease Accounting	Substantial Assurance	-	-	2
2. Early Years 1140 Hours Expansion Programme	Substantial Assurance	-	1	2
3. City Region Deal - Integrated Employer Engagement	Substantial Assurance	-	-	3
4. Management of the Housing Revenue Account (Capital and Revenue)	Reasonable Assurance	-	2	1
5. CGI Enterprise Architecture	Substantial Assurance	-	-	4

## Appendix 2 –2022/23 IA Plan progress, outcomes and expected completion dates as at 31 March 2023

\*previously reported to Committee and overall outcomes updated to reflect adoption of the standard [CIPFA definitions](#) as agreed by Committee in March 2023

Completed Audits			Outcome
1.	Cross Directorate	<b>Records Management and Statutory Requests</b> Review of the design and effectiveness of processes implemented to support effective records management and compliance with statutory request requirements.	Substantial Assurance*
2.		<b>Allocation and Management of Purchase Cards</b> Review of the allocation, management, use and monitoring of purchase cards across the Council.	Reasonable Assurance*
3.		<b>Annual validation review of previously implemented audit actions</b> Review of a sample of previously implemented and closed IA agreed management actions to confirm that they have been effectively sustained.	Reasonable Assurance*
4.	Corporate Services	<b>Implementation of the New Consultation Policy</b> Review of implementation and application of the Council's new consultation policy and supporting processes.	Reasonable Assurance*
5.		<b>Council Emissions Reduction Plan (CERP)</b> Review of the framework designed to support implementation of the Council Emissions Reduction Plan.	Substantial Assurance*
6.		<b>Vendor Bank Mandate Process</b> Review of the design and effectiveness of processes established to verify and process requests to change vendor bank details on Oracle, the Council's financial management system.	N/A process review with feedback provided
7.		<b>CGI - Security Operations Centre</b> Review of the adequacy and effectiveness of contractual security services delivered through the established CGI Security Operations Centre to the Council.	Limited Assurance*
8.		<b>Induction and Essential Learning for Elected Members</b> Review of established induction; essential learning, and ongoing training delivered to elected members.	Substantial Assurance*
9.		<b>Role Specific Learning and Development for Council Officers</b> Review of role specific learning and development for Council Officers including progress with implementing myLearningHub.	Reasonable Assurance*

10.		<b>CGI - Enterprise Architecture Arrangements</b> Review of established Council and CGI enterprise architecture arrangements to support change implementation in line with the Council's Digital and Smart City Strategy and support consistent alignment and use of technology across the Council.	Substantial Assurance
11.		<b>Application technology controls - SEEMiS</b> Review of the general (change management and access) and application (transaction processing) controls for SEEMiS - education management system used by all Edinburgh schools and Early Years settings.	Substantial Assurance*
12.	Children, Education and Justice Services	<b>Schools Admissions Appeals – Follow-up</b> Service request to complete focused review of schools admissions appeals in line with the recommendations made in the schools admissions audit completed in 2020.	N/A process review with feedback provided
13.		<b>Early Years Education Expansion Programme</b> Review of the project governance to support expansion of the early years education programme including delivery of new infrastructure.	Substantial Assurance
14.		Children, Education and Justice Services/ Health and Social Care Partnership	<b>Application technology controls - SWIFT</b> Review of the general (change management and access) and application (transaction processing) controls for the Swift system (a social care case management system used to support delivery of adult and children's social care and criminal justice services).
15.		<b>Port Facility Security Plan</b> Annual review of existence and operation of the Port Facility Security Plan as per Department for Transport requirements.	Reasonable Assurance*
16.	Place	<b>Active Travel - Project Management and Delivery</b> Review of the design and operating effectiveness of the key controls supporting management; governance; and delivery of the Active Travel programme.	Reasonable Assurance*
17.		<b>Repairs and Maintenance Framework (Operational Properties)</b> Review of the design and effectiveness of the new repairs and maintenance framework for Council operational properties prior to implementation.	Reasonable Assurance*
18.		<b>City Deal - Integrated Employer Engagement</b> Service request as part of required audit programme to support grant funding requirements.	Substantial Assurance
19.	Edinburgh Integration Joint Board (EIJB)	<b>EIJB - Governance of Directions</b> Review of governance arrangements for directions to ensure they are associated with EIJB decisions, are revised in response to transformation, service redesign, and financial developments, and partner implementation and performance is monitored.	Substantial Assurance*

20.		<b>EIJB - Set aside budgets</b> Including identification of set aside services and their associated costs, underlying budget assumptions, and financial reporting to the IJB on ongoing set aside budget management.	Reasonable Assurance
21.	Corporate Services/Place	<b>Preparation for IFRS 16 – Lease Accounting</b> Review of the Council's preparation for implementation of the new single lessee accounting model that recognises assets and liabilities for all material leases longer than 12 months, and proposed processes for accounting for any low value leases.	Substantial Assurance
22.		<b>Management of the Housing Revenue Account (Capital and Revenue)</b> Review of the processes established to support both the capital and revenue elements of the Housing Revenue Account (HRA), and management and allocation of HRA reserves.	Reasonable Assurance
23.	Other Organisations	<b>Tattoo</b> – Revenue Budget Management	Substantial Assurance
24.		<b>Lothian Valuation Joint Board</b> - Non-Domestic Business Rate Appeals	Substantial Assurance
25.		<b>SEStran</b> - Thistle Assistance Project	Reasonable Assurance
26.	Lothian Pension Fund (LPF)	<b>LPF - Project Forth: Programme Assurance</b>	Reasonable Assurance*
27.		<b>LPF - Third Party Supplier Management</b>	Limited Assurance
<b>Total audits completed</b>			<b>27</b>
<b>Audits in reporting</b>			<b>Expected Completion</b>
28.	Corporate Services	<b>Insurance Services</b> Review of the adequacy of insurance arrangements across the Council, including the process applied to address any questions received from insurers, and implement any insurance provider recommendations and requirements.	May 2023
29.		<b>CGI Risk Management</b> Review of CGI and Digital services process supporting identification; assessment; recording; management; and escalation of relevant technology risks	

30.	Corporate Services/ Children, Education and Justice Services	<b>Empowered Learning Programme</b> Review of the project assurance and governance for the Empowered Learning programme which underpins Digital Learning across all aspects of learning and teaching.	May 2023	
31.		<b>Ongoing Learning and Teaching technology and ICT support</b> Review of the delivery and stability of technology and ICT support across the learning and teaching estate.		
32.	Place	<b>Health and Safety - Outdoor Infrastructure</b> Review of processes established to ensure the health and safety of outdoor infrastructure – specifically: cemeteries, public safety and play areas.		
33.		<b>Granton Waterfront – Levelling-up Grant</b> Assurance required by the UK Government Department of Levelling Up, Housing, and Communities in relation to the conditions attached to the Granton Gas Holder LUF Grant Determination.		
34.	Children, Education and Justice Services/ Health and Social Care Partnership	<b>Day Care to Adult Social Care Transition Arrangements</b> Review of processes established to support the transition of services for young adults with a disability or complex needs to adult social care.		
35.	Health and Social Care Partnership	<b>Sensory Support</b> Review of the commissioning and partnership / supplier management arrangements for provision of sensory support services to adults aged 16 and over.		
36.	Children, Education and Justice Services	<b>Self-Directed Support – Children’s Services</b> Review of processes established to support implementation of self-directed support across Children’s Services with a focus on budgets (including use of external providers), and review and reassessment processes.		
37.	Lothian Pension Fund	<b>LPF - Information Governance</b>		
<b>Total audits in reporting</b>				<b>10</b>
<b>Audits carried forward for inclusion in 2023/24 audit plan</b>				<b>Expected Completion</b>
38.	Corporate Services	<b>Enterprise Resource Planning (ERP)</b> Ongoing agile review of the project management and governance arrangements supporting implementation of the enterprise resource planning system.	Ongoing agile audits due to complete Q3 2023/24	
39.	Place	<b>Trams to Newhaven</b>		



		Ongoing agile review of project governance, procurement, and gateway decisioning and payments. The audit will include ongoing assessment of the ongoing controls supporting the funding model.	
40.	Children, Education and Justice Services	<b>Review of Historic Complaints</b> Review of historic complaints to confirm whether any handled by for employees noted in Project Apple outcomes had been appropriately investigated and reported.	Included within the approved 2023/24 plan due to complete Q2
41.	Lothian Pension Fund	<b>LPF - Adequacy of technology security assurance arrangements</b>	Carried forward to 2023/24 plan due to complete Q1
42.	Children, Education and Justice Services	<b>Children's Social Work Practice Review</b> Review of processes and procedures established to support review of children's social work practices across social work practice teams to confirm that the levels of support provided remain appropriate to meet the child's needs, and that all changes in circumstances have been considered.	Carried forward to 2023/24 plan due to complete Q1
<b>Total audits included in the 2023/24 plan</b>			<b>5</b>

## Appendix 3: 2023/24 IA Plan progress and expected completion dates as at 31 March 2023

Audits in reporting			Expected Completion
1.	Place	<b>Edinburgh Employer Recruitment Incentive (EERI)</b> Review of the design and effectiveness of processes established for managing <a href="#">EERI</a> fund applications from employers including eligibility, assessment, payments, and verification.	May 2023
<b>Total audits in reporting</b>			<b>1</b>
Audits in fieldwork			Expected Completion
2.	Lothian Pension Fund	<b>Information Security Arrangements</b>	July 2023
3.	Place	<b>Trams to Newhaven</b> Ongoing agile review during the final stage of construction. Reviewing ongoing governance and financial management, stakeholder management and readiness for operations.	
4.	Children, Education and Justice Services	<b>Review of Historic Complaints</b> Review of historic complaints to confirm whether any handled by for employees noted in Project Apple outcomes had been appropriately investigated and reported.	
5.	Corporate Services	<b>Enterprise Resource Planning (ERP)</b> Ongoing agile review of project management and governance supporting the R12 upgrade of the Oracle financial systems and implementation of the new sundry debt management solution (Apex).	November 2023
<b>Total audits in fieldwork</b>			<b>4</b>
Audits in planning			Expected Completion
6.	Corporate Services	<b>Council Budget Setting Process – Lessons Learned</b> Review of Corporate Leadership Team (CLT) lessons learned for the 2023/24 Council budget setting process, as requested by GRBV March 2023.	June 2023
7.	Place	<b>Housing stock condition – tenant safety, damp, and mould</b> Review of the Council's initial approach to the <a href="#">Scottish Housing Regulator's January 2023 request</a> that landlords ensure that they have appropriate, proactive systems to identify and deal with any reported cases of <a href="#">damp and mould</a> timeously and effectively.	July 2023
8.		<b>Management of mixed tenure works and funding/recharging</b> Review the Council's policies and processes for engaging with owners and private landlords for scheduling and funding/payment for common repairs and improvements across mixed tenure areas.	August 2023

9.	Place	<b>Repairs Right First Time</b> Review of the Council's approach and performance for completing repairs 'right first time' in line with the required two criteria of indicator 10 of the <a href="#">Scottish Social Housing Charter</a> , including completion of all aspects of the repair within the Council's target timescale and no recall to resolve subsequent defects within 12 months	August 2023
10.		<b>Management of scaffolding for housing property repairs</b> Review of the design and operating effectiveness of the Council's approach to managing scaffolding during repairs to housing properties including relevant consents and permits, advance notification to and ongoing communications with occupants, contractor and budget management and health and safety risk assessments.	September 2023
<b>Total audits in planning</b>			<b>5</b>

# Internal Audit Report

## Annual Validation Review

Page 25 April 2023  
92 CW2209

<b>Overall Assessment</b>	<b>Reasonable Assurance</b>
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# Contents

Executive Summary ..... 3

Background and scope..... 4

Findings and Management Action Plan ..... 5

Appendix 1 – Control Assessment and Assurance Definitions ..... 9

This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2022/23 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2022. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

# Executive Summary

Overall Assessment

Reasonable Assurance

## Overall opinion and summary of findings

Our review of a sample of previously implemented audit actions found that the majority of controls have been sustained. Some controls continue to operate as originally implemented, while other controls having been reasonably adapted to reflect changing circumstances.

Controls weaknesses and resulting improvement actions have, however, been identified in the findings for the following two previously completed audits:

- **Quality, governance, and regulation** - a review of the approach to quality, assurance and compliance is required to ensure it provides a quality assurance framework which is aligned to the needs of both children's and adult social work services

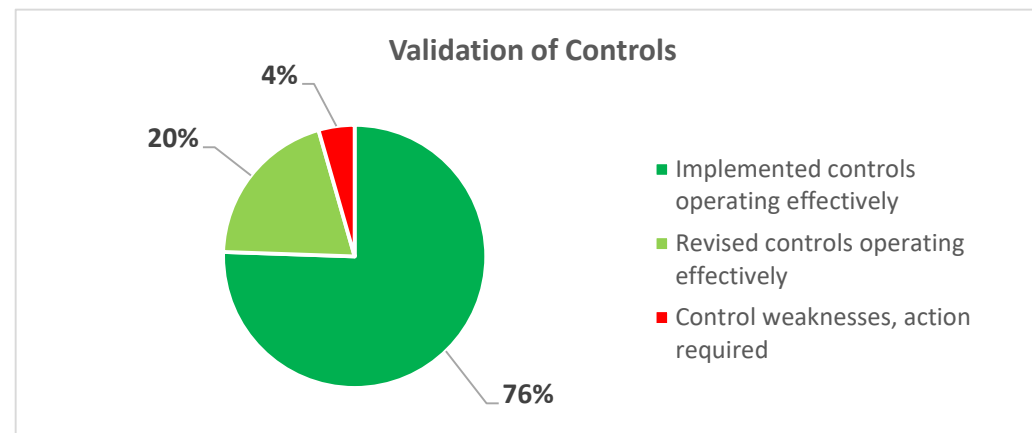
**Edinburgh Alcohol and Drugs Partnership Contract Management** - verification checks to confirm the management information provided by suppliers to evidence meeting their contractual obligations, which is submitted quarterly to the Edinburgh Alcohol and Drugs Partnership (EADP) is complete and accurate.

Page 94

## Validation review results

Based on our sample of closed management actions, our review identified that of the 45 actions reviewed, 43 (96%) were functioning as originally validated or had received reasonable changes to be in line with new circumstances.

Recommendations to address the current risk associated with the remaining controls have been raised in the two findings below:



Audit Code and Title	Findings	Priority Rating
CW1802 – Quality, Governance and Regulation	Finding 1 – Quality Assurance and Compliance Framework	High Priority
HSC1715 – EADP Contract Management	Finding 2 – EADP - Validation of Supplier Returns Information	Medium Priority

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

Internal Audit Report: CW2209 – Annual Validation review

# Background and scope

Internal Audit (IA) findings are raised where audit outcomes confirm that the controls established to mitigate risks are either inadequately designed or are not operating effectively.

Management actions are agreed with Directorates and services to address the control weaknesses identified in the audit findings. Implementation of these agreed actions should ensure that the associated risks are effectively managed, reducing the Council's overall exposure to risk. It is essential that the management actions (once implemented) continue to be effectively sustained. If not, the Council may be exposed to an unnecessary level of risk.

A 'validation' audit is included in the IA annual work programme to assess whether management actions implemented to address audit findings raised in previous years have been sustained and remain effective.

Page 99  
Between 1 January 2019 and 31 December 2021, management implemented actions to support closure of a total of 123 Medium and High rated IA actions raised (40 High and 83 Medium). This audit reviewed a total of 45 (37%) of these management actions (15 High and 30 Medium).

## Scope

The objective of this review was to confirm whether a sample of Medium and High rated management actions closed as implemented by management between 1 January 2019 and 31 December 2021 continue to operate effectively.

## Reporting Date

Testing was undertaken between 27 June 2022 and 10 February 2023

Our audit work concluded on 31 March 2023, and our findings and opinion are based on the conclusion of our work as at that date.

# Findings and Management Action Plan

## Finding 1 – Quality Assurance and Compliance Framework

Finding  
Rating

High Priority

### Quality, Governance and Regulation Audit – actions closed December 2019

The remit of the [Quality Assurance and Compliance Service \(QAC\)](#) is to support services by identifying and highlighting strengths and areas for improvement, analysing trends/themes, and developing action plans to resolve issues where required. This is to ensure that barriers preventing delivery of effective social work services (in line with applicable regulatory and statutory requirements) are removed.

In response to our previous audit, the QAC implemented a charter underpinned by Service Level Agreements (SLAs) agreed by Directorates to enable the delivery of its remit through an agreed annual programme of activity. Our review noted that while these SLAs were developed, not all were signed by the Directorates.

Discussions with officers highlighted wider issues, including limited quality assurance audits being undertaken over the last three years, and absence of an effective follow-up process to ensure specific actions identified during case file and practice audits are evidenced as complete.

The lack of an effective quality assurance programme and SLAs was also noted in the [recent inspection](#) by the Care Inspectorate. Management have advised that a review of arrangements is currently underway.

Additionally, our review highlighted that the QAC risk register has not been updated since 2019.

### Risks

- **Governance and Decision Making** – inadequate pathways for recommendations to reach an appropriate forum could result in ineffective decision making
- **Service Delivery** – issues highlighted by the Quality Assurance and Compliance service may be unresolved, leading to service delivery and compliance issues across children’s and adult social care services
- **Regulatory and Legislative Compliance** – potential breaches in regulatory and legislative requirements as a result of inaction on QAC service recommendations.



## Recommendations and Management Action Plan: Quality Assurance and Compliance Framework

Ref.	Recommendation	Agreed Management Action	Action Owner	Contributors	Timeframe
1.1	<p>A review of the approach to quality, governance and regulation should be undertaken to ensure it provides a quality assurance framework which is aligned to the needs of both children's and adult social work services. This should include a clear process for development, approval, and ongoing review of the quality assurance programme, recording and reporting requirements, and roles and responsibilities for follow-up of actions arising from quality audits.</p> <p>Once the review is complete, the approach and expected service standards should be formally documented, agreed, and communicated within a framework document.</p>	<p>The service is currently under new management by the Interim CSWO and a learning culture whereby quality assurance is seen as everyone's responsibility not 'just a service' is being developed. As a learning organisation with a vision particularly the principle that quality assurance, learning and development are a continued loop supporting improvement where quality assurance is seen as 'working alongside' and not a 'doing to colleagues' approach.</p> <p>For children there is a new QA framework which we are now working to and have undertaken 244 audits and have trackers in place to ensure actions are completed.</p> <p>The full framework will be launched at a manager event in May. For adults practice standards are being reviewed and a QA framework will also follow.</p>	Amanda Hatton Executive Director of Children, Education and Justice Services	Rose Howley Interim Chief Social Work Officer  Keith Dyer  Quality Assurance & Compliance Manager	30/11/2023

1.2	<p>Service Level Agreements (SLAs) should be reviewed and agreed on an annual basis by Directorates to ensure alignment to the approved quality governance and regulation approach as set out in 1.1.</p> <p>Any delays to agreeing SLAs should be monitored and escalated.</p>	<p>The service is reviewing the use of SLAs to move to an annual audit plan because SLA have been too rigid.</p> <p>This is included in both children and HSPC improvement plans.</p>	<p>Amanda Hatton Executive Director of Children, Education and Justice Services</p>	<p>Rose Howley Interim Chief Social Work Officer</p> <p>Keith Dyer Quality Assurance &amp; Compliance Manager</p>	30/11/2023
1.3	<p>In line with the <a href="#">Council's Risk Management Framework</a>, the risk register for the Quality, Assurance and Compliance service should be updated and maintained on a quarterly basis, ensuring that current and emerging risks are captured, documented, assessed, with mitigating action identified and implemented, and risks escalated to the Children, Education and Justice Services / Health and Social Care Directorate Risk Committees where required.</p>	<p>The risk register is being updated.</p>	<p>Amanda Hatton Executive Director of Children, Education and Justice Services</p>	<p>Rose Howley Interim Chief Social Work Officer</p> <p>Keith Dyer Quality Assurance &amp; Compliance Manager</p>	30/11/2023

## Finding 2 – EADP - Validation of Supplier Returns Information

Finding  
Rating

Medium  
Priority

### Edinburgh Alcohol and Drug Partnership (EADP) Contract Management Audit – actions closed June 2019

In line with established contract and supplier management arrangements, the EADP requires suppliers to provide quarterly returns to measure their performance and compliance with their contractual obligations. The 2017 audit found that no validation was performed by the EADP over these returns to verify the completeness and accuracy of the supplier management information provided within. Subsequently, 'case file audits' were proposed to undertake these checks.

This review has identified that due to Covid-19, no case file audits have been undertaken since 2020, with a desktop review instead being performed to verify supplier information in 2020. However no further checks or validation work to validate the performance or compliance of suppliers has been undertaken since then.

### Risks

- **Supplier, Contractor, and Partnership Management** – the Partnership's suppliers may not be providing the contracted levels of service
- **Service Delivery** - the EADP may not be able to deliver an adequate level of service to meet the needs of users across the city.

Page 99

## Recommendations and Management Action Plan: EADP Third Party Supplier Management Information

Ref.	Recommendation	Agreed Management Action	Action Owner	Contributors	Timeframe
2.1	The EADP should establish a process to ensure that independent validation checks are carried out on quarterly returns information provided by suppliers, to confirm completeness and accuracy of the performance and contract compliance information presented, and to take action where service delivery and performance is not in line with contractual requirements or performed in line with an agreed timetable.	The Partnership agree this management action.	Judith Proctor – Chief Officer, Edinburgh Health and Social Care Partnership (EHSCP)	Tony Duncan - Service Director Strategic Planning (EHSCP)  Linda Irvine Fitzpatrick - Strategy & Quality Manager Mental Health & Substance Misuse (EHSCP)	31/03/2024

# Appendix 1 – Control Assessment and Assurance Definitions

Overall Assurance Ratings	
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
<b>Low Priority</b>	An issue that results in a small impact to the achievement of objectives in the area audited.
<b>Medium Priority</b>	An issue that results in a moderate impact to the achievement of objectives in the area audited.
<b>High Priority</b>	An issue that results in a severe impact to the achievement of objectives in the area audited.
<b>Critical Priority</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.

# Governance, Risk and Best Value Committee

10am, Tuesday, 2 May 2023

## Audit Scotland - The City of Edinburgh Council Annual Audit Plan, 2022/23

Item number	
Executive/routine	Routine

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are asked to note:
  - 1.1.1 the contents of the Annual Audit Plan for 2022/23; and
  - 1.1.2 that periodic updates on the work set out therein will be provided to the Committee.

**Dr Deborah Smart**

Executive Director of Corporate Services

Contact: Hugh Dunn, Service Director: Finance and Procurement

E-mail: [hugh.dunn@edinburgh.gov.uk](mailto:hugh.dunn@edinburgh.gov.uk) | Tel: 0131 469 3150

## Audit Scotland – The City of Edinburgh Council Annual Audit Plan, 2022/23

### 2. Executive Summary

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- 2.1 Audit Scotland has been appointed as the Council's external auditor for the five-year term covering financial years 2022/23 to 2026/27 inclusive. The external audit plan for review year 2022/23 is presented for the Committee's information and outlines the main proposed areas of scrutiny and associated reporting timescales over the coming year.

### 3. Background

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- 3.1 In November 2022, Audit Scotland was appointed as external auditor to the Council and a number of associated bodies for a five-year term covering the period from 2022/23 to 2026/27 inclusive. The annual audit for 2022/23 therefore represents the first review year of the new appointment, with the proposed audit plan included as Appendix 1.
- 3.2 Consideration of the annual audit plan by members of the Governance, Risk and Best Value Committee is a key step in discharging their wider scrutiny-related responsibilities. Staff from Audit Scotland will therefore attend the Committee meeting to provide an overview of the plan's contents and respond to any queries members may have.

### 4. Main report

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#### Overview of plan and audit approach

- 4.1 The initial part of the plan comprises sections setting out the respective responsibilities of Audit Scotland (as independent auditor) and the Council (as audited body) and the proposed audit strategy. This strategy includes technical commentary on the detailed financial statement audit work to be undertaken, covering the Council, its wider Group and associated charitable trusts.
- 4.2 While, as in recent years, significant elements of the audit will be undertaken remotely, opportunities will be considered to combine this with a degree of onsite

working as part of a hybrid approach. In contrast to the past three years' audits, however, the plan assumes reporting to those charged with governance (i.e. members of this Committee) reverts to the pre-COVID statutory deadline of 30 September. On this basis, the auditor's report will be presented to the Committee on 19 September 2023, with approval of the audited accounts then secured by means of referral to the Finance and Resources Committee on 21 September. A related timetable of key audit scrutiny and associated outputs (included on pages 14 and 15 of the plan) has been developed.

### **Wider scope**

- 4.3 In addition to the review of the financial statements, the audit plan incorporates an assessment against the four "wider scope" elements<sup>1</sup>. For the 2022/23 review year, this will be supplemented by an assessment of the effectiveness of actions taken, or planned, in respect of specific public sector-wide key challenges related to climate change and cyber security.
- 4.4 This year's audit work will additionally include a review of the effectiveness of the Council's leadership in developing new local strategic priorities following the elections in May 2022. The conclusions and judgements from this work will be included in a separate report to management (anticipated to be presented to the Governance, Risk and Best Value Committee on 1 August 2023) and summarised in the Annual Audit Report.

### **Best Value**

- 4.5 The programme of audit scrutiny will furthermore include an annual evaluation of the Council's approach to demonstrating improvement in its strategic priorities and public performance reporting, alongside an assessment of pace and depth of progress in response to recommendations made as part of the Council's Best Value Assurance Report (BVAR).
- 4.6 At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Council is not included within the first year's programme of planned reports.

## **5. Next Steps**

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- 5.1 External audit activity will proceed in line with the schedules shown on pages 14 and 15 of the annual audit plan.

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<sup>1</sup> The wider scope audit reflects a revised approach to auditing Best Value, agreed by the Accounts Commission in June 2016, and will be adopted across the term of the appointment through a combination of on-going annual audit work and discrete packages of work examining specific areas.

## **6. Financial impact**

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- 6.1 The proposed core audit fee is consistent with the level of provision contained within the Council's approved budget for 2023/24.
- 6.2 The wider scope aspects of the external audit will assess the appropriateness and adequacy of the Council's arrangements in respect of financial management and sustainability, as well as progress in implementing recommendations contained within the BVAR.

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

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- 7.1 The Committee's remit includes the review of all matters relating to external audit, including reports and action plans to monitor implementation of external audit recommendations.
- 7.2 The wider scope aspects of the external audit will assess the appropriateness and adequacy of the Council's arrangements across these areas.

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

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- 8.1 [City of Edinburgh Council – 2021/22 Annual Audit and Report to the Council and Controller of Audit](#), Governance, Risk and Best Value Committee, 31 October 2022

## **9. Appendices**

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- 9.1 Appendix One – Audit Scotland - The City of Edinburgh Council Annual Audit Plan, 2022/23



# The City of Edinburgh Council

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for City of Edinburgh Council  
March 2023

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# Contents

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Introduction	3
Financial statements audit planning	5
Wider Scope and Best Value	10
Reporting arrangements, timetable, and audit fee	14
Other matters	17

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# Introduction

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## Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of The City of Edinburgh Council. The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the annual accounts, leading to an independent audit opinion
- independent audit opinions on other statutory information published within the annual accounts including the Management Commentary, Annual Governance Statement and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements
- providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts (WGA) return
- reviewing The City of Edinburgh Council's arrangements for preparing and publishing statutory performance information.

## Audit Appointment

2. We are pleased to be appointed as the external auditor of The City of Edinburgh Council for the period 2022/23 to 2026/27 inclusive.

3. In the first year of the audit appointment, we invest significant time in gaining an understanding of the business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our work continues to be focused on risk.

## Adding value

5. We aim to add value to The City of Edinburgh Council through our external audit work by being constructive and forward looking, by identifying and encouraging

good practice and making recommendations for improvement. In so doing, we will help the council promote improved standards of governance, better management and decision making and more effective use of resources.

## Respective responsibilities of the auditor and council

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the council. Key responsibilities are summarised below.

### Auditor responsibilities

7. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

8. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at the council. In doing this, we aim to support improvement and accountability.

### The City of Edinburgh Council's responsibilities

9. The council is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. The council has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

# Financial statements audit planning

## Introduction

**11.** The annual accounts are an essential part of demonstrating the council's stewardship of resources and its performance in the use of those resources.

**12.** We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

**13.** The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

## Materiality levels for the 2022/23 audit

**14.** We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for the council and its group are set out below.

## Exhibit 1

### 2022/23 Materiality levels for the council and its group

Materiality	Amount	Group
<p><b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.</p>	£47 million	£50 million
<p><b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement,</p>	£31 million	£33 million

we have assessed performance materiality at 65% of planning materiality.

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**Reporting threshold** – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. £250,000 £250,000

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Source: Audit Scotland

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## Significant risks of material misstatement to the financial statements

**15.** Our risk assessment draws on our cumulative knowledge of the council, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

**16.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

**17.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

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### Exhibit 2

#### 2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>• Review of the Annual Governance Statement and the assurances obtained by the Section 95 officer in support of the statement</li> <li>• Detailed testing of journal entries</li> <li>• Focussed testing of accounting accruals and prepayments</li> <li>• Evaluate significant transactions outside the normal course of business</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>2. Estimation and Judgements</b></p> <p>The City of Edinburgh Council disclosed non-current assets with a value of more than £5.8 billion as at 31<sup>st</sup> March 2022.</p> <p>Significant estimation and judgements are required in the measurement, valuation and disclosures of material account balances. This also includes pensions disclosures and service concession arrangements.</p> <p>There is a significant degree of subjectivity in valuations for these categories. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to financial disclosures.</p>	<ul style="list-style-type: none"> <li>• The council's internal valuers provide valuations of non-current assets on a rolling basis</li> <li>• Hymans Robertson provides an actuary report to support pension disclosures in the accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of management experts (valuers and actuary) in conjunction with consideration of their findings</li> <li>• Confirm asset values in valuation certificates are correctly reflected within the 2022/23 accounts.</li> <li>• Assess assumptions applied in financial modelling of pension and PPP liabilities.</li> <li>• Evaluate the approach taken to ensure that assets not subject to revaluation in 2022/23 are not materially misstated.</li> <li>• Assess the adequacy of the council's disclosures regarding assumptions in relation to the valuation of assets and liabilities</li> </ul>
<p><b>3. Risk of fraud over expenditure recognition</b></p> <p>In line with Practice Note 10: <i>Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>, most public bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p> <p>We have evaluated the council's significant expenditure streams. Some significant expenditure areas, including staff costs, interest payments and non-cash costs, are not considered areas of risk. However, due to the extent and complexity of the council's service expenditure in other areas, we identified there is a risk that expenditure may be misstated.</p>	<ul style="list-style-type: none"> <li>• Sound budgetary control and monitoring arrangements</li> <li>• Robust controls over expenditure and payment processes</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed testing of expenditure transactions, including cut-off testing, focussing on the areas of greatest risk</li> <li>• Audit testing of grants, including the sample testing of expenditure</li> </ul>

Source: Audit Scotland

**18.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk as funding received from the General Revenue Grant and other grant funding bodies is clearly communicated and can be readily agreed to third party confirmations. In addition, the council's other income streams comprise of a high volume of low-value transactions and we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements to a material effect.

**19.** As a result, we have not incorporated specific work into our audit plan in this area over and above our standard audit procedures.

## Group consideration

**20.** As group auditors, we are required under International Standard on Auditing (ISA) (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

**21.** The council has a group which comprises component entities, including subsidiaries, associates and joint ventures, such as Edinburgh Joint Integration Board, Transport for Edinburgh, Edinburgh Leisure and Edinburgh Living MMR.

**22.** Our planned audit approach for the components is informed by our assessment of risk at the component level and our consideration of the size and nature of assets, liabilities and transaction streams. The audits of the financial information of these components are performed by other auditors. We plan to place reliance on the work of the component auditors. We will also consider the assurances the council obtains for its group accounts.

**23.** We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

## Audit of trusts registered as Scottish charities

**24.** The 2006 Regulations require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

**25.** The City of Edinburgh Council is the sole trustee for six trusts registered as Scottish charities, with total assets of some £16.2 million. The Finance and Resources Committee has delegated authority from the council to act in the role of the trustee. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. A separate set of



financial statements has been prepared using a break-up basis of accounting for the Boyd Anderson Trust (City of Edinburgh Council Charitable Funds), as the trustee considers that it is not a going concern. The remaining five trusts are incorporated into The City of Edinburgh Council Charitable Trusts accounts using the connected charities provisions under Regulation 7 of Charities Regulations.

**26.** We have identified the following significant risks of material misstatement in relation to the accounts of charitable trusts:

- **A risk of management override of controls.** As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively. In response, we will conduct detailed testing of journal entries, focussed testing of accounting accruals and prepayments and evaluate significant transactions outside the normal course of business.
- **Valuation of heritage assets.** There is a significant degree of subjectivity in the measurement and valuation of non-current assets. In response to this risk, we will review and test the arrangements for heritage asset revaluations, including the assessment of impairments.

### Materiality levels for the 2022/23 audit of trusts registered as Scottish charities

**27.** Materiality levels for the various trusts are set out in [Exhibit 3](#).

#### Exhibit 3

##### 2022/23 Materiality levels for charitable trusts

Charitable trust	Planning Materiality (Based on 2% of audited 2021/22 net asset value)	Performance Materiality (Based on 75% of planning materiality)	Reporting Threshold
City of Edinburgh Council Charitable Trusts	£320,000	£240,000	£16,000
City of Edinburgh Council Charitable Funds (Boyd Anderson Trust)	£1,800	£1,300	£100

Source: Audit Scotland

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# Wider Scope and Best Value

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## Introduction

**28.** The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

**29.** In summary, the four wider scope areas cover the following:

- **Financial management** means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).
- **Vision, leadership and governance** – we conclude on the arrangements in place to deliver the vision, strategy and priorities adopted by the council. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how the council demonstrates economy, efficiency and effectiveness through the use of financial and other resources.

## Wider scope risks

**30.** We have identified wider scope audit risks in the areas set out in [Exhibit 4](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

**Exhibit 4****2022/23 wider scope risks**

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Financial Sustainability</b></p> <p>The council's revenue budget framework details savings proposals over the next four years for council approval. The framework shows a savings gap of £3.7 million in 2023/24 rising to £91.9 million in 2026/27.</p> <p>Financial sustainability remains a risk with ongoing financial pressures in the short to medium term. This includes inflationary pressures on contracts, the impact of agreed pay awards, continued support for the homeless, support to refugees from Ukraine, and energy costs.</p>	<ul style="list-style-type: none"> <li>• Regular budget monitoring</li> <li>• Medium term financial framework outlines the planning assumptions in managing the savings gaps in the short to medium term</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to monitor the financial position throughout the year and provide an update in our 2022/23 Annual Audit Report</li> <li>• Consider the long-term affordability of budget decisions</li> <li>• We will consider the council's progress in developing a medium-term financial plan</li> </ul>
<p><b>2. Reliance on legacy IT systems and older software for key financial systems</b></p> <p>The council has an over-reliance on legacy systems such as AS400 for capital funded projects, and SWIFT for social care payments. The council uses Oracle R11 as its general ledger and there are plans for a significant upgrade this year.</p> <p>Relying on legacy systems increases the risk of IT application failure, and can present data quality and cyber security risks. It is also critical that underlying data is accurate and complete. There is a risk we are unable to access documentation to support</p>	<ul style="list-style-type: none"> <li>• The council plans to upgrade its general ledger system in the summer of 2023 to version which offers greater functionality</li> <li>• A new system is in development and will replace the AS400 system</li> </ul>	<p>We will consider the council's arrangements for managing and mitigating the risks that use of legacy IT systems presents</p> <p>We will consider how the council obtains assurances from its service providers over cyber security and business continuity arrangements</p>

Description of risk	Sources of assurance	Planned audit response
our audit of the annual accounts.		

Source: Audit Scotland

**31.** Our planned work on our wider scope responsibilities is risk based and proportionate and in addition to local risks we consider challenges which are impacting the public sector as a whole. In 2022/23 we will consider climate change and cyber security threats.

### Climate Change

**32.** Tackling climate change is one of the greatest global challenges. Scotland has a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**33.** The Auditor General and Accounts Commission are developing a programme of work on climate change. In 2022/23, we will gather information on the council's arrangements for responding to climate change covering areas such as the development of climate change strategies and the monitoring and reporting of progress against targets for reducing emissions.

### Cyber Security

**34.** There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we will consider the council's arrangements for managing and mitigating cyber security risks.

### Best Value

**35.** Under the 2021 [Code of Audit Practice](#), the audit of Best Value in councils is fully integrated within our annual audit work.

**36.** Best Value at the council will be assessed comprehensively over the period of the audit appointment and will include an annual evaluation of the council's approach to demonstrating improvement in its strategic priorities and public performance reporting. We will also follow up findings reported previously on Best Value to assess the pace and depth of improvement. This work will be integrated with the wider scope audit areas discussed above.

**37.** In addition to our annual work on Best Value we will conduct thematic reviews as directed by the Accounts Commission. In 2022/23 the thematic review across the sector will be on the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022. Our conclusions and judgements will be reported in a separate report to management and summarised in our Annual Audit Report.

**38.** At least once every five years, the Controller of Audit will report to the Accounts Commission on the council's performance in meeting its Best Value duties. The first year of the programme will be from October 2023 to August 2024 and will cover the councils listed in [Exhibit 5](#).

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## **Exhibit 5**

### **Controller of Audit reports between October 2023 and August 2024**

Falkirk	South Ayrshire
Moray	Dumfries and Galloway
Clackmannanshire	West Dunbartonshire
Orkney Islands	<b>Dundee City</b>

Source: Audit Scotland

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# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**39.** All Annual Audit Plans and audit outputs, as detailed in [Exhibit 6](#), including any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**40.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

**41.** We will provide an independent auditor's report to the council, the Scottish Parliament and the Accounts Commission setting out our opinions on the annual accounts. We will provide the council and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**42.** [Exhibit 6](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 30 September 2023.

## Exhibit 6 2022/23 Audit outputs

Audit Output	Target date	Governance, Risk and Best Value Committee Date
Annual Audit Plan	7 March 2023	2 May 2023
Best Value Management Report	18 July 2023	1 August 2023
Independent Auditor's Report	12 September 2023	19 September 2023
Annual Audit Report	12 September 2023	19 September 2023

Source: Audit Scotland



## Timetable

**43.** To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 7](#) that has been discussed with management.

**44.** We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

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### Exhibit 7 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual report and accounts by those charged with governance	22 June 2023
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	30 June 2023
Latest date for final clearance meeting with the Head of Finance	28 August 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	September 2023
Agreement of audited and unsigned annual report and accounts	September 2023
Issue of Annual Audit Report to those charged with governance.	September 2023
Signed Independent Auditor's Report	September 2023

Source: Audit Scotland

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## Audit fee

**45.** In determining the audit fee, we have taken account of the risk exposure of the Council and the planned management assurances in place. The proposed audit fee for 2022/23 is £682,060 as set out in Exhibit 8.

**46.** Our fees have increased in 2022/23 and to reflect the current audit market and the rising costs in delivering high-quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work that audit must cover.

**Exhibit 8****Audit fees (including VAT)**

Fee component	Fees (£)
External Auditor Remuneration	400,190
Contribution to Audit Scotland costs and pooled costs	15,180
Contribution to Performance and Best Value	153,990
Sectoral Cap Adjustment	112,700
2022/23 Audit fee	682,060
Audit of CEC Charitable Trusts	9,000
Total 2022/23 fee	691,060

Source: Audit Scotland

**47.** In setting the fee for 2022/23 we have assumed the council has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.



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# Other matters

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## Internal audit

**48.** It is the responsibility of the council to establish adequate internal audit arrangements. Internal audit is provided by a department of internal auditors led by the Interim Head of Internal Audit, within the Council's Legal and Assurance Directorate. International Auditing Standards require internal and external auditors to work closely together make best use of available audit resources. We seek to use of the work of Internal Audit wherever possible to avoid duplication.

**49.** We reviewed the internal audit plan for 2022/23 and while we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities, particularly in the following areas:

- CGI Risk Management:
- CGI Enterprise Management
- Security Operations Centre
- Preparation for IFRS 16 – Lease accounting

**50.** From the 2021/22 internal audit plan, we will review the following internal audit reports which were reported during the 2022/23 financial year and assess the impact of the findings on our work:

- Fraud and Serious Organised Crime
- Payment Card Industry Governance
- Allocation and Management of Purchase Cards

## Independence and objectivity

**51.** Auditors appointed by the Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

**52.** Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

**53.** The appointed auditor, and engagement lead, for The City of Edinburgh Council is Michael Oliphant, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the council.

## **Audit Quality**

**54.** Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

**55.** Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

**56.** ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

**57.** Audit Scotland is committed to delivering high quality audits. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and supplementary guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

**58.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

# The City of Edinburgh Council

## Annual Audit Plan 2022/23

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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# Governance, Risk and Best Value Committee

10:00am, Tuesday, 2 May 2023

## Corporate Leadership Team Risk Report as at 20 March 2023

Item number	
Executive/routine	Executive
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes:
  - 1.1.1 The Council's risk profile as at 20 March 2023, the most significant risks facing the Council, and key actions being taken in response to those risks.
  - 1.1.2 Several risks currently exceed the Council's agreed Risk Appetite levels.

**Andrew Kerr**  
Chief Executive

Contact: Chris Lawson, Head of Health and Safety and (Interim) Risk  
Legal and Assurance Division, Corporate Services Directorate  
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# Report

## Corporate Leadership Team Risk Report as at 20 March 2023

### 2. Executive Summary

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- 2.1 The purpose of this paper is to present the Council's risk profile as at 20 March 2023, highlight the most significant risks facing the Council, and identify key actions being taken in response to those risks.
- 2.2 Risk assessments within this paper are based on management's view of the internal and external environments within which the City of Edinburgh Council operates, with subsequent actions considered in the context of the Council's risk appetite.
- 2.3 The Council's overall risk profile is viewable in Section 4.4 and Appendix 2 of this report.

### 3. Background

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- 3.1 The purpose of this report is to provide the Governance, Risk and Best Value Committee with an update on the most significant risks the City of Edinburgh Council has identified and assessed as at 20 March 2023.

### 4. Main report

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#### **Current Risk Profile (as at 20 March 2023)**

- 4.1 This report contains the most significant risks discussed at the CLT risk committee on 20 March 2023 and the risk assessment for the Council's thirteen enterprise risks. This is based on the aggregated risk scores from divisions, overlaid with council-wide risks.
- 4.2 The Council's enterprise risk descriptions and potential impacts are included in Appendix 1, and a summary of the Council's current enterprise risk profile and trending is included at Appendix 2. The key the drivers for current risk ratings and associated mitigations are set out in Appendix 3.

4.3 Risk assessments within this paper are based on management’s view of the internal and external environments within which the Council operates, with subsequent actions considered in the context of the Council’s risk appetite.

4.4 The Council’s 13 enterprise risks have been rated as follows:

CEC Risk Profile	trending					CLT risk ratings	
	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Risk Appetite
01 Strategic Delivery	Yellow	Yellow	Yellow	Red	Red	Yellow	Yellow
02 Financial and Budget Management	Yellow	Yellow	Yellow	Red	Red	Red	Yellow
03 Programme and Project Delivery	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Red
04 Health & Safety	Red	Red	Yellow	Yellow	Yellow	Yellow	Green
05 Resilience	Red	Red	Red	Red	Red	Yellow	Yellow
06 Supplier, Contractor, and Partnerships Management	Red	Red	Red	Yellow	Yellow	Yellow	Red
07 Technology and Information	Yellow	Yellow	Yellow	Red	Red	Red	Yellow
08 Governance and Decision Making	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green
09 Service Delivery	Red	Red	Red	Red	Red	Black	Red
10 Workforce	Red	Black	Red	Red	Red	Black	Yellow
11 Regulatory and Legislative Compliance	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green
12 Reputational Risk	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
13 Fraud and Serious Organised Crime	Yellow	Yellow	Yellow	Green	Green	Yellow	Yellow

#### 4.5 Rationale for the Council's 13 enterprise risk ratings, and associated actions

The factors driving the current risk ratings and actions are not an exhaustive list of issues affecting or which could affect the City of Edinburgh Council. Those factors are often referenced and scrutinised within existing committees as part of business-as-usual activity e.g. budget management within Finance & Resources Committee.

Section 8 of this report contains links to the relevant committees, which can be used for further contextual information and detail if needed. The Council's Annual Assurance Statements also provide details of the current control environment, for scrutiny by GRBV Committee.

As noted in Appendix 3 some risks have Council-wide implications, while others relate to specific parts of the organisation.

##### 4.5.1 **Strategic Delivery** risk is rated as **moderate** and within the Council's current risk appetite of moderate.

The Council has an ambitious programme of strategic delivery. This rating is predominately driven by need to dedicate resources to deliver the Council's key strategic priorities. The Council is unable to deliver some of these priorities in isolation and officers are continuing to work with partner organisations to secure additional funding and to support to progress some of these key priorities. The prioritisation and planning of delivery will continue to be assessed throughout 2023. It is likely this rating will remain outwith the Council's risk appetite beyond 2023. Management of this risk will continue as outlined above, alongside regular progress updates on individual priorities into the relevant committees. Progress will continue to be reported corporately on the Council Business Plan and performance monitoring.

##### 4.5.2 **Financial and Budget Management** risk is rated as **high** and outwith the Council's current risk appetite of moderate.

This is mainly due to inflationary pressures, alongside reduced budgets, and limited options for immediate savings. The Council also has a share of the substantial budget gap within the Edinburgh Integrated Joint Board (EIJB). Budget monitoring and potential savings are being scrutinised across the Council, alongside monitoring of reserves and public expenditure forecasts. Throughout 2023, robust financial planning will continue to be developed and embedded locally within services, as well as strategically within the Council's relevant policies and business planning. Opportunities for external funding will continue to be sought, alongside reprioritisation of existing budgets where needed. It is likely this rating will remain outwith the Council's risk appetite beyond 2023, due to the challenges outlined above and adverse economic forecasts.

##### 4.5.3 **Programme and Project Delivery** is rated as **high** and outwith the Council's current risk appetite of moderate.

The high rating reflects the size and scale of the current programme of works and recognises that the Council faces significant financial and resourcing challenges in delivering key programmes and projects.



The Council's Change Portfolio is reported regularly to GRBV and Executive Committees are kept up to date with programme and project delivery (which doesn't form part of the Council's Change Portfolio) at appropriate times. These controls will remain in place beyond 2023, as will the likelihood of a moderate risk rating, based on the consistent and understood reliance the Council places on project delivery in pursuit of its objectives.

4.5.4 **Health and Safety** is rated as **moderate** and outwith the Council's current risk appetite of low.

The requirement to have Fire Risk Assessments for all operational sites completed by a competent fire risk assessor, as well as the requirement for fire alarm activation response to change in light of the Scottish Fire and Rescue decision to stop responding to fire alarm activations for non-sleeping accommodation from 1 July 2023 unless a fire is confirmed. The Fire Risk Assessments process is ongoing and a procedure for the identification, monitoring and prioritisation of financial and resource implications has been put in place. New Fire Safety Guidance, information and training is being developed and will be rolled out through April/May. The Council has a Fire Evacuation Working Group co-ordinating the preparations for this change in The risk rating is expected to reduce as the programme of Fire Risk Assessments are completed and Fire Evacuation Arrangements are revised. In addition, the Council is currently working on financial and delivery plans to introduce permanent hostile vehicle mitigation measures in the city.

4.5.5 **Resilience** is rated as **moderate** and is within risk appetite (also moderate).

While the potential impacts of disruptive events remains high, this rating reflects the Council's responsiveness to crises throughout the last 12 months, notably during Project Unicorn, Industrial Action, and Edinburgh's response to the illegal invasion of Ukraine.

While recognising Council staff's ability to respond to such events, it was agreed in CLT Risk Committee (20 March 2023) that further proactive business continuity / contingency plan testing should be completed, to ensure preparedness across the Council for potential crises in future. A schedule for future testing can be expected in Q4 2023, with ongoing monitoring to take place within the existing quarterly Council-wide Resilience Group meeting.

Given the likelihood of diverse events occurring across the city in future, it is expected that this risk will likewise remain as Moderate, managed through contingency planning, and in response to a live incident when needed.

4.5.6 **Supplier, Contractor, and Partnership Management** is rated as **moderate** and is within risk appetite (high).

This rating reflects the continued reliance on suppliers and partnership working to deliver services and projects, most notably the substantive work carried out by the Council's technology partner, CGI. The rating also represents the challenges in delivering consistent and effective contract and supplier management across the Council, and also within complex Insurance Markets.

Services continue to receive Contract Management Training, support and compliance monitoring from the Commercial and Procurement Services team.

CGI performance updates feature quarterly within GRBV, and insurance updates form part of reporting into Finance & Resources Committee. Given the dependency on key suppliers will likely continue for the foreseeable future, it is expected that this risk will remain as Moderate, and continue to be managed accordingly.

4.5.7 **Technology and Information** is rated as **high** and is outwith the Council's current risk appetite of moderate.

This rating reflects reliance on essential legacy systems, including but not limited to iTrent and SWIFT, and the continued risk of cyber-threats.

The acquisition of a new HR system has been approved by Council, and is scheduled to be implemented by April 2025. A replacement for the SWIFT system is still currently being scoped, with a full business case paper scheduled for consideration at Finance and Resources committee in June. Ongoing functionality challenges with SWIFT continue to be managed tactically under the Swift Recovery Plan, with oversight from the Swift Governance Group.

Completion rates of mandatory cyber-security training are monitored on a regular basis, with non-compliance highlighted to services by the Cyber and Information Security Steering Group (CISSG). Service responsiveness to a successful cyber-attack is scheduled to be reviewed as part of the 2023/2024 audit plan, and is expected to have business continuity oversight from the Council Resilience Group. Is it likely this risk will remain outwith appetite until all necessary systems have adequate funding and have been successfully implemented. Further details can be found within the GRBV Digital Services Quarterly Status Update.

4.5.8 **Governance and Decision Making** has been rated as **moderate** and outwith the Council's current risk appetite of low.

This rating has a number of contributing factors.

Several frameworks are in the process of being developed or improved, or require further embedding within the organisation.

Areas of improvement have been identified within the Information Governance and Legal frameworks, to support decision making from officers which may have regulatory compliance or legal implications. The Resilience framework requires further embedding throughout 2023, and the need to strengthen governance over the Council's Arm's Length External Organisations (ALEOs) has been recognised.

Unplanned demands for officer time is also a contributing factor, while balancing competing priorities.

4.5.9 **Service Delivery** is rated as **critical** and is out with risk appetite.

The Council continues to experience challenges in service delivery due to demand and also, as noted above, in attracting and retaining people (particularly in some statutory services). Significant challenges are noted within the Health & Social Care Partnership.

Officers continue to monitor service demand and delivery pressures and, where necessary, plans are put in place to address significant challenges. These plans are reported regularly to the appropriate Executive Committee, with ad-hoc updates on particular challenges provided if necessary.

Given the challenges key services are facing, it is likely this rating will remain High beyond 2023.

As these key services often support the needs of Edinburgh's most vulnerable citizens, the appropriateness of the current Risk Appetite Statement for Service Delivery is recommended for review within the next reporting cycle.

4.5.10 **Workforce** is rated **critical** and outwith the Council's current risk appetite of moderate.

This rating reflects significant challenges in recruitment and retention of staff across the Council, while demand for services continues to rise.

Services continue to drive recruitment for their own needs locally, while looking to optimise existing capacity as efficiently as possible. Where possible, services are using partnership support for recruitment of specialist roles. Centrally, the HR Workforce plan, including succession planning, is an ongoing piece of work which is expected to continue throughout 2023. Directorates will continue to prioritise key services, while setting expectations against those demands which exceed capacity.

It is unlikely that this rating will improve within 2023, given challenging recruitment markets and high demands on services.

4.5.11 **Regulatory and Legislative Compliance** is rated as **moderate** and outwith the Council's current risk appetite of low.

The use of temporary accommodation in response to the Ukraine crisis continues to be reviewed under the statutory Unsuitable Accommodation Order. Performance reporting of statutory care and education services is being monitored closely due to workforce pressures versus demand. The Council also identified that the records for some of our equipment were not up to date and, in a number of cases items of equipment were taken out of service until the Council was satisfied that they were safe to be used. Remedial work has been underway to address the inspection of equipment. Work is underway to review the arrangements around work equipment to give confidence going forward.

It is hoped that further forbearance will be granted under the Unsuitable Accommodation Order while demand for accommodation continues to be high. The work to review and develop clear guidance on work equipment is expected to be completed in quarter 2 of 2023.

4.5.12 **Reputational Risk** is rated as **moderate** and within risk appetite (also moderate).

Reputational risk is the risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by the City of Edinburgh Council itself, our employees or those with whom we are associated, that may cause stakeholders to form a negative view of the Council.

The performance and delivery of services continue to be scrutinised within existing Council committees, with consideration given to citizen impacts. In relation to recent concerns regarding events held within a Council venue, officers are working to update venue contracts and produce policy in relation to use of public buildings.

It is likely this rating will remain as Moderate due to the complex nature of services, and critical focus the City of Edinburgh operates under.

4.5.13 **Fraud and Serious Organised Crime** is rated as **moderate** and within risk appetite (also moderate).

No new significant instances have been recorded. Those areas of improvement identified in a recent Internal Audit are being taken forward throughout 2023. Staff training & awareness continues to be promoted due to the heightened threat of cyber-attacks.

On the understanding that no significant instances of fraud take place, it is likely this rating will improve by year-end 2023, once the remedial internal audits actions are completed and controls improved.

## 5. Next Steps

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- 5.1 Resultant actions from the risks identified in this report will continue to be monitored within directorate and CLT risk committees, and are subject to further scrutiny by GRBV committee.

## 6. Financial impact

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- 6.1 There are no direct financial impacts directly arising from this report, although effective management of risks is part of good financial management and failure to manage them appropriately may have financial consequences.

## 7. Stakeholder/Community Impact

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- 7.1 Effective risk management will support achievement of strategic and project objectives; effective service delivery; and appropriate responses to events.

## 8. Background reading/external references

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- 8.1 [Enterprise Risk Management Policy – Policy and Sustainability Committee November 2021 – item 7.17](#)
- 8.2 [Risk Appetite Statement - Policy and Sustainability Committee November 2021 – item 7.18](#)
- 8.3 [Policy and Sustainability Committee](#)
- 8.4 [Transport and Environment Committee](#)
- 8.5 [Finance and Resources Committee](#)
- 8.6 [Edinburgh Integration Joint Board](#)
- 8.7 [Education, Children and Families Committee](#)
- 8.8 [Housing, Homelessness and Fair Work Committee](#)

## 9. Appendices

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- 9.1 Appendix 1 Enterprise Risk Descriptions and Impact Statements
- 9.2 Appendix 2 Current Enterprise Risk Summary and Trends
- 9.3 Appendix 3 Enterprise Risk – Key drivers and mitigations

# Appendix 1: Enterprise Risk Descriptions and Impact Statements

Ref	Risk	Risk Description	Impact Statement
R1	Strategic Delivery	Inability to design and / or implement a strategic plan for the Council.	Lack of clarity regarding future direction and structure of the Council impacting quality and alignment of strategic decisions
R2	Financial and Budget Management	Inability to perform financial planning; deliver an annual balanced budget; manage cash flows; and confirm ongoing adequacy of reserves	Council is unable to continue to deliver services and implement change in line with strategic objectives; inability to meet EIJB financial directions; adverse external audit opinion; adverse reputational consequences
R3	Programme and Project Delivery	Inability to deliver major projects and programmes effectively, on time and within budget	Inability to deliver Council strategy; achieve service delivery improvements; and deliver savings targets
R4	Health and Safety (including public safety)	Employees and / or citizens (including those in the Council's care) suffer unnecessary injury and / or harm	Legal; financial; and reputational consequences
R5	Resilience	Inability to respond to a sudden high impact event or major incident	Disruption across the City; to service delivery; and serious injury or harm to employees and / or citizens.
R6	Supplier, Contractor, and Partnership Management	Inability to effectively manage the Council's most significant supplier and partnership relationships	Inability to deliver services and major projects within budget and achieve best value
R7	Technology and Information	Potential failure of cyber defences; network security; application security; and physical security and operational arrangements	Inability to use systems to deliver services; loss of data and information; regulatory and legislative breaches; and reputational consequences
R8	Governance and Decision Making	Inability of management and elected members to effectively manage and scrutinise performance, and take appropriate strategic and operational decisions	Poor performance is not identified, and decisions are not aligned with strategic direction
R9	Service Delivery	Inability to deliver quality services that meet citizen needs effectively and in line with statutory requirements	Censure from national government and regulatory bodies; and adverse reputational impacts
R10	Workforce	Insufficient resources to support delivery of quality services that meet citizen needs effectively and in line with statutory requirements	Ongoing employee health and wellbeing; increased trade union concerns; censure from national government and regulatory bodies; and adverse reputational impacts
R11	Regulatory and Legislative Compliance	Delivery of Council services and decisions are not aligned with applicable legal and regulatory requirements	Regulatory censure and penalties; legal claims; financial consequences
R12	Reputational Risk	Adverse publicity as a result of decisions taken and / or inappropriate provision of sensitive strategic, commercial and / or operational information to external parties	Significant adverse impact to the Council's reputation in the public domain
R13	Fraud and Serious Organised Crime	Isolated or systemic instances of internal and / or external fraud and / or serious organised crime	Financial consequences; loss of systems; loss of data; inability to deliver services; regulatory censure and penalties; and adverse reputational impacts

Page 134

## Appendix 2: Current Enterprise Risk Summary and Trends

CEC Risk Profile	trending					CLT risk ratings	
	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Risk Appetite
01 Strategic Delivery	Yellow	Yellow	Yellow	Red	Red	Yellow	Yellow
02 Financial and Budget Management	Yellow	Yellow	Yellow	Red	Red	Red	Yellow
03 Programme and Project Delivery	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Red
04 Health & Safety	Red	Red	Yellow	Yellow	Yellow	Yellow	Green
05 Resilience	Red	Red	Red	Red	Red	Yellow	Yellow
06 Supplier, Contractor, and Partnerships Management	Red	Red	Red	Yellow	Yellow	Yellow	Red
07 Technology and Information	Yellow	Yellow	Yellow	Red	Red	Red	Yellow
08 Governance and Decision Making	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green
09 Service Delivery	Red	Red	Red	Red	Red	Black	Red
10 Workforce	Red	Black	Red	Red	Red	Black	Yellow
11 Regulatory and Legislative Compliance	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green
12 Reputational Risk	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
13 Fraud and Serious Organised Crime	Yellow	Yellow	Yellow	Green	Green	Yellow	Yellow



## Appendix 3 Enterprise Risk – Drivers and mitigations

Enterprise Risk	Driver for being out with risk appetite	What will change external to CEC to reduce this risk	What action is being taken	Action owner	Date
01 Strategic Delivery	Lack of funding; Lack of resource.	External funding; Partnership support; Rebased target dates.	Prioritisation of workload against competing demands.	Place ; Corporate Services.	2024
02 Financial and Budget Management	Inflationary pressures (e.g. energy, pay awards, supplies); Flat lined government funding; Homelessness and demography pressures; Covid impact on fees and charges (including ALEO income); and EIJB unbalanced revenue budget.	External funding.	Change Programme established with £2m funding; Quarterly Capital and Revenue budget monitoring; Directorate Revenue savings proposals being developed; Prioritisation / recasting of Capital Programme; and Robust medium term financial plan being developed.	Finance	February 2024
03 Programme and Project Delivery	n/a (within risk appetite)	n/a	Prioritisation of projects;	Place ; Corporate Services.	Ongoing
04 Health & Safety	Hostile Vehicle Mitigation; Fire Risk Assessments;	n/a	Proposals to be put forward; Planning and resourcing.	TBC; Place	TBC; May 2023
05 Resilience	n/a (within risk appetite)	n/a	Further council-wide business continuity testing.	Resilience	Q4 2023
06 Supplier, Contractor, and	n/a (within risk appetite)	n/a	Contract Management Training; Compliance Monitoring.	Commercial and Procurement	Ongoing



Partnerships Management					
07 Technology and Information	Legacy systems; Cyber-awareness.	n/a	New HR system; SWIFT replacement business case; Compliance Monitoring.	HR; HSCP;  Digital Services.	April '25; June '23;  Ongoing.
08 Governance and Decision Making	Several council-wide frameworks require improvement / embedding; ALEO governance; Unplanned demands.	n/a	Continual development and embedding of frameworks	SLT	Ongoing
09 Service Delivery	n/a (within risk appetite)	Partnership support; External funding.	Prioritisation of critical services; Operational efficiencies; Targeted recruitment.	SLT	Ongoing
10 Workforce	Recruitment and staff retention against high demands	Partnership support for specialist recruitment.	HR Workforce plan and succession planning; Robust capacity planning.	HR; CLT; SLT.	Ongoing
11 Regulatory and Legislative Compliance	Unsuitable Accommodation Order; Strain on care and education services to remain compliant; Backlog of statutory inspections.	n/a	Continued legislative forbearance on unsuitable accommodation;  Remediation of inspections	Housing  Insurance / SLT	Ongoing  Q4 2023
12 Reputational Risk	n/a (within risk appetite)	n/a	Ongoing monitoring within committees	All	Ongoing
13 Fraud and Serious Organised Crime	n/a (within risk appetite)	n/a	Control improvements as per 2022 audit;  Cyber-awareness training	Resilience	2023  Ongoing.

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# Governance, Risk and Best Value Committee

10:00am, Tuesday 2<sup>nd</sup> May 2023

## Quarterly Status Update – Digital Services

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

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- 1.1 It is recommended that the Committee reviews, scrutinises and notes the progress detailed in this quarterly update.

**Dr Deborah Smart**

Executive Director of Corporate Services

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## Quarterly Status Update – Digital Services Programme

### 2. Executive Summary

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- 2.1 The purpose of this report is to provide a quarterly progress update upon the Council's Digital Services programme of works. The Council and our technology partner, CGI UK Limited, have continued to work in partnership to increase the pace of delivery to improve core digital services, achieve further improvement and progress the associated major systems changes and developments which will further enable and enhance our citizen facing services and the internal business operations of the Council.

### 3. Background

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#### **Council Digital and Smart City Strategy**

- 3.1 In October 2020, the Policy and Sustainability Committee approved the Council's new Digital and Smart City Strategy (2020-2023) which describes how we will embrace innovative technical solutions to meet rapidly evolving and changing citizen and business needs, respond to the changing shape of the organisation, provide value for money, and enable us to respond to opportunities for improved joint working with our community planning partners. This Strategy will be revised later in 2023.
- 3.2 Our strategic technology partnership with CGI was extended to the end of March 2029 following negotiations between the Council and CGI with formal approval to the extension being given by the Finance and Resources Committee on 27 August 2020. This contract extension enables the Council to deliver further digital enhancements and improvements to our services and has yielded further financial savings, building upon the progress made in partnership with CGI to date. As a part of this extension, a greater focus will be given to digital change management, enhanced service delivery and the development of new strategic solutions.
- 3.3 Both the original and extended contracts with CGI have provided savings to the Council which are detailed in Section 6 of this report.

- 3.4 The digital environment in which we operate continues to evolve and the Council becomes increasingly reliant on technology to deliver its services. The approved Digital and Smart City Strategy, and our extended partnership with CGI, provide clear strategic direction, leadership, capacity and support for both the Council and the City's future digital ambitions. These ambitions will be aligned with the Council's refreshed business plan, the Edinburgh 2050 City Vision, the work of the Adaptation and Renewal programme and the work with community planning partners and the Edinburgh and South East of Scotland City Region Deal.
- 3.5 The implementation of the Strategy has been supported by significant investment in Digitally Empowered Learning and Smart Cities specific projects, approved by the Council at the Budget setting meeting on 18<sup>th</sup> February 2021.

## **4. Main report**

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### **Stability Plan from CGI**

- 4.1 In September 2022, issues relating to performance across the Council's Learning and Teaching network were raised.
- 4.2 CGI's slow response to resolving these issues coupled with a period where incidents had become more impactful on the Council and a lack of progress with several key priorities led to an escalation by the Council to CGI's UK and Australia President on the 23<sup>rd</sup> of September, which resulted in CEC being placed into priority care, to ensure stability of service was maintained. The appendices attached to this report now show a reduced number of incidents returning service back to a recognised service provision which is expected as part of industry standard. Work will continue to ensure the service plan is maintained and continues to improve.
- 4.3 As well as successful resolution of the performance issues, the Council asked CGI to provide additional resourcing and focus on a key set of ongoing issues:
- Council Corporate Wi-Fi connectivity
  - Procurement of Wireless Access Points to support Empowered Learning
  - Resolution of Public Wi-Fi Access in our buildings
  - Certificate Issues
  - Improvement in the operational change process
  - Greater engagement with users to make sure that things are working and not simply rely on calls.
- 4.4 As part of the response to the Council, and to lead on the work of a stability plan, CGI have appointed Faris Mohammed, the CGI Chief Operating Officer for UK and Australia, to temporarily align himself with the account and provide senior CGI oversight and support to drive this forward. This action was taken by CGI as a result of a direct request by the Council to have an Executive sponsor to scrutinise and resolve CGI operational issues.

- 4.5 The Council meet with CGI weekly to review progress on the stability plan and Digital Services will continue to review the performance of all aspects of CGI delivery, escalating issues as appropriate.
- 4.6 Progress to date includes
- Completion of the Empowered Learning Programme
  - Implementation of improved public Wi-Fi access across Waverley Court and City Chambers with other buildings to be connected before summer 2023
  - Review of wireless access in Waverley Court and City Chambers with the move of existing Wireless Access Points and additional points installed to improve coverage
  - Strengthened CGI Operation Change process leading to reduced major incidents and swifter response when issues do arise.
- 4.7 CGI also carried out in depth surveys of device and network performance at 20 schools. The final report on this is still in production, with initial feedback being:
- Increased RAM has a significant positive impact on performance of devices
  - No widespread issues on network identified
  - Some local issues e.g. Wireless Access Point not working correctly which should have been reported to CGI HelpDesk – Digital Services will ensure that comms go out again to advise of reporting options
  - Devices not being restarted – Digital Services will ensure that comms go out again to reinforce.
- 4.8 The Council will continue to work with CGI on the remaining elements of the Plan and ensure that stability across the network is maintained.

#### **Protecting Our Organisation - Cyber Security Management**

- 4.9 The Council and CGI teams are collaboratively managing Security Risks continuously across the estate. The security risks cover a range of issues from the new Cyber Resilience Framework and vendor management to user account privileges that ensure that we meet Government or legal frameworks by service improvements, integration, or removal, to ensure that the Council are not at risk.
- 4.10 The Security Risk Management Plan (RMP) has continued its quarterly reviews and risk owners have been asked to provide regular updates to improve on the risk appetite by both partners in this framework, the Council and CGI. Enhanced reporting has been developed between key stakeholders within CGI and the Council.
- 4.11 The Council has engaged the Cabinet office early and the external assessment of our network for PSN 2023 has completed, and after a period of remediation the Council have been awarded its compliance certificate for the year ahead by. Work will now progress towards penetration testing of the L&T network.

- 4.12 The Council has provided evidence to support the Scottish Government's Public Sector Cyber Action Plan Cyber Resilience Framework (PSCAP CRF) to the Scottish Government in early 2022. The Scottish Government followed this up with a Cyber Assurance Survey in February 2023 that has been completed by the Council and CGI and returned to the Scottish Government.
- 4.13 Monthly e-Learning for Cyber Security continues to be successfully rolled out across the Council. The Council Cyber Security team have implemented several improvements recently notably allowing people to re-visit previously distributed training modules. Service areas should continue to encourage their teams to complete the training to generate a greater uptake and in tandem the Digital team are assessing options for making this training mandatory with reports for services to track and monitor performance. Simulated phishing exercises continue and are results are reported to the internal Cyber steering group. Discussions are ongoing with the external supplier to discuss what technically can be done to improve compliance figures.
- 4.14 Monthly automated vulnerability scanning is now in place across both Corporate, Learning and Teaching and People's Network estates. The Council and CGI meet on a fortnightly basis to work through the vulnerabilities identified with a view to reducing the overall numbers. Penetration Testing of the Learning and Teaching Environment has been requested again from CGI for 2023 and this is currently working through the CGI internal change process.
- 4.15 Network Access Control has successfully been rolled out to 3 pilot sites within the Council and a rollout plan for the rest of the estate has been requested from CGI.
- 4.16 Funding to implement the EGRESS e-mail security toolset has also been approved, with rollout of Phase 1 commenced in early spring 2023 and Phase 2 following later in the year.
- 4.17 The Council is an active member of the CisP community, an initiative developed by the National Cyber Security Centre (NCSC) to allow for collaboration on Cyber Security initiatives and also provides a platform for sharing threat intelligence information.
- 4.18 The current threat level to the Council remains very high, amplified with the war ongoing between Russia and Ukraine. Communications have been sent to all Council staff asking them to remain vigilant and to report any suspicious events. Staff have been reminded of the importance of completing their mandatory Cyber awareness training. The Council and CGI are constantly monitoring threat intelligence feeds through various channels and applying controls where appropriate.

### **Governance, Audit and Contract Management**

- 4.19 The Council and CGI have an operational governance framework in place, built upon the requirements of the partnership contract. This includes regular reporting to the Corporate Leadership Team's Change Board on the delivery and development

of major transformation programmes, in accordance with the Council’s approved approach to managing major projects and change.

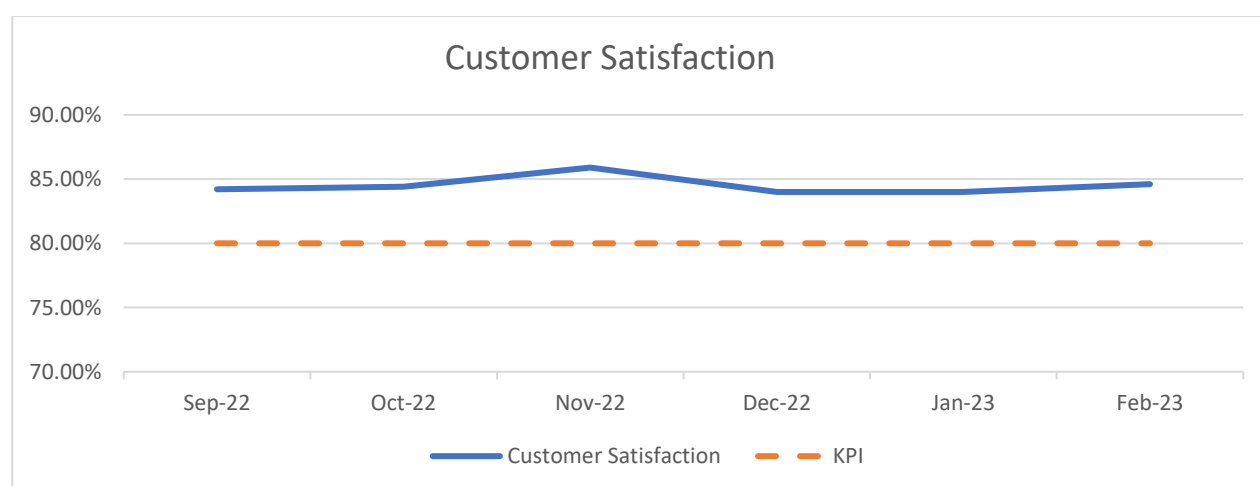
4.20 Internal Audit has planned audits in the 2022/23 Audit Plan for CGI Risk Management, CGI Enterprise Architecture, and the Security Operations Centre. All three have commenced and the Security Operations Centre audit has fully concluded with actions assigned and included below.

4.21 Digital Services currently has 15 open audit actions owned by either CEC or CGI. All open actions are within date. These are being actively managed and kept under regular review by the Service Director and the Digital Services Senior Management Team.

### Core Digital Service Performance

4.22 Service performance is driven through a set of twenty-five key contractual measures that, in turn translate to a set of key performance indicators (KPIs). Service incidents definitions can be found in Appendix 1.

4.23 Customer (User) satisfaction scores have remained well above KPI levels and have improved slightly following a dip related to the impact of priority 1 incidents in January 2023.

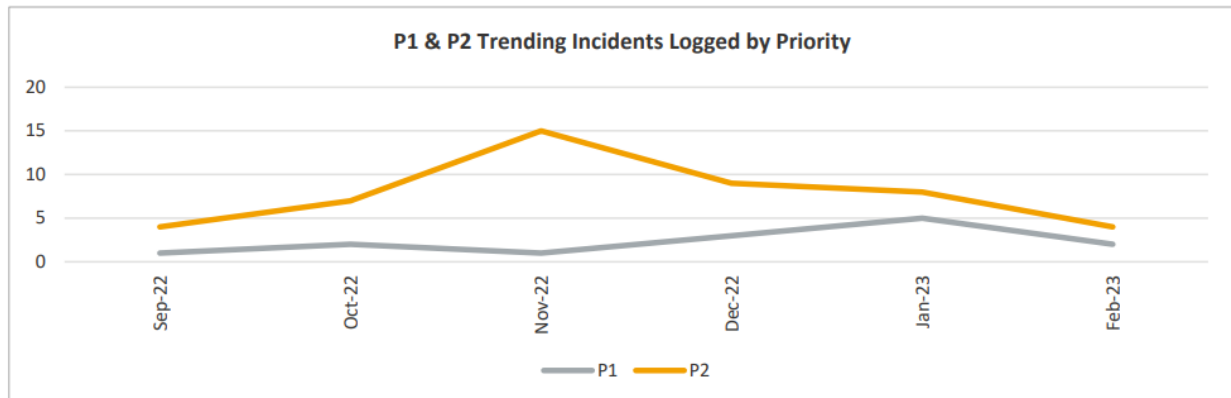


4.24 The response rate for customer satisfaction surveys remains low. Communications have previously been distributed across the Council to encourage colleagues to participate in these which are distributed to every call once closed and a further reminder is planned.

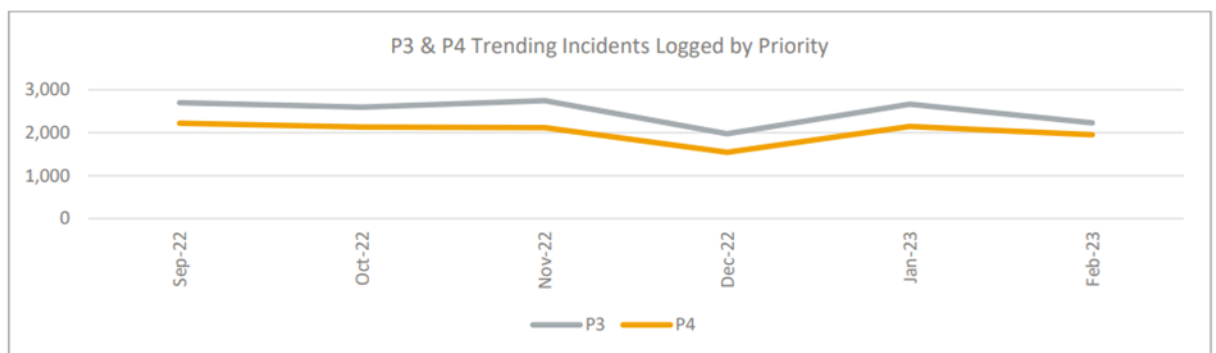
	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023
Surveys Distributed	5476	5250	5106	4436	5396	5142
Surveys Completed	277	258	288	189	260	252
Response Rate	5.06%	4.91%	5.64%	4.26%	4.82%	4.90%



4.25 The volume of Priority 1 (P1), or the highest severity incidents, has reduced to an acceptable level. The volume of Priority 2 (P2) incidents has also returned to a low and acceptable level.



4.26 The overall volume of non-critical Priority 3 (P3) and Priority 4 (P4) incidents shows a steady and stable pattern over the last six months with a dip over the Christmas holiday period as schools closed and colleagues took leave.

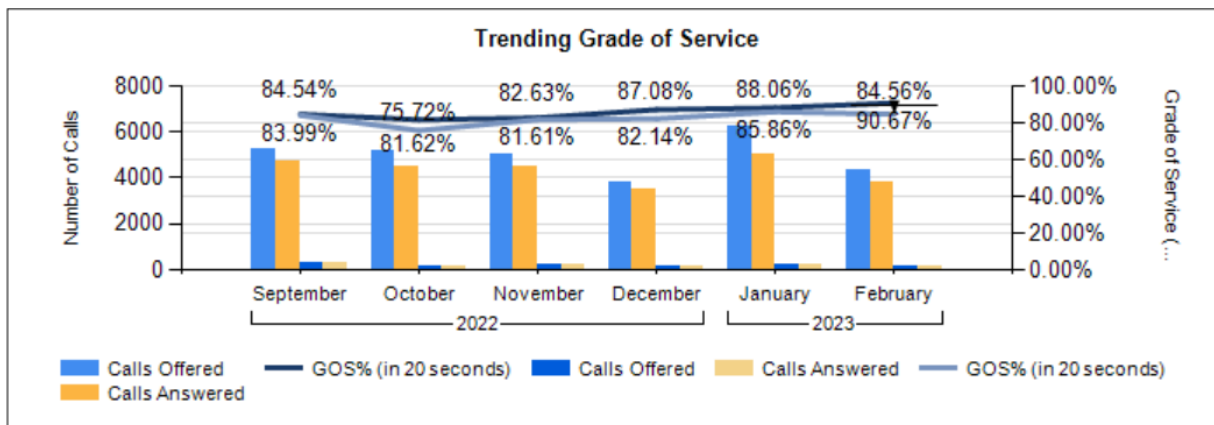


#### 4.27 Call Volumes

Priority	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Total
Critical (P1)	1	2	2	3	5	2	15
High (P2)	4	7	12	9	8	4	44
Medium (P3)	2,695	2,592	2,748	1,975	2,666	2,225	14,901
Low (P4)	2,220	2,131	2,117	1,543	2,145	1,949	12,105
<b>Total</b>	<b>4,920</b>	<b>4,732</b>	<b>4,879</b>	<b>3,530</b>	<b>4,824</b>	<b>4,180</b>	<b>27,065</b>

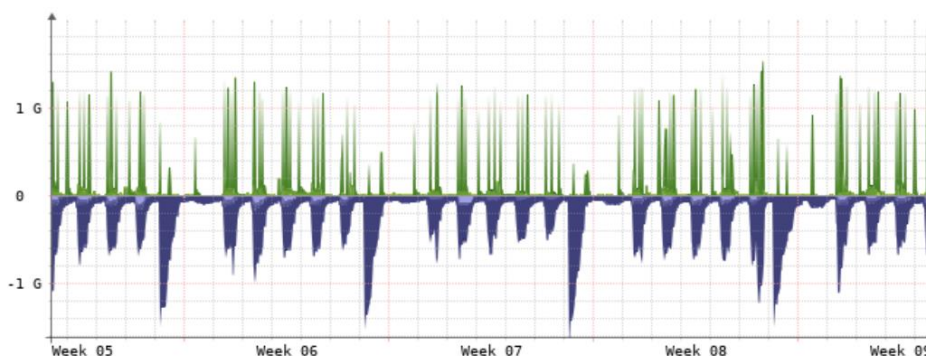
4.28 Call volumes have remained at stable and acceptable levels. Appendix 2 provides a comparison of P1-P4 calls over five full years to December 2022 and highlights the overall reduction in calls over the last few years and the stabilisation of volumes. Appendix 3 provides a comparison of call volumes this year and last.

4.29 As our call volumes have stabilised over the years, the grade of service has improved.



## Network Usage

- 4.30 Our bandwidth usage is constantly monitored and the primary WAN circuit for both estates is well within capacity. There is active review of individual sites to monitor their usage, cancel unused lines and update where traffic has increased.



## Strategic Programme of Work and Change Programmes

- 4.31 The Digital Services Strategic Programme of Work presents a portfolio of projects to support the execution of the Council's Digital and Smart City Strategy over the next 12 months. The remaining elements of the delivery of the six main transformational programmes previously reported on, ERP and Business Intelligence, are incorporated within this and updates are provided for these.
- 4.32 The Strategy defines the principles that support project decisions and choices in relation to priorities, funding models, resourcing, scheduling, hosting, security, and application architectures.
- 4.33 Progress on the work programme will be monitored through this Committee quarterly. A high-level snapshot of the 2023-24 plan is included as part of Appendix

4 for reference along with detailed information on the wider programmes underway. Details of the major and transformational programmes included below:

### **Empowered Learning – Digital Education**

- 4.34 Work on the Empowered Learning programme, delivered in partnership with CGI, has now completed.
- 4.35 Work began in April 2021 on the delivery of the Empowered Learning solution which will provide every pupil from P6 to S6 with a device and access to devices for all P1 to P5 pupils as well as augmentation of our existing wireless network in schools. This programme has now also been expanded to include Early Years.
- 4.36 This programme has delivered:
- Equity of access from P6 to S6, ensuring all pupils have personal access to digital learning with their teacher in school or at home
  - 44,736 iPads have been distributed across the city to learners and teachers
  - And additional 1052 Wireless Access Points have been installed across all educational establishments with accompanying cabling where required
  - Effective digital workflow to increase engagement, improve teacher feedback and raise attainment
  - A range of powerful accessibility features to improve access to the curriculum for pupils with additional support needs
  - Learners able to work online simultaneously in a class or collaboratively outside the classroom
  - High quality digital applications for productivity and creativity, providing increased personalisation and choice
  - Development of learning, thinking and digital literacy skills vital for success in today's rapidly evolving, technological society.
- 4.37 The programme lessons learned is underway and the Education, Children's Services and Criminal Justice Directorate will review how this programme will work beyond 2025/26 when the initial 4 year programme ends. The project closure report is also being finalised.

### **Application Performance - NetApp SAN / File Storage**

- 4.38 A programme to upgrade a key component of the Council's file storage infrastructure known as the "NetApp SAN", is now well underway. As the NetApp SAN supports many of the Council's core applications including iTrent, Swift, iWorld Housing, and iWorld Revenues and Benefits, the programme requires careful planning and coordination with business teams, to support testing and ensure the upgrades have minimal impact on business operations. The infrastructure for the new "NetApp SAN" is now fully deployed and live migrations for all production databases have now completed. The purpose of upgrading the NetApp storage is

to modernise the infrastructure which has resulted in improved performance speeds of applications, which in turn will improve overall productivity for end users.

### **Social Care Rostering - Driving Operational Efficiency**

- 4.39 The project to introduce a new Health and Social Care roosting system is now fully mobilised and moving forward at pace. This includes a weekly project board and specialist working groups and teams with responsibilities for key areas such as technical delivery, business change, procurements, planning and logistics, interfaces, and data quality. Activities underway include iPhone deployments, system integration testing, interface developments, business process re-engineering, communications, and stakeholder engagement sessions. To date over 450 care workers have received their mobile devices and iPhone training as part of the project.
- 4.40 The system will drive efficiencies and support new ways of working to deliver the best quality of care, adopting a three conversations approach, and help support individuals live independently in their own home, offering the right care and support, at the right time and in the right place. The programme was originally planned to complete in March 2023. In consultation with other Local Authorities the EHSCP have reprofiled the delivery plan to adopt best practice and to ensure this significant change is embedded into the service area, which as a result will mean that the programme will conclude in December 2023.

### **Community Transport Management - Driving Operational Efficiency**

- 4.41 Work is now underway to deliver a new integrated community transport system to support the routing of vehicles and management of drivers. This will assist in areas such as the transportation of children with Additional Support Needs (ASN) from parents and carers homes back and forward to school. The introduction of the new transport system will provide more flexibility and support more efficient scheduling and route planning thereby reducing mileage, costs, and environmental impact. The system will also provide an online portal for parents and carers to book and track journeys.

### **Customer Digital Enablement – Enhancing On-Line Offering**

- 4.42 We are continuing to expand the range of online services offered to citizens through the Council CRM system. A key highlight includes the recent launch of the new Repairs Direct online booking service - which integrates the CRM with our housing and workforce scheduling systems, allowing citizens to book housing repair appointments online.
- 4.43 Further online services which have recently been delivered include forms to support annual gas servicing and blue badge payments, and ongoing developments to build forms to support online requests for dropped kerbs and disabled parking bays, and to report traffic signal faults.

4.44 In parallel we are also enhancing the CRM knowledge base functions which will assist both the contact centre and members of the public in solving issues and answering questions. We are also working with CGI and Verint, to investigate options for improving and simplifying the customer authentication and login process for the CRM.

### **Smart Cities – Smart Waste and Smart Housing**

- 4.45 Work continues to progress around the platform configuration for the Smart Cities Operations Centre. As of 10<sup>th</sup> March 2023, 4525 sensors have now been installed and are functioning as expected in the Smart Cities test environment set up by CGI. Installations to litter bins in the City Centre was completed ahead of the Christmas markets opening. Regular shipments of sensors have now commenced and plans are well underway to deploy up to 11,000 sensors in to litter and communal bins across Edinburgh which is on track to complete by June 2023. Council resource, part funded by ERDF match funding, are key contributors to this project activity and additional resource has been brought in to expedite these installations. Survey work around the various components of the system is underway and progressing as expected.
- 4.46 Deployment of damp sensors in empty Council properties is due to commence and will comprise 1500 sensors, with six tradespeople completing installation across 500 properties. This will help the team assess installation rate and identify any outstanding issues surrounding iWorld software and familiarise tradespeople with the software used when installing sensors. The data collected from these sensors will be used to help design reports which will be used by the Council to identify and predict dampness in homes.
- 4.47 Appendix 4 provides further details on the large scale of digital transformational activity across service areas.

### **CGI Community Benefits & Carbon Neutral 2030 Commitment**

- 4.48 CGI are committed to demonstrating tangible community benefits for the City of Edinburgh Council and its citizens and have been involved in various different activities over recent months.
- 4.49 The CGI Cyber Escape Experience visited Atlantic Quay in Leith during February. The CGI Cyber Escape Experience has been touring various sites across Scotland this year raising awareness of cybersecurity and its impact in our modern world. The event in Leith was a great success, educating children and adults alike through interactive activities demonstrating how sensitive information can be manipulated and how this can be safeguarded against. CGI will work with CEC to plan further events of this nature, particularly across secondary Schools post the exam period.
- 4.50 Discussions have been held with One City Trust to explore how CGI can continue to support this deeply meaningful collection of projects, especially with One City Trust celebrating its twentieth year. CGI have been involved in various initiatives over the past year across Edinburgh, including supporting Costorphine Community Centre to

update their website to drive increased traffic to important local news and community activities.

- 4.51 CGI are committed to continue to support One City Trust over the next year and beyond. Applications are currently open for this year's funding round, which CGI will be involved in from the outset to provide support to the winning projects.
- 4.52 CGI have made a commitment to ensure sustainability is a key element of their business processes going forward. CGI are progressing towards their target of being Carbon Neutral by 2030.
- 4.53 CGI recently participated in the UN Climate Change Conference, known as COP27. As the only IT services firm to partner with the COP27 Presidency, they engaged in active discussions about CGI's sustainability services and solutions, including the metaverse, to share how technology can play a pivotal role in helping organizations operate innovatively and use data to advance climate change goals and achieve long-term stakeholder value.
- 4.54 Recent activities close to home have included the planting of 1500 new trees across the UK with recent planting activity at Hawkhill Woods.

## **5. Next Steps**

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The Council continues to further strengthen and improve our management, governance, security, and delivery arrangements for the digital programme in partnership with CGI. The approval of our Digital and Smart City Strategy provides the strategic direction for the next phases of our digital developments. The approval of this strategy also informs the future prioritisation of investment, both capital and revenue, in digital activities. This will ensure that appropriate consideration can be given not only to future improved systems to drive efficiency, and deliver savings, but also to investing in core Council systems which are end of life or nearing end of life such as the Finance and Debt management upgrades, SWIFT and the HR system replacement.

## **6. Financial impact**

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- 6.1 Our partnership with CGI is saving the Council an estimated £6m per annum against the 2015/16 baseline spend on ICT with our former partner, BT. Over the first phase of the Council's contract with CGI, this will save £45 million. The Committee should note that this saving has already been fully assumed and incorporated as part of the Council's Medium-Term Financial Framework and planning assumptions.
- 6.2 During 2018 the Finances and Resources Committee approved a negotiated 'variation' to the baseline contract which included a reset of all digital transformation programmes and the Council receiving just over £11m of rebate.

- 6.3 On the 27 August 2020, the Finance and Resources Committee approved a 6-year extension to end March 2029 following negotiations between CGI and the Council, realising a further saving of £14.1m. This contract extension enables the Council to realise financial savings and build on the progress made in partnership with CGI, with greater focus upon change management and enhanced service delivery.
- 6.4 In addition to the savings generated by our IT partner, considering future digital investments should assist with driving wider operational efficiency benefits along with improved employee and citizen outcomes, like we have seen with our Verint CRM on-line portal, Total Mobile workforce rostering solution rolled out into Housing and now being rolled out to the EHSCP and our Smart City digital waste and smart housing programme which are in implementation stage.

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

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- 7.1 The Council's Corporate Leadership Team (CLT) risk register formally identifies digital capabilities, cyber security and information governance as a risk and ensures that sufficient mitigations and active management of risks continues to be undertaken. This is further complemented by risk reporting and management in respect of cyber security and information governance, including Data Protection Compliance.
- 7.2 The Council's Change Board actively monitors and tracks progress on all Council wide programmes ensuring that targeted action is taken should timelines, benefits or costings deviate from the original business case, this includes the ICT programme.

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

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- 8.1 [Digital & Smart City Strategy 2020-23](#)

## **9. Appendices**

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- 9.1 Appendix 1 - Incident Definitions
- 9.2 Appendix 2 - Year on Year service level agreement (SLA) Volume Comparison 2018-2022
- 9.3 Appendix 3 – Two-year SLA Volume Comparison (Last & Current)
- 9.4 Appendix 4 – Strategic Programme of Work
- 9.5 Appendix 5 – Digital & Smart City Implementation Plan

## Appendix 1 - Incident Definitions

### "Severity 1 Service Incident"

A Service Incident which, in the reasonable opinion of the Authority:

- (a) constitutes a loss of the Services which prevents a large group (of at least 50) End Users from working; or
- (b) has a critical impact on the activities of the Authority; or
- (c) causes significant financial loss and/or disruption to the Authority; or
- (d) results in any material loss or corruption of Authority Data; or
- (e) results in a P1 being Non-Available; or
- (f) causes an entire business area to be unable to work.

Non-exhaustive examples include: A failure of the Services to provide user authentication service; or at least 50 End Users unable to work or a P1 failings its KPI Availability targets.

### "Severity 2 Service Incident"

A Service Incident which, in the reasonable opinion of the Authority:

- (a) has the potential to have a major (but not critical) adverse impact on the activities of the Authority and no workaround acceptable to the Authority is available; or
- (b) has the potential to cause a financial loss and/or disruption to the Authority which is more than trivial but less severe than the significant financial loss described in the definition of a Service 1 Service Incident; or
- (c) causes financial loss and/or disruption to the Authority; or
- (d) affects greater than 25 but less than 50 End Users; or
- (e) results in a P2 Application being Non-Available.

Non-exhaustive examples include: Corruption of organisational database tables or loss of ability to update Authority Data.

### "Severity 3 Service Incident"

A Service Incident which, in the reasonable opinion of the Authority:

- (a) has the potential to have a major adverse impact on the activities of the Authority which can be reduced to a moderate adverse impact due to the availability of a workaround acceptable to the Authority; or
- (b) has the potential to have a moderate adverse impact on the activities of the Authority; or
- (c) affects less than 25 End Users; or
- (d) results in a P3 Application being Non-Available;

Non-exhaustive examples include: inability to access data or a class of customers.

### "Severity 4 Service Incident"

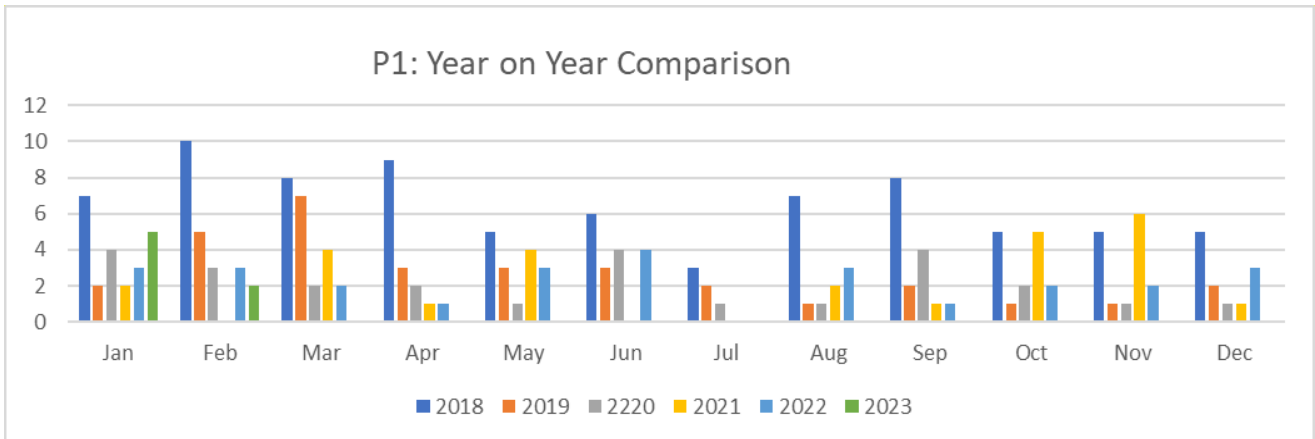
A Service Incident which, in the reasonable opinion of the Authority has the potential to have a minor adverse impact on the provision of the Services to End Users.

Non-exhaustive examples include an inability to access data for a single customer.

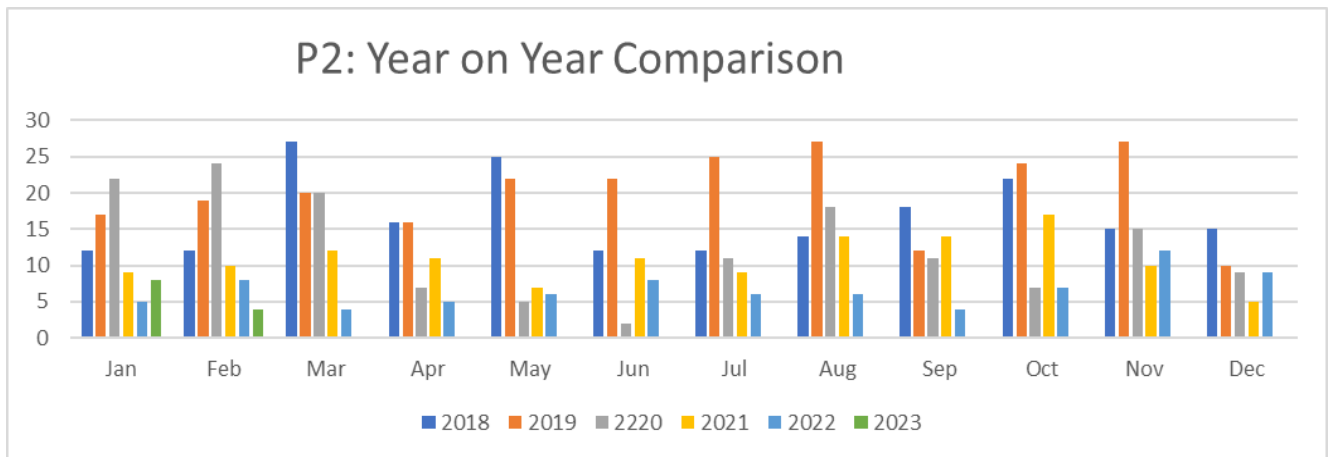


**Appendix 2 - SLA Volume Comparison – 2018-2022**

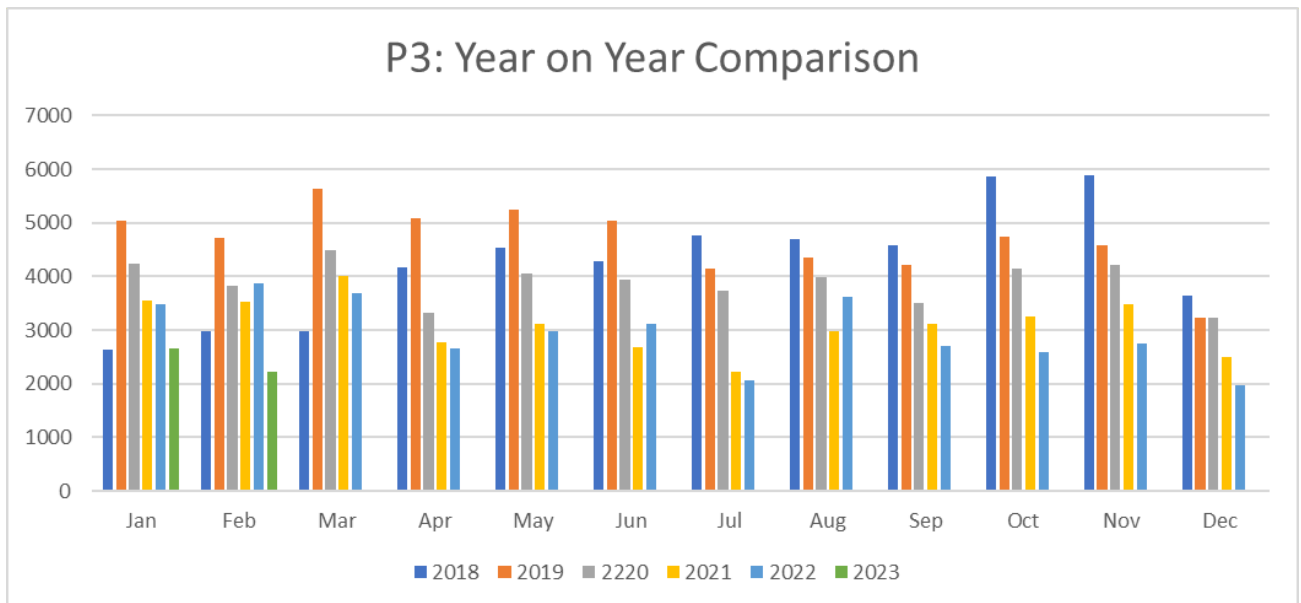
**P1: Year on Year Comparison**



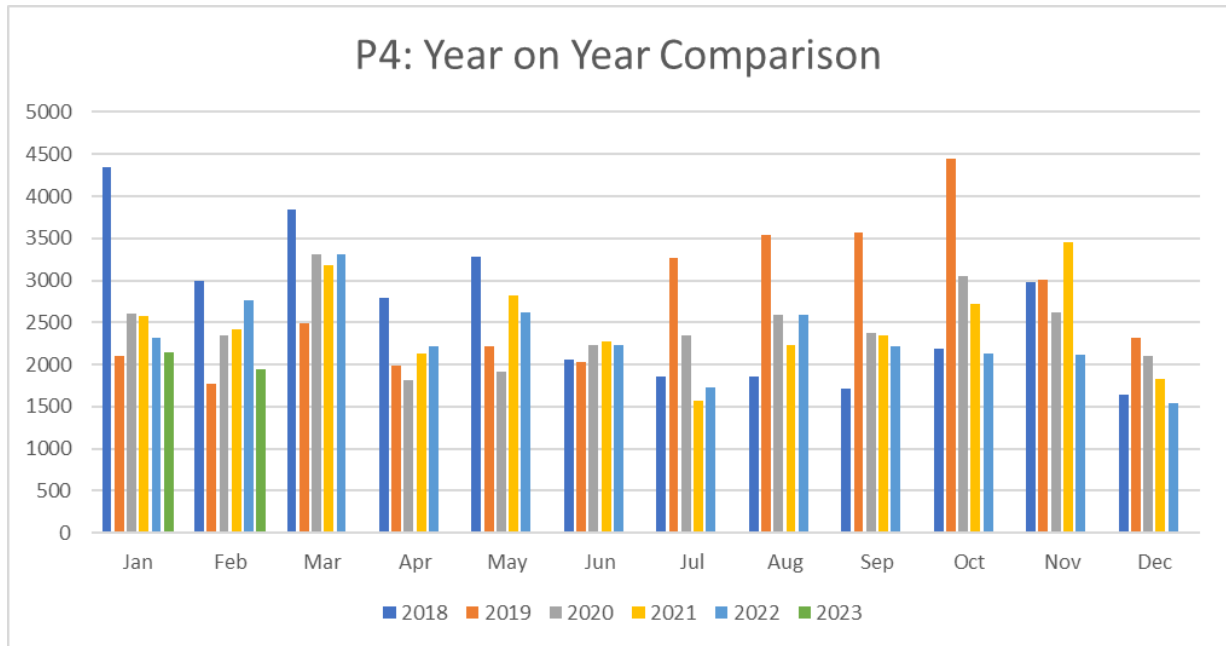
**P2: Year on Year Comparison**



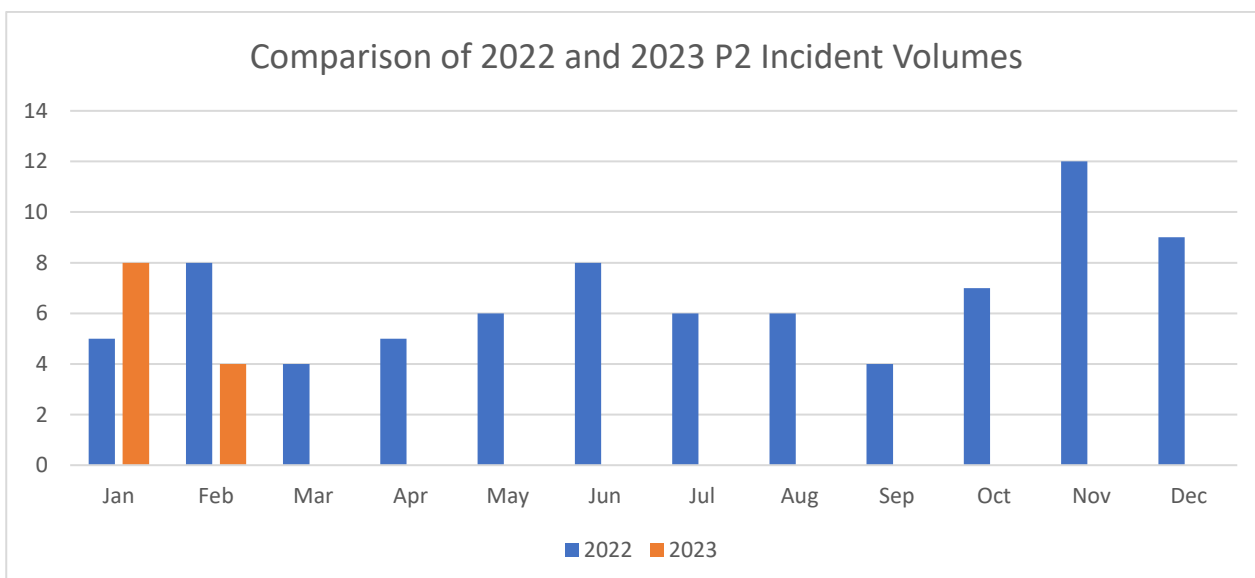
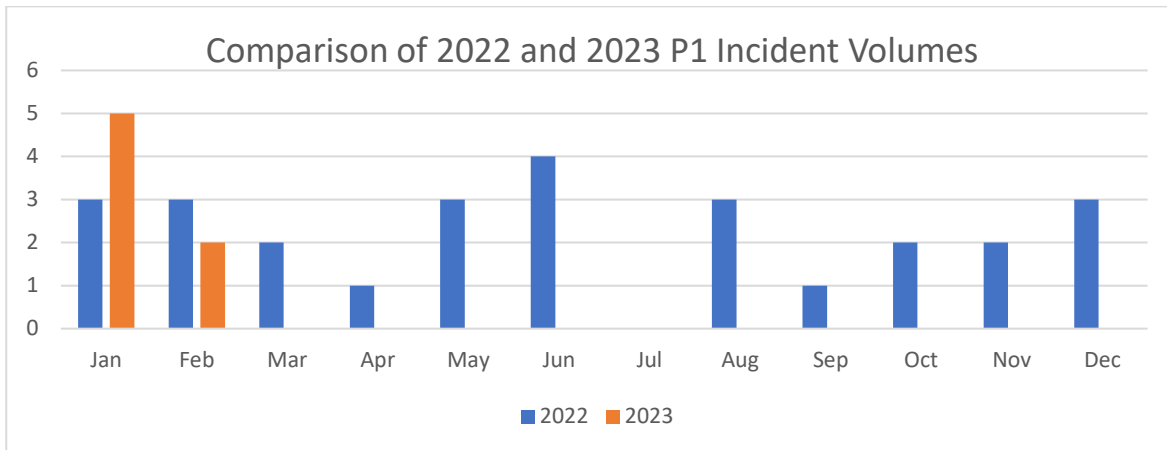
**P3: Year on Year Comparison**



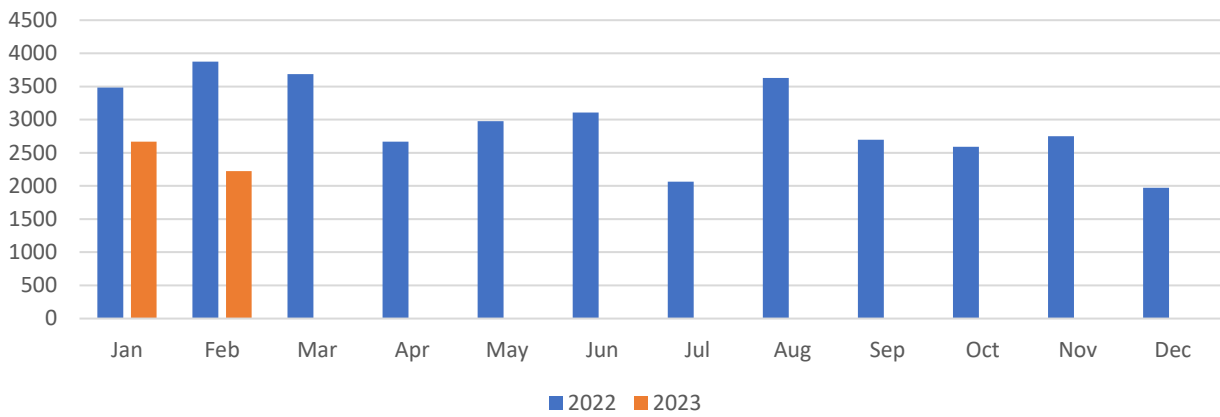
## P4: Year on Year Comparison



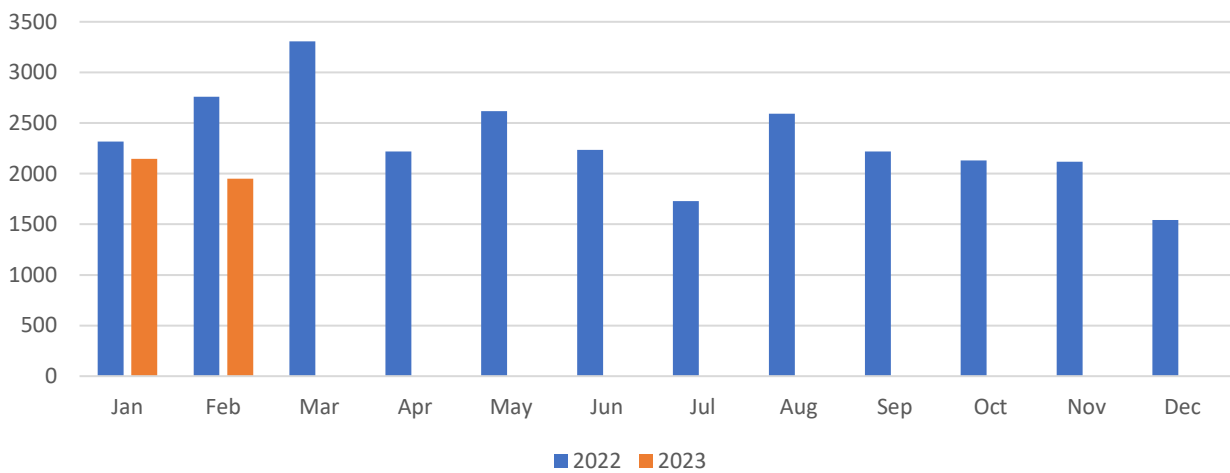
### Appendix 3 – Two Year SLA Volume Comparison – 2022 & 2023



### Comparison of 2022 and 2023 P3 Incident Volumes



### Comparison of 2022 and 2023 P4 Incident Volumes



## **Appendix 4 Strategic Programme of Work**

### **Operational Efficiency**

The following programmes assist with driving operational efficiency within the service areas they relate to.

#### **Tenant Engagement Platform**

- We are working with the Housing Service on proposals to develop an integrated and automated solution for online engagement with social housing tenants in areas such as...
  - Automated Transactional Polls
  - Community Consultations
  - Annual Surveys
- The system will assist the service in better understanding social housing customer's experiences and the challenges faced. At present, individual consultation exercises are carried out in ways which are typically manual, time consuming and inefficient and generate a relatively low return.

#### **Housing Asset Management**

- We previously rolled out the final module of the Housing Asset Management application to help support the maintenance and upkeep of the Council's social housing stock. The project has delivered a raft of new functions and services to assist the administration of housing assets including the tracking and control of asbestos, and the coordination of condition surveying. Work continues to embed the system into business processes and to refine set-ups and configurations to drive further operational benefits.
- The system underpins wider business changes to improve efficiency, help reduce operational wastage, and improve regulatory compliance.

#### **Mobysoft RentSense**

- The new Housing rent management system, Mobysoft RentSense, which was deployed in late 2022 remains in early life support and is proving highly effective in helping Housing officers to identify and assist tenants who are struggling to pay their rent.
- This supports officers in making targeted and early interventions and helps ensure tenants receive the appropriate help and support, and to drive forward improvements in the overall rent collection.

#### **ERP – Oracle EBS12**

- The ERP programme, which will deliver a range of upgrades and improved interfaces between core systems in Finance, HR/Payroll and Banking and Payments Services is now in full delivery with contracts in place with the Council, CGI, and the sub-contracted Oracle integration and managed service partner.
- Regression testing for the Oracle E-Business Suite v12 upgrade (regression testing is the re-running of functional and non-functional tests to ensure that previously

developed software continues to perform as expected) has completed and the focus is on the finalisation of the debt management environment and the set-up of environments for the next stage of testing. Confirmed programme costs have been built into the financial model, which is rigorously monitored by Finance and the programme board. Internal Audit remain fully engaged with and provide agile audit support for this programme.

### **Hosted IDOX**

- A major milestone was reached on the hosted IDOX project when the project moved into formal User Acceptance Testing. The project will migrate the core Planning and Building Standard system into the vendor cloud which will transfer responsibility for maintaining infrastructures, IT compliance, system upgrades and support over to the supplier, allowing the service to become more agile, scalable, and resilient, and to focus on delivering improved public services.
- Further planning is now underway to finalise the rollout plan which will target a switch over to the new system over Q2 2023.

### **Computer Added Facilities Management (CAFM)**

- Ongoing work is underway between Digital Services, Property and Facilities Management, and CGI to plan the final migrations of the property management legacy system onto the new CAFM application for the running of corporate properties and programmes. This work follows the previous transition of FM services onto the CAFM system which provides front line staff with functions to manage aspects such as condition monitoring, asbestos, maintenance, and inspections via their smart phones.

### **Ethitec ELMS2**

- The Community Equipment Loan Service is a partnership between the City of Edinburgh Council, East Lothian Council, Midlothian Council and NHS Lothian which provides, delivers, installs, repairs, maintains and recycles a range of equipment helping people of all ages to live independently. The service is supported by the Ethitec ELMS2 system for the management of stock and orders.
- A project is now underway to extend the use of ELMS2 to help administer the provision of urology prescriptions, creation of purchase orders and reporting for financial reimbursement of those. Go live is scheduled for Q2-Q3 2023.

### **Masterbill**

- Work has progressed with the Housing Repairs team to upgrade the Masterbill cost analysis and bill of quantities management system which supports the running of construction and maintenance projects within the social housing sector. The project is scheduled to go live in Q2 2023.

### **Civica CX**

- Work continues on the Civica CX project which will replace the legacy “Civica APP” system with an upgraded cloud-based solution to drive business improvement and

transformation across Licensing, Trading Standards, Food Safety and Hygiene. The project is being delivered in phases with Phase 1 now underway to transition Licensing from APP onto CX and planning for Phase 2 is in progress.

### **Housing Repairs and Mobile Working**

- Earlier last year we successfully closed Phase 2 of the Housing Repairs project which has delivered a new mobile workforce management solution for Empty Homes and Gas Servicing as well as further enhancements to the Repairs archiving system. Work has now started on delivery of Phase 3 which will deliver further efficiencies and service improvements.

### **Council Tax, Housing, BID and Non-Domestic Rates Billing**

- Over February we successfully completed major system upgrades and batch processing runs for the 2023 Council Tax, Housing, BID and Non-Domestic Rates Annual Billing. The process has been simplified through the introduction of a new Northgate solution last year which supports both the bill generation and citizen access to online Revenues and Benefits accounts. As part of this project, we have also successfully upgraded our Housing Management system.

### **Digital and Smart City Strategy**

- The Implementation Plan to support the Digital and Smart City Strategy has been developed and the latest version can be found in Appendix 5.
- This Plan is a snapshot of work at a point in time. The date of this is noted on the plan.
- The Digital and Smart City Strategy will be revised during 2023.

## **Providing Accessible Services**

### **Fostering Edinburgh**

- Work continues between Digital Services, the Family Based Care team, and Communications to further enhance the new “Foster with Edinburgh” website which successfully launched on Tuesday the 21st of September. The website is a key part of a wider campaign to promote the service and provide carers and prospective carers with information and advice on our Adoption and Fostering services. Further work is now commencing to leverage the platform and capture requirements for enhancements as a phase 2 activity.

### **Intranet External Gateway**

- The project to deliver a new external gateway to the Council Intranet is now underway. The gateway will enable the 5000 employees without Council email addresses to connect to the ORB via their personal email accounts - providing secure access to vital HR information such as
  - Internal staff communications
  - Council policies, and policy-related guidance and support

- Wellbeing guidance and initiatives
- General updates relating to pay and benefits
- This additional solution addresses one of the actions in the Tanner Report. The system is on schedule to go live in Q2 2023.

### **Website Developments and Accessibility**

- Following the conclusion of the Cabinet Office accessibility audit of our websites in February 2022, further work is now underway on our own next-level accessibility testing from which we will begin the next phase in ensuring that we continue to achieve and maintain accessibility compliance standards. The aim of this work is to ensure the Council's websites are accessible for all Citizens. Discussions are also underway on options to upgrade the "Edinburgh Guarantee" website which helps support people of all ages and backgrounds easily access and progress in fair work, training or further education.
- The Council commissioned an accessibility audit by a third party during March 2023 and we will be working on an implementation plan for the findings of this.

### **People's Network**

- We successfully upgraded the Peoples Network within libraries which provides members of the public with free and secure access to computers and the internet, and Wi-Fi connectivity for customers who wish to use their own devices. The scope of the project included replacing 184 desktops across 33 locations - consisting of 154 general devices and 30 OPACS devices locked down for catalogue searches.
- The upgrade also delivered new Wi-Fi print capabilities allowing members of the public to print from their own devices. Planning is now underway within libraries on a phased rollout of Wi-Fi print - ensuring appropriate training and guidelines are in place prior to a wider communication to sign post members of the public to the new service

### **Analogue to Digital Programme**

- In preparation for the BT OpenReach Public Switched Telephone Network (PSTN) decommissioning deadline in December 2025, work has started with Procurement and Directorates to raise awareness and ensure that they have plans in place to switch over any remaining analogue telephone or broadband circuits before that date.
- The Council is well positioned for this transition, as the main telephony system (Mitel) is now fully digitised however a significant number of legacy PSTN lines remain in place to support miscellaneous services such as alarm lines, building managements systems, and payment terminals, which will require to be replaced with digital alternatives.

### **AdvicePro**



- We rolled out a new ICT system, AdvicePro, to assist the Council's Advice Services in supporting members of the public around aspects of welfare rights including income maximisation through welfare benefits, tax credits and grants, and to provide advice to help resolve personal debt.

### **Benefits Forms**

- We are migrating and upgrading a number of Housing and Council Tax Benefit forms into the supplier cloud. The new forms offer a better customer experience with the introduction of intuitive screens which guides customers and offers advice as the customer completes the questions. The forms are also designed to present questions only relevant to the customers' particular circumstances.

## **Using data to drive improved outcomes**

### **Business Intelligence**

- Having successfully signed-off the final dashboards for the Confirm asset management system within Waste Services, which in conjunction with the Routesmart waste collection dashboards, completes delivery of the contractual elements of the Business Intelligence transformation programme, over January to March 2023 we completed work on new reports and dashboards for Homelessness services, and finalised the transition of business intelligence support and development capabilities over to Council teams.
- This represents the final stage of this programme of work which will be encapsulated in a project closure report.

## **Maintaining and enhancing core systems**

### **Property ICT Programme**

- We have a very busy schedule of ICT infrastructure projects to support the capital property programme including the installation of networks, Wi-Fi, telephony, printers, and other ICT equipment in new and refurbished buildings.
- Key projects which have recently completed include Castlebrae High School, Darroch Annex, Canaan Lane Primary, and Victoria Primary. Other building projects which are underway include Boroughmuir High School Extension, Currie High School and work associated with the ongoing nursery expansion programme.

### **Currency Programme**

- Our currency programme is the ongoing process of understanding how functional an item of hardware or software is compared to the latest version. As part of our currency programme, we are working closely with our technology partner and business areas, to ensure that our IT applications and infrastructures remain aligned to supplier support cycles, run at peak performance, and capitalise on functionality and features offered through new product releases. Key currency programme activities underway include:

- We completed the upgrade of the AXIM construction management system for Roads Services
- We have upgraded the LACHS insurance claims system and are now investigating opportunities to move it into the supplier cloud
- We are upgrading the SWIFT Business Objects reporting platform.

### **Softphones**

- Following a successful pilot in 2022, work is now underway to extend the deployment of softphones into key business areas. Softphones allow colleagues to use their PCs to make and receive calls using their Council landline numbers. This offers all the features typically reserved for traditional business phone systems like the ability to receive, place, and transfer calls, set up call waiting, reroute calls, and is particularly advantageous for staff who are home or hybrid working and require to be contacted directly via their office number.
- Information on softphones will be communicated more widely and a process is being put in place to manage softphone requests and allocations through the ICT portal.

### **Microsoft 365**

- A number of significant Microsoft 365 technical, security and user-facing improvements have commenced or have been fully rolled out. These include:
  - Development of a release approach plan for release and support of further Teams and MS365 applications is nearing completion
  - Continued updates to the Teams application including seminars, breakout room support and improved presentation capabilities
  - Pilot rollouts of Power BI, Power Apps, Power Automate, Forms, Sway, Stream and Bookings to support our wider Data Strategy and Business Intelligence objectives.

### **Change Processes**

- Over March to April last year, we ran a series of structured interviews with teams from both City of Edinburgh Council and CGI, to capture user feedback on the effectiveness of the current ICT change processes and ideas for improvement.
- In response to the review, further work is now underway to deliver a change improvement action plan which will set out a series of specific and measurable improvement tasks with clearly defined owners and timeframes.

### **Digital Working Groups**

- We are continuing to work with Services across the Council to set up new working groups with our relationship managers to coordinate digital developments within their service areas and identify and drive forward new opportunities to harness

technology to deliver service improvements, efficiencies, and underpin new ways of working.

- As part of our improved reach and relationship management, Digital Services has been working closely with services in both operational and strategic matters. A recent example was the short notice supply of loan devices to support an inspection in the HSCP and these devices have since been redeployed to support temporary social work staff across Children and Families.

## Appendix 4 – Strategic Programme of Work (Plan)

DIGITAL SERVICES - STRATEGIC PROGRAMME OF WORK - MARCH 2023																			
Category	Project	Comment	2022			2023									2024				
			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Enhancing On-Line Offering	Customer Digital Engagement Programme	Rolling programme of Channel Shift / Customer Digital Enablement (CDE) projects																	///
Enhancing On-Line Offering	- CDE Repairs Direct	Integrated on line bookings for Housing repairs		●															
Enhancing On-Line Offering	- CDE Reporting / Payment Forms	Rolling programme of reporting/payment form developments e.g. grit bins, school placements	●				●				●				●			●	///
Enhancing On-Line Offering	Tenant Engagement Platform	Developing an automated solution for online engagement with social housing tenants																	
Application Performance	NetApp SAN - File Storage	Upgrading File Storage Infrastructures to enhance system performance & improve support																	
Driving Operational Efficiency	Housing-Annual Billing & Year End Closures	Annual billing processes																	
Driving Operational Efficiency	Revenues & Benefits-Annual Billing & Year End Closures	Annual billing processes																	
Driving Operational Efficiency	ERP Project	Oracle eBusiness suite upgrade, Accounts Receivable migration																	
Driving Operational Efficiency	Housing Asset Management - Phase 1	Housing stock asset & asbestos management system rollout	●																
Driving Operational Efficiency	Regulatory Service -CX Project	Upgrade of legacy case management system with Civica CX product, Rollout plan TBC																	
Driving Operational Efficiency	Total Mobile - Phase 3	Upgrades to the mobile Housing Repairs workforce application including changes to Voids and Gas repairs.																	
Driving Operational Efficiency	Smart Cities (SC) Programme																		
Driving Operational Efficiency	- SC - Empowered Learning	Empowering Learners through access to digital platforms & apps. Phased rollout over 2022.	●	●	●														
Driving Operational Efficiency	- SC - City Operations Centre	Creating a smart city ops centre and ongoing rolling of smart bin and housing sensors.	●	●	●	●	●	●	●	●	●	●	●	●					
Driving Operational Efficiency	Business Intelligence (BI)	Delivering a consolidated BI reporting service that provides performance dashboards & reports																	
Driving Operational Efficiency	Hosted IDOX	Migration of Planning & Building Standards application into the IDOX Cloud (date tbc)																	
Driving Operational Efficiency	Workforce 360 - Upgrade (timeframes TBC)	Upgrade of Revenues and Benefits W360 workflow system including cloud migration of document store																	
Driving Operational Efficiency	Mobysoft	Predictive analytic system to support rent payments	●																
Driving Operational Efficiency	Rolling GIS / Mapping Programme	Including working with NSS and in-house GIS team to model of COVID-19 outbreaks.			●					●				●			●		///
Driving Operational Efficiency	Community Transport Project	Project in planning at the moment - rollout schedule over 2023.																	

DIGITAL SERVICES - STRATEGIC PROGRAMME OF WORK - MARCH 2023																			
Category	Project	Comment	2022			2023									2024				
			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Enhancing On-Line Offering	Customer Digital Engagement Programme	Rolling programme of Channel Shift / Customer Digital Enablement (CDE) projects																	///
Enhancing On-Line Offering	- CDE Repairs Direct	Integrated on line bookings for Housing repairs		●															
Enhancing On-Line Offering	- CDE Reporting / Payment Forms	Rolling programme of reporting/payment form developments e.g. grit bins, school placements	●				●				●					●			///
Enhancing On-Line Offering	Tenant Engagement Platform	Developing an automated solution for online engagement with social housing tenants																	
Application Performance	NetApp SAN - File Storage	Upgrading File Storage Infrastructures to enhance system performance & improve support																	
Driving Operational Efficiency	SWIFT Upgrade	Upgrade of SWIFT social care system - timescales and approach to be finalised																	
Driving Operational Efficiency	iTrent Upgrade	HR and Payroll year-end upgrades and patches						●											
Driving Operational Efficiency	Rolling "Customer" Digital Developments	Rolling programme of Customer & Transactions system upgrades and development projects		●				●											///
Driving Operational Efficiency	Rolling " Place" ICT developments	Rolling programme of Place system upgrades and development projects	●				●												///
Driving Operational Efficiency	Mitel Telephony	Softphone pilot now completed.	●																///
Driving Operational Efficiency	LSCMI Upgrade	Migrating H&SC Level Service/Case Management Inventory to new Scottish Government service	●																
Driving Operational Efficiency	Ethitec - Urology	Extending the use of ATEC24 ELMS2 to help administer the provision of urology prescriptions																	
Driving Operational Efficiency	Masterbill Upgrade	Upgrade of Masterbill cost analysis, and bills of quantities application within Housing Repairs																	
Driving Operational Efficiency	Pest Control work scheduling and management system	Development of new Pest Control work scheduling and management system																	
Providing Accessible Services	Website Development Programme	Rolling programme of website developments and accessibility improvements																	
Providing Accessible Services	Peoples Network Upgrade	Upgrade of Peoples Network in libraries providing free public access IT services																	
Providing Accessible Services	AdvicePro	Rollout of new Council Advice system to supporting members of the public	●																
Maintaining / enhancing core systems	Analogue to Digital Programme	OpenReach PSTN decommissioning programme																	///
Maintaining / enhancing core systems	Rolling Currency Programme	Server and database refresh and upgrade programme																	///
Maintaining / enhancing core systems	Rolling Cyber Security Programme	Information security projects policies, procedures, guidelines, and standards.	●																///
Maintaining / enhancing core systems	Property ICT Programme	Rolling schedule of ICT infrastructure projects to support the capital property programme.	●																///
ANNOTATIONS:																			

## Appendix 5 - Digital & Smart City Implementation Plan – Update as at 31<sup>st</sup> Match 2023

The table below sets out key deliverables and milestone delivery dates from our **Technology Roadmap** and will be updated quarterly.

Key deliverable	Delivered to date	Ongoing Improvements	June - Dec 2022 Completed	Sept – Dec 2022 Completed	2023	Beyond 2023
Core Technology & Platforms - Cloud Migration Strategy	<ul style="list-style-type: none"> <li>Cloud Migration Strategy adopted</li> <li>Agreed IDOX and Mobile Social Care as Cloud migrations</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Commence development pilots and adoption plan</li> <li>Begin migration pilots</li> </ul>			<ul style="list-style-type: none"> <li>Phase 1 Continued cloud migration work</li> <li>Commence engagement and consultation with key stakeholders on benefits and opportunities of Cloud adoption</li> </ul>	<ul style="list-style-type: none"> <li>Review Strategy and update to reflect current technologies, security, and the Council's technology landscape</li> <li>Minimum on premise footprint</li> </ul>
Core Technology & Platforms - Maximise Microsoft 365 capabilities	<ul style="list-style-type: none"> <li>OneDrive, Teams, Outlook for the Web, Office.com and associated apps rolled out across Corporate Estate</li> </ul>	<ul style="list-style-type: none"> <li>Maximise potential of Microsoft365 to support Learning &amp; Teaching operationally, delivery of curriculum, and strengthen wider community links</li> </ul>	<ul style="list-style-type: none"> <li>PowerBI, Power Automate, PowerApps, Bookings, Forms, Sway, Stream and SharePoint all in pilot.</li> </ul>	<ul style="list-style-type: none"> <li>Drive innovation further with adoption of additional M365 capabilities</li> <li>M365 remaining application release and support plan nearing completion providing a timeline for the remainder of M365 deliverables.</li> </ul>	<ul style="list-style-type: none"> <li>Maximise potential M365 for low code for Council- based innovation and development (Digital and power user-based)</li> <li>Commence development of "patterns" for low code use cases</li> <li>Exploit the potential of MS Teams for collaboration</li> <li>Sensitivity labelling pilot under review.</li> </ul>	<ul style="list-style-type: none"> <li>G: drive to Teams and SharePoint online migration</li> <li>Teams and SharePoint online lifecycle management (BAU)</li> </ul>
Core Technology & Platforms - Mobile/Flexible Working	<ul style="list-style-type: none"> <li>Mobile/Flexible UYOD</li> <li>CEC managed devices migration to Intune</li> <li>Microsoft app adoption</li> </ul>			<ul style="list-style-type: none"> <li>Commence review of thin client delivery options</li> </ul>	<ul style="list-style-type: none"> <li>Windows Virtual Desktop pilot</li> <li>Windows 365 Cloud PC pilot</li> <li>VPN Review</li> <li>Mobile Homecare rostering solution for Social Work</li> </ul>	<ul style="list-style-type: none"> <li>New solution in place</li> <li>Virtual desktops an available option</li> </ul>
Architecture	<ul style="list-style-type: none"> <li>Governance framework developed, agreed, and implemented</li> <li>EA Principles and Directions agreed</li> <li>Ongoing High Level Design reviews</li> <li>New Shadow IT framework</li> </ul>	<ul style="list-style-type: none"> <li>Application Currency Review (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>Commence application consolidation (combined with Cloud Migration - ongoing)</li> <li>Smart Cities</li> <li>Commence development of Azure capability</li> </ul>	<ul style="list-style-type: none"> <li>Commence development of combined app database (CGI and the Council)</li> <li>Commence review of network services</li> </ul>	<ul style="list-style-type: none"> <li>Data used for modelling services through BI.</li> <li>Delivery of a consolidated application list &amp; standardised toolset of strategic applications</li> </ul>	<ul style="list-style-type: none"> <li>Drive further efficiencies by streamlining application set</li> </ul>
Governance	<ul style="list-style-type: none"> <li>ICT technology Acceptable use policy implemented</li> <li>Digital and Smart City Strategy</li> <li>EADA – both enterprise architecture and design authority in place</li> </ul>	<ul style="list-style-type: none"> <li>Change Board</li> <li>Digital Strategy Group</li> <li>Improved departmental Digital Governance e.g., RM's engagement with departmental SLTs</li> </ul>	<ul style="list-style-type: none"> <li>Shadow IT review (complete)</li> </ul>	<ul style="list-style-type: none"> <li>Reflect national picture</li> <li>Review current open data provision</li> <li>Information Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Governance Review</li> <li>GIS Strategy</li> <li>Website accessibility review</li> <li>Digital &amp; Smart City Strategy Review</li> </ul>	<ul style="list-style-type: none"> <li>Strategy and Implementation Plan Reviews</li> <li>Open Data and BI Strategies</li> </ul>

## Technology Solution - Digital print & mail strategy

The Council has already embarked on an ambitious strategy to become paperless.

Key deliverable	Delivered to date	Delivered to date	Delivered to date	Ongoing	2023	Beyond 2023
<p>Digital print &amp; mail (paperless) strategy</p> <p>Reducing our use of paper and print through the Print and Mail Programme.</p>	<ul style="list-style-type: none"> <li>• “My letters” desktop sending of Royal Mail letters using online system.</li> <li>• Digital Mail assistant – scanning of inbound mail to the Council direct to recipients e mail account</li> <li>• Digital Scanner technology deployed to allow scanning of FOI’s and legacy paperwork to digital archives</li> <li>• Recycled Paper for copiers and envelopes introduced</li> <li>• Reduced mailing vehicles and physical mail pickups by 85% contributing to carbon reduction targets</li> <li>• Paper Form reduction planning started – evaluation of paper form printing underway at printing facility</li> <li>• 5-year savings plan developed and submitted to further reduce MFD machines.</li> <li>• New device deployment completed.</li> </ul>	<ul style="list-style-type: none"> <li>• Deploy papercut software – centralising bulk printing</li> <li>• Develop and communicate a Council wide print policy and framework – delayed and will be communicated in March in line with device role outs.</li> <li>• Start paper form usage reduction processes</li> <li>• Reducing storage space for legacy and future documents</li> <li>• Increase back scanning of archive to reduce storage footprint</li> <li>• Continue to reduce incoming paper mail flow into the Council by identifying and eliminating these at process source.</li> </ul>	<ul style="list-style-type: none"> <li>• Deploy Multi-Functional Devices to schools and corporate estate to a reduced footprint – started in January and delivered as planned.</li> <li>• Introduce local printing and scanning hubs – Equipment ordered, and machines will be deployed – machines delayed due to global supply chain issues and are being prioritised for delivery.</li> <li>• Introduce individual printing transparency and billing for MFD copier usage – on track.</li> <li>• Identifying Lean and automation opportunities and developing and deploying them while promoting digital processes rather paper-based ones</li> <li>• Start analysing machine usage over the network using new advanced reporting now available.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce colour and black and white printing in line with Business Case.</li> <li>• Reduce volumes of A3 printing</li> <li>• Reduce transactional mailing volumes for all centralised mailings – using document composition tools and expertise</li> <li>• Reduce number of deliveries from Paper and Stationery contract to Edinburgh sites from five per week to two per week.</li> <li>• Reduce the management of 300,000 incoming I&amp;B emails by introducing the Email Import Module for W360.</li> <li>• Introduction of Papercut Job Ticketing for efficient job ordering and data transfer to the Print Unit.</li> <li>• Identifying Lean and automation opportunities and developing and deploying them while promoting digital processes rather paper-based ones</li> </ul>	<ul style="list-style-type: none"> <li>• Identifying Lean and automation opportunities and developing and deploying them while promoting digital processes rather paper-based ones</li> <li>• Reduced energy consumption evident from using newer more efficient Multi-Functional Devices</li> <li>• Further reduce MFD machines deployed in line with planned 5% year on year volume reductions.</li> </ul>	<ul style="list-style-type: none"> <li>• Look to reduce centralised printing facilities footprint in line with much more reduced demand where possible</li> <li>• Business case the new MFD contract proposal – which is envisaged should be very light touch going forwards and plan for further savings. Contract tendering and award period should start mid-2023.</li> <li>• Deploy scanning to SharePoint once SharePoint has been rolled out – TBC</li> </ul>

## Technology Solution - Customer Digital Engagement

Though the Customer Digital Engagement programme we will look to create a single view of our customers to better model and shape our services and provide more targeted support to those citizens who need it most.

Key deliverable	Delivered to date	Delivered to date	Delivered to Date	Delivered to date	2023	Beyond 2023
<p>Customer Digital Engagement</p> <p>Move from traditional customer engagement routes to omnichannel, providing citizens with greater choice around how to transact and the 24/7 ability to pay, report or request public services.</p>	<ul style="list-style-type: none"> <li>Report/Request forms for: Litter, Road, Pavement, Streetlight, Pothole, Road Sign, Graffiti, Dog Fouling, Overhanging tree, bush or foliage problem, Grit Bin Requires Filling, Missed Bins (communal and individual)/ Communal Bin full or Overflowing, Request a Grit Bin, Recycling Bin or Box, Special Uplift/Bulky Waste, Assisted Bin collection, Garden Waste subscription Register for Garden Waste/ Garden waste change of details, View Account History/Transaction Change of Details, Set up Account/Create a Citizen Compliment, Suggestion or Complaint/, General Enquiry, Building Payment, Fixed Penalty Notice Payment, Sheltered Housing T.V. License Payment, ESRS - Shared Repairs, roadworks penalty notice, Pay us back - housing benefit, Pay your Council Tax or Business rates, Council rent, Non-emergency housing repairs, School Transport, Adult and Children Social Care Assessment forms, Covid related support and business grants, Submit and pay for licensing transactions, Report damp in Council owned homes, Apply for the Scottish Milk and Healthy Snack Scheme, School Registration, Apprentice Trainee, Religion and under 18 discounts for CTAX, RingGo refund, Report and Illegally Parked Vehicle, Low Income Housing Payments</li> </ul>	<ul style="list-style-type: none"> <li>Omni Channel – give customers choice of channels to transact with the council, maximising the proportion of digital transactions and reduce where possible face-to-face transactions</li> <li>Citizen centric – put citizens at the centre of what we do by engaging them in the design and delivery of services</li> <li>Digital by default – implement a digital approach to the delivery of services</li> <li>Mobile first – priority to ensuring that those services can be delivered through mobile technology</li> </ul>	<ul style="list-style-type: none"> <li>Improved housing repairs form to deliver benefit around the customer and agent journey ahead of the fully integrated transaction.</li> <li>Customer satisfaction survey development for form submission</li> <li>Contact forms for waste, streetlight and roads transactions</li> </ul>	<ul style="list-style-type: none"> <li>Fully integration of housing repairs process with the CRM</li> <li>Integration of communications platforms (Mitel, social media) with Verint CRM</li> <li>Consolidate Knowledge Base that can be surfaced through the CRM</li> <li>Upgrade of the CRM platform to latest version</li> </ul>	<p>To be confirmed - options include:</p> <ul style="list-style-type: none"> <li>Replace myGovScot single sign on platform with a fit for purpose solution that includes facility for business accounts</li> <li>Integration of Civica CX with Verint</li> <li>Integration of Civica EDM with Verint</li> </ul>	<ul style="list-style-type: none"> <li>Customer Digital Engagement programme - create a single view of our customer transactions to shape our services and provide targeted support where needed. This will use: <ul style="list-style-type: none"> <li>UPRN &amp; UCRN as key identifiers</li> <li>Provide single source of truth on the customer and the services they consume</li> <li>Enable personalised and localised services to be delivered</li> <li>Support pro-active grouping of services around user needs</li> </ul> </li> </ul>



## Technology Solution - Data as an asset

Our data is an asset that is of value to the organisation and our partners that needs to be managed accordingly.

Key deliverable	Delivered to date		Delivered to date	2023	Beyond 2023
<p>Data as an asset</p> <ul style="list-style-type: none"> <li>• Through better use of systems, we will ensure that our data is:</li> <li>• Easier to identify and find</li> <li>• Managed consistently across the organisation</li> <li>• Transferrable into information to support our evidence-based decision making</li> <li>• Support the work of our localities</li> <li>• Stored once and defined by effective metadata and information governance framework/rules</li> <li>• Structured to support a single view of the customer</li> <li>• Subject to constant analysis and review cycle to ensure effectiveness data management and governance (IGU)</li> <li>• Ensure our data is used and shared ethically</li> <li>• Open data where possible and capable of exploiting Smart City Data</li> <li>• Exploitable by AI in generating potential automations, additional intelligence, security heuristics etc</li> </ul>	<p>GIS Developments</p> <ul style="list-style-type: none"> <li>• We worked with NHS National Services Scotland using our in-house Geographical Information Systems (GIS) capability to improve the data we have in modelling COVID-19 outbreaks and to assist in our response to this. This work is part of a wider data sharing project with NHS NSS and both Glasgow City Council and Aberdeen City Council. NHS Lothian is following the outputs of this work closely and we are sharing this with them</li> <li>• Unification of property and street gazetteer data to enhance consistency and reliability of key address data used across the Council and shared nationally with the One Scotland Gazetteer.</li> </ul>	<ul style="list-style-type: none"> <li>• Delivering a Business Intelligence platform to integrate and leverage software information assets, and to transform data into actionable insights that drive the Council's strategic and tactical business decisions</li> <li>• We successfully signed-off the final dashboards for the Confirm asset management system within Waste Services, which in conjunction with the Routesmart waste collection dashboards, completes delivery of the contractual elements of the Business Intelligence transformation programme</li> <li>• Business Intelligence dashboards for Waste Services now fully embedded into business as usual, supporting improved performance and customer service.</li> <li>• Digital Services working with IGU to create Information Strategy</li> <li>• CAG Quality Improvements: designed to further enhance currency and reliability of address information and increase frequency with which it is shared with national users, e.g., emergency services..</li> </ul>	<ul style="list-style-type: none"> <li>• Business Intelligence - further work underway to build new reports for HR and Homelessness services, and to develop a strategic plan to transition business intelligence support and development capabilities over to Council teams by March 2023.</li> <li>• Microsoft "Power BI" pilots underway to explore the potential of the tool to support data-driven decision making and new ways to visualise and analyse data.</li> <li>• Mobilisation of the Azure Data Warehouse to support the Smart City Operation centre, providing a holistic view of the city by utilising the latest technology to drive operational efficiencies, improve security and analyse trends</li> <li>• Information Strategy and Implementation Plan underway</li> </ul>	<ul style="list-style-type: none"> <li>• We will work with services to improve the tools that enable a Council-wide approach to business intelligence to enhance services and digital engagement with our customers and communities.</li> <li>• Further adoption of Power BI for strategic reporting and analytics.</li> <li>• Consolidation of legacy geospatial asset management systems onto the corporate GIS platform, to improve data sharing and systems interoperability.</li> <li>• Further development of open data strategies and initiatives to publish information in a linkable and re-usable format with the aim to drive transformation and improvement through transparency and citizen/business participation.</li> <li>• Approval of Information Strategy and Implementation Plan</li> </ul>	<p>We will highlight the benefits of sharing open data and its use to help model and shape our services and our city.</p> <p>BI and GIS Strategies</p>

## Digital capabilities and services - Security

We will ensure that Council infrastructure is secure and resilient, and that continuity of services is maintained using appropriate technical measures to protect our network and the data we hold in our systems.

Key deliverable	Delivered to date	Ongoing Improvements	Ongoing Improvements	Ongoing Improvements	2023	Beyond 2023
<p>Security</p> <p>The security challenges we face are increasing and ever changing. As well as more documented attack routes such as virus or ransom ware, other challenges are emerging. Our increased use of multiple and remote devices creates a challenge to protecting this as our increased use of systems and who accesses them increases the attack surface for those wishing to compromise our security.</p>	<ul style="list-style-type: none"> <li>Follow National Cyber Security Centre (NCSC) current guidelines, including NCSC 10 steps to Cyber Security – ongoing every year</li> <li>Ensure compliance with Cyber Resilience Framework, PSN</li> <li>Improve cyber defences e.g., phishing</li> <li>Enhance password policy for Corporate</li> <li>Provide comprehensive security and awareness platform for all staff to detect, deter and defend against cyber threats - delivered through MetaCompliance</li> <li>Work with partners across the public sector through participation in the Cyber Security Information sharing partnership (CISP) and the Scottish Local Authority Information Security Group (SLAISG)</li> <li>Develop a comprehensive communication plan for cyber security</li> <li>Partnership with Scottish Business Resilience Centre</li> <li>Revised DPIA process for technical assurance</li> <li>Technical restrictions to block Webmail provision.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Follow NCSC guidelines</li> <li>Ensure compliance with Cyber Resilience Framework</li> <li>Improve cyber defences</li> <li>Completion of Implementation of all NCSC active cyber defence tools – implementation of DMARC/DKIM</li> <li>Enhance password policy for Learning &amp; Teaching</li> <li>Support cloud first strategy by moving the onus on patching to vendor/contract - by moving services to the cloud</li> <li>Work with public sector partners through participation in the Cyber Security Information sharing partnership (CISP) and the Scottish Local Authority Information Security Group (SLAISG) -ongoing</li> <li>Maintain and develop cyber risk management framework – joint cyber risk register</li> <li>Update comms plan for cyber security</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with Cyber Resilience Framework</li> <li>Improve cyber defences</li> <li>Develop a comprehensive communication plan for cyber security – ongoing</li> <li>Improve cyber defences network access control as part of Network management audit</li> <li>Phishing simulations</li> <li>Maintain and develop cyber risk management framework – joint cyber risk register</li> <li>Audit Work</li> <li>Work towards implementation of MTA-STS</li> <li>PSN Certification Prep</li> <li>Blocking of auto forwarding out with Council</li> <li>Continued audit work – new audits and completion of existing actions</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with Cyber Resilience Framework</li> <li>Support the implementation of shadow IT framework</li> <li>Support cloud first strategy - move the onus on patching to vendor/contract - by moving to cloud</li> <li>implementation of all NCSC active cyber defence tools –</li> <li>Update comms plan for cyber security</li> <li>PSN Certification</li> <li>Maintain and develop– joint cyber risk register</li> <li>NAC Project Meetings</li> <li>SOC Services Review</li> <li>Threat Intel review</li> <li>Tabletop Exercises</li> <li>Continued Drive in reduction of Vulnerabilities.</li> <li>L&amp;T Pen Test Review and RAP</li> <li>New Security Suppliers review and appointment</li> </ul>	<ul style="list-style-type: none"> <li>Follow NCSC current guidelines</li> <li>Ensure compliance with Cyber Resilience Framework</li> <li>Continued delivery of security and awareness platform</li> <li>Work with public sector partners through participation in the Cyber Security Information sharing partnership (CISP) and the Scottish Local Authority Information Security Group (SLAISG) -ongoing</li> <li>Maintain and develop cyber risk management framework – joint cyber risk register</li> <li>Update comms plan for cyber security</li> <li>PSN Certification</li> <li>L&amp;T Penetration Testing</li> <li>Audit Work</li> <li>Network Access Control across Corp and L&amp;T Domains</li> <li>SOC Services Review</li> <li>Threat Intel reviews</li> <li>Tabletop Exercises</li> <li>Business Cases</li> <li>EGRESS Implementation</li> </ul>	<ul style="list-style-type: none"> <li>Continued compliance with NCSC guidelines and Cyber Resilience Framework</li> <li>Improve cyber defences</li> <li>Data loss prevention</li> <li>Implementation of NCSC active cyber defence tools</li> <li>Upgrade/remove legacy applications – support cloud first strategy adoption</li> <li>Continued delivery of security and awareness platform</li> <li>Work with public sector partners through participation in the Cyber Security Information sharing partnership (CISP) and the Scottish Local Authority Information Security Group (SLAISG) -ongoing</li> <li>Maintain and develop cyber risk management framework – joint cyber risk register</li> <li>Update comms plan for cyber security</li> <li>PSN Certification</li> <li>L&amp;T Penetration Testing</li> <li>Threat Intel reviews</li> <li>Tabletop Exercises</li> <li>NAC</li> </ul>

## Digital capabilities and services – Standards

We plan to measure performance to improve our service both strategically and operationally using metrics to measure success.

We will focus on transforming our service provision to better meet the changing requirement of the organisation and a modern workforce. Using industry standard practices for IT service management that focuses on aligning IT services with the needs of business approach.

Key deliverable	Delivered to date	Ongoing improvements	Ongoing improvements	2023	2023	Beyond 2023
<b>Performance Management</b> Measuring performance to continually drive improvements and customer satisfaction.	<ul style="list-style-type: none"> <li>Monthly CSR meetings</li> <li>CSI (Continuing Service Improvement)</li> <li>discussed as part of CSR meeting</li> </ul>	<ul style="list-style-type: none"> <li>Incident response and resolution analyse to ensure meeting SLAs</li> <li>Customer satisfaction review</li> <li>Continue to progress innovation. E.g., Amelia</li> <li>RMs to set up meeting with Business areas re strategy</li> </ul>	<ul style="list-style-type: none"> <li>Review KPIs</li> <li>Look to improve service related to customer feedback</li> <li>Have trackers set up relating to Strategy with Business areas</li> </ul>	<ul style="list-style-type: none"> <li>Implement KPI changes</li> <li>Review Trackers</li> </ul>	<ul style="list-style-type: none"> <li>Reassess KPI changes impact</li> <li>Over-arching review of Business areas matching strategy</li> <li>Reviewing classification of incidents</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Annual review of Business areas Digital Strategies</li> <li>Clearer definition of incident priorities</li> </ul>
<b>Service Management</b> Improve service management provision through delivery of continual improvements for users.	<ul style="list-style-type: none"> <li>New Internal Service Desk (Halo) within Digital Services to improve interaction and service with colleagues</li> <li>Chat- bot Amelia has been piloted and roll out extended</li> </ul>	<ul style="list-style-type: none"> <li>Improving user experience piloting Chat- bot Amelia</li> <li>Continual improvement of Service Catalogue</li> <li>Continue to Promote use of My-ICT</li> <li>ITIL training for appropriate staff</li> </ul>	<ul style="list-style-type: none"> <li>Continual Service Improvements</li> <li>Monitor uptake of My-ICT</li> <li>Ensure ITIL standards are being met</li> <li>Review Digital Services Customer facing processes</li> <li>Continued focus on CSI</li> </ul>	<ul style="list-style-type: none"> <li>Chat Bot embedded within Corporate Estate</li> <li>Work with Comms to promote channel shift online</li> <li>Implement Digital Service Customer facing review Outputs</li> </ul>	<ul style="list-style-type: none"> <li>Move to more online tools – self service</li> <li>Chat Bot embedded within L&amp;T estate</li> <li>Review impact of Chat Bot and Internal Service Desk</li> <li>Complete new training to ensure ITIL standards are being met</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Service Strategy Review</li> </ul>

Digital capabilities and services - Standards					
We will apply a blended approach to project change management which will bring together the best elements of the Prince2 and Agile methodologies. Change requests will be assessed and coordinated through a joint change review board. The board will check that requests have a supporting business case and align to our enterprise reference architectural principles and technology roadmap. The change process will include options to fast-track legislative and emergency requests.					
Key deliverable	Delivered to date		Delivered to date	2023	Beyond 2023
<p><b>Change Management</b> Establish and embed improved change management processes that meet the needs of the Council for technology change requests and project and portfolio management.</p>	<ul style="list-style-type: none"> <li>Weekly Programme Boards and Risk Reviews to ensure effective management of project risks and plans, and regular highlight reporting</li> <li>Application of PRINCE2 project management methodology for all major projects</li> <li>Quality Gate processes in place to evaluate, authorise, and monitor projects through their lifecycle</li> <li>Weekly Relationship Management meetings with CGI to provide guidance and quality check change requests</li> <li>Weekly Joint Change Review Board to review the progress of changes requests and discuss risks, escalations, and prioritisations</li> <li>Application of ITIL governance framework for ICT change management</li> <li>Formal reporting of Change Performance SLA's through the Monthly Partnership Board</li> </ul>	<ul style="list-style-type: none"> <li>Launch of Emergency / Resilience Change Process to fast-track legislative and emergency requests</li> <li>Early adoption of Hybrid Agile / Waterfall models enabling more iterative approaches to project delivery</li> <li>Quarterly reporting of the Strategic Programme of Work to GRBV</li> <li>Emergency / Resilience Change Processes fully operational</li> <li>Digital Working Groups established in key business areas to improve collaboration</li> <li>Migration of the complex change application process onto the new Halo self-service portal</li> <li>CEC Relationship Managers to attend Strategic meetings with Business areas to ensure any developments match the Digital strategy</li> <li>Developing systems and staff capability responsive to changing business needs:</li> <li>Change process to ensure that futureproofing is always considered in terms of system agility and staff capacities</li> <li>Review of RM Board attendance and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Following workshops with CEC and CGI change teams on the effectiveness of the current ICT change processes, a "Change Improvement Action Plan" has been put in place.</li> <li>Cloud First – further developments to transition the next tranche of applications onto the Cloud</li> </ul>	<ul style="list-style-type: none"> <li>Annual refresh of Digital Business Plans with each Service area - ensuring alignment with the Digital and Smart City Strategy</li> <li>Extending in-house development capacity e.g., Business Intelligence and Website accessibility</li> <li>Cloud First – business case developments and projects to transition the next tranche of applications onto the Cloud / SaaS Model</li> <li>Establish a network of Digital Champions embedded within service areas</li> <li>Refresh of the change process guidelines and information on the Council Intranet</li> <li>Initiating a communications campaign to promote the change processes and help business users understand how to engage with both Digital Services and CGI, with new ideas, business cases and ICT change requests</li> </ul>	<ul style="list-style-type: none"> <li>Embedding Continuous Improvement into our change processes</li> <li>Cloud First - majority of applications move onto the cloud</li> <li>Agile Waterfall becomes the dominant delivery model - applying a more iterative approach focused on fine-tuning deliverables to the needs of the business</li> <li>Move towards a portfolio approach to digital programme management, in line with future business demand</li> <li>Programme of continuous improvement in change both within the Council and with CGI</li> </ul>

Digital capabilities and services - Standards					
Develop capability to be responsive to changing business needs. Embrace more agile and customer focused apps to support improved digital engagement with our citizens.					
Key deliverable	Delivered to date		2023	2023	Beyond 2023
<p><b>Business Solutions</b> As well as changes to our Infrastructure and the way we transform our business, we need to position our line of business systems to be an engine for change.</p>	<ul style="list-style-type: none"> <li>We successfully upgraded the Barclaycard online payment gateway across a range of customer facing applications including the contact centre CRM, the outdoor learning booking system, the planning and building standards portal, adult education booking and the Yakara mobile payment system.</li> <li>We upgraded the legacy Capture database in June 2022 which is primarily used to track and manage complaints. It also supports some contact centre transactions including housing repairs and Clarence requests related to items such as trees, parking meters, bus shelters and traffic signal queries</li> <li>Business Intelligence - we successfully closed this programme with final dashboards for the Confirm asset management system within Waste Services - which in conjunction with the Routesmart waste collection dashboards, completes delivery of the contractual elements of the Business Intelligence transformation programme</li> <li>Total Mobile (Housing Repairs and Mobile Working) – further developments completed to deliver a new mobile workforce management solution for Empty Homes and Gas Servicing and further enhancements to the Repairs</li> </ul>	<ul style="list-style-type: none"> <li>The Cabinet Office accessibility audit of our website successfully completed in February 2022, and further work is now underway on our own next-level accessibility testing from which we will begin the next phase in ensuring that we continue to achieve and maintain accessibility compliance standards.</li> <li>Currency Programme - we are working closely with our technology partner and business areas, to ensure that our IT applications and infrastructures remain aligned to supplier support cycles, run at peak performance, and capitalise on functionality and features offered through new product releases</li> <li>Property ICT Programme - we have a very busy schedule of ICT infrastructure projects to support the capital property programme including the installation of networks, Wi-Fi, telephony, printers, and other ICT equipment in new and refurbished buildings. Key projects which have recently completed include Castlebrae High School, Canaan Lane Primary, and Victoria Primary.</li> <li>Upgrade of the Peoples Network (PN) which provides members of the public with</li> </ul>	<ul style="list-style-type: none"> <li>Homecare - phased rollout of the new homecare rostering system starting in Autumn 2022. The system will drive efficiencies and support new ways of working to deliver the best quality of care, adopting a three conversations approach, and help support individuals live independently in their own home, offering the right care and support, at the right time and in the right place</li> <li>Websites – we are working closely with the Family Based Care team, to deliver a new “Foster with Edinburgh” website which will provide carers and prospective carers with information and advice on our Adoption and Fostering services, and a further development is in progress to upgrade the Edinburgh Guarantee website</li> <li>IDOX Cloud Migration - work is underway to transition key Planning and Building Standards systems onto “Software as a Service” running on the IDOX cloud</li> <li>Rollout of the cloud based Civica CX application to drive business improvements and transformation across Licencing, Trading Standards, Food Safety and Hygiene. The project is being delivered in phases with Phase 1 now underway to transition Licencing from the legacy</li> </ul>	<ul style="list-style-type: none"> <li>NetApp Sans – an upgrade to the Council’s file storage infrastructure known as the “NetApp SAN”. The NetApp SAN supports many of the Councils core applications including iTrent, Swift, iWorld Housing, and iWorld Revenues and Benefits, the programme will require careful planning and coordination with business teams, to support testing and ensure the upgrades have minimal impact on business operations</li> <li>Community Transport - introduction of a new transport system to support flexible and efficient scheduling and route planning - thereby reducing mileage, costs, and environmental impact. It will also allow drivers to receive real time route instructions on handheld devices in their vehicles which will replace the current outdated paper-based route allocation system. The system also provides an online portal for parents and carers to book and track journeys</li> <li>The ERP Programme - upgrade of the Council’s core finance systems to support key activities such as accounting, procurement, debt</li> </ul>	<ul style="list-style-type: none"> <li>Relationship Managers to identify other opportunities</li> <li>Analogue to Digital Programme – work to decommission all analogue BT PSTN lines before December 2025</li> </ul>

	<p>archiving system</p> <ul style="list-style-type: none"> <li>• End User Device Refresh programme - we successfully completed the rollout of the ultra-high specification PC's for AutoCAD users within the Capital Projects Team and work also completed to upgrade Cashless Catering PC's within schools</li> </ul>	<p>free and secure access to computers and the internet within libraries, and Wi-Fi connectivity for customers who wish to use their own devices</p> <ul style="list-style-type: none"> <li>• Transitioning business intelligence support and development capabilities over to Council teams by March 2023</li> </ul>	<p>system onto CX and planning for Phase 2 is in progress. Transitioning business intelligence support and development capabilities over to Council teams by March 2023</p>	<p>collection and supply chain operations</p> <ul style="list-style-type: none"> <li>• Rationalising our portfolio to reduce datasets, costs and improve sharing of data</li> <li>• Change process to always consider re-use ahead of off-the-shelf, ahead of bespoke and new.</li> <li>• Update and review "Council on a Page" Enterprise Architecture to uncover potential for rationalisation</li> <li>• Managers Embedded in Business area Strategic meetings</li> <li>• Ensuring systems are fit for purpose:</li> <li>• Departments to carry out audits of all their key systems</li> <li>• Ensuring that the data we hold, is needed, accurate and up to date:</li> </ul>	
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<b>Governance</b> A balanced governance model will provide flexibility with optimal discipline.					
Key deliverable	Delivered to date	Delivered to date	2023	2023	Beyond 2023
A range of governance tools will be put in place to provide assurance that the technologies we implement, and the investments made to put these in place, serve the strategic aims of the Council, the business needs of services and are in line with this Strategy.	As part of our already established Weekly Programme and Risk Review meetings we will: <ul style="list-style-type: none"> <li>ensure that the key deliverables from this strategy are subject to the same governance arrangements to ensure effective management of project risks and plans, and regular highlight reporting</li> </ul> The Enterprise Architecture Board and Enterprise Architecture Authority Design (EADA) have been re-invigorated and are up and running to: <ul style="list-style-type: none"> <li>ensure that we have an agreed baseline architecture</li> <li>guide technology investment decisions - including funding investments</li> <li>review technology standards, processes, and procedures</li> <li>make recommendations for the implementation plan and future technology strategies</li> </ul> In addition to the Strategy implementation plan and its reporting requirements to Corporate Leadership Team, we will: <ul style="list-style-type: none"> <li>establish a Smart Cities Board</li> <li>All proposed changes, projects and programmes will be required to have:                             <ul style="list-style-type: none"> <li>an approved business case</li> <li>funding available to implement and maintain the change through lifetime of the proposed solution</li> <li>Investment related to the individual projects or programmes and be provided by the Service responsible for the change</li> </ul> </li> <li>We will set up:                             <ul style="list-style-type: none"> <li>Change Board</li> <li>Digital Strategy Group</li> <li>Improved departmental Digital Governance</li> <li>Joint Council/CGI Disaster Recovery Board due to be re-established</li> </ul> </li> </ul> We will: <ul style="list-style-type: none"> <li>Work with Internal Audit to review and assess the adequacy and effectiveness of the processes and governance controls established to support development, communication, and implementation of the Council's Digital and Smart City Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Review of shadow IT - procurement to be managed under a new framework/system by Feb 22</li> </ul>	<ul style="list-style-type: none"> <li>Information Strategy to CLT and P&amp;S</li> <li>Digital Maturity Assessment</li> </ul>	We will take forward: <ul style="list-style-type: none"> <li>updated cloud and cyber security strategies</li> <li>clear ICT governance arrangements</li> <li>participation in national and regional programmes</li> <li>collaborative working with partners</li> <li>strategic alignment with Council goals and vision</li> <li>opportunities for innovation</li> <li>Governance review</li> <li>Update of Digital &amp; Smart City Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Strategy reviews</li> <li>Governance for strategy implementation plans</li> </ul>

## Digital Council and Smart City - Digital Learning

To realise our vision, partners at both a national and local level will work together to achieve all four of the interrelated objectives that are central to successful digital learning, teaching and assessment:

- Develop the skills and confidence of educators in the appropriate and effective use of digital technology to support learning and teaching
- Improve access to digital technology for all learners
- Ensure that digital technology is a central consideration in all areas of curriculum and assessment delivery
- Empower leaders of change to drive innovation and investment in digital technology for learning and teaching

Key deliverable	Delivered to date	Delivered to date	Delivered to date	Delivered to date	2023	2023 and beyond
<p><b>Digital Learning</b> Supports and promotes the appropriate and effective use of digital technology within education to give all City of Edinburgh learners the opportunity to improve their educational outcomes and to develop digital skills that will be vital for life, learning and work in an increasingly digital world.</p>	<ul style="list-style-type: none"> <li>• Digital Learning and Teaching framework shared with all education staff</li> <li>• Cross sectoral Digital Learning Board established</li> <li>• Funding and agreement to embark on Empowered Learning project</li> <li>• Key staff identified to create staff networks that will support Empowered Learning</li> <li>• Engagement with educational staff networks, third parties, and council colleagues to create and populate Learning Management System (Thrive)</li> <li>• Enhanced engagement of core platform MS365 to ensure continuity of resources, allow networking between settings and safe interactions with external partners.</li> <li>• Introduction of core interactive multi-media curricular content platform (ClickView)</li> <li>• Engagement with National E-Learning offer (eSgoil and West OS) as hosted on ClickView</li> <li>• Empowered Learning project piloted at 1 Secondary school and 1 Primary school</li> <li>• Promote engagement with Learning Management System (myLearningHub)</li> <li>• Appointment of 3 Digital Learning Development Officers to support Digital Learning Coordinator network and the development of e-learning materials</li> <li>• Infrastructure reviews conducted at each educational establishment (Early Years, Primary, Secondary and Special schools)</li> </ul>	<ul style="list-style-type: none"> <li>• Improvements to infrastructure made at each educational setting, starting 2021 and extending to Dec 2022.</li> <li>• Digital Learning Coordinator networks engaged to support teaching staff, learners, and their wider school communities</li> </ul>	<ul style="list-style-type: none"> <li>• Empowering school leaders</li> <li>• Providing professional learning opportunities for staff and equity of access by embracing e-learning (DLC networks and myLearningHub)</li> <li>• Deployment of 1 to 1 devices for all Secondary teaching staff and Learners (Build and Grow secondary students Aug '22.)</li> <li>• Focus on STEAM subjects to prepare learners with a digital toolset for future life and work</li> <li>• Creation of a dedicated AV and IoT network to enhance potential of AV equipment paired with staff and pupil device provision.</li> <li>• Introduction of new print approaches.</li> <li>• Rising rolls iPad stock increased</li> <li>• iPads to support Ukrainian young people enrolling in schools.</li> <li>• Increasing awareness of and confidence in using digital tools to support communication (Ukrainian language tools)</li> </ul>	<ul style="list-style-type: none"> <li>• Deployment of 1 to 1 devices for all Early, Primary and Special teaching staff and for P6 &amp; P7 learners</li> <li>• Deployment of devices in a ratio of 1 to 5 for P1 – P5 learners</li> <li>• Deployment of devices to Special and EY learners appropriate to those settings</li> <li>• Professional learning opportunities for staff with equity of access by e-learning (DLC networks and Thrive)</li> <li>• Edinburgh Learns curricular teams update curricular progressions and training opportunities</li> <li>• Learning community engagement with Data Education. University of Edinburgh colleagues will support learning communities using sensors within the local environment and analyse the returned data. Students will develop a range of skills through inter-disciplinary engagement with data.</li> </ul>	<ul style="list-style-type: none"> <li>• Developing our employees to be comfortable with the technologies we use to deliver service</li> <li>• Providing and promoting e-learning to enhance digital skills</li> <li>• Continuing professional learning opportunities for teaching staff</li> <li>• Edinburgh Learns curricular groups to support evaluation of Empowered Learning identifying areas for further support and next steps</li> </ul>	<ul style="list-style-type: none"> <li>• Review and refresh Empowered Learning provision</li> </ul>



## Digital Council and Smart City - Digital Skills

Consumer technology growth has created a new digital era. There is an increased need for consumers to develop their own digital literacy and cyber resilience skills to engage digitally with the Council and our customers must feel empowered to do so.

Key deliverable	Delivered to date	Sept 2021	Ongoing improvements	Ongoing improvements	2023	Beyond 2023
<p><b>Digital Skills</b> To be the Digital Council we aspire to be we will need different skills and knowledge. We will need:</p> <p>Council</p> <ul style="list-style-type: none"> <li>• Leaders who understand the value technology brings to our organisation</li> <li>• Leaders who develop digital skills to become digital leaders</li> <li>• A digitally skilled workforce who engage with professional development to further develop and enhance digital skills</li> </ul> <p>Customers</p> <ul style="list-style-type: none"> <li>• Citizens who feel confident in their digital skills and secure in their ability to promote their own cyber resilience</li> <li>• Citizens who engage with Smart City and Digital Council initiatives providing feedback that helps to shape future improvements</li> </ul> <p>Schools and Lifelong learning</p> <ul style="list-style-type: none"> <li>• Learners who engage with opportunities to develop their digital literacies</li> <li>• Learners who develop their understanding of their own cyber resilience to be safe and secure when using digital tools.</li> <li>• Learners who have digital skills for life, learning and work. Skills that will empower them to become the digital citizens and workforce of the future</li> </ul> <p>Teachers who utilize digital tools to support their working, develop high-quality teaching and effective assessment methods</p>	<p>Elected Member ICT and Digital Sounding Board meetings</p>		<p>We will do this by:</p> <ul style="list-style-type: none"> <li>• Developing our employees to be comfortable with the technologies we use to deliver services</li> <li>• Providing and promoting e-learning to enhance digital skills</li> <li>• Recruit Get Online Volunteers to support the delivery of digital inclusion learning in our libraries</li> </ul> <p>Providing professional learning opportunities for staff and ensuring equity of access to such opportunities by embracing e-learning</p>	<p>We will do this by:</p> <ul style="list-style-type: none"> <li>• Provide and signpost a wide range of digital support tools and materials</li> <li>• Provide adult learning opportunities using e-learning opportunities</li> <li>• Deliver digital inclusion learning opportunities for citizens via our libraries</li> <li>• Designing services and support capabilities that deliver digital inclusion for all our citizens</li> <li>• Embracing social media as a tool for engagement and communication both internally and externally</li> </ul> <p>We will do this by:</p> <ul style="list-style-type: none"> <li>• Supporting schools and early years to access and deliver a 21st century educational experience</li> <li>• Empowering school leaders to drive innovative changes within their setting</li> <li>• Providing up to date infrastructure, hardware, and software to ensure learning to enable learning that provides the best future life chances for all learners</li> <li>• Focusing on STEAM subjects to ensure learners are prepared with a digital toolset fit for future life and workspace</li> <li>• Embracing our core platform MS365 to ensure continuity of resources, allow networking between settings and safe interactions with external partners</li> </ul>	<p>Support Education Services as they review digital literacy and cyber resilience skills against participation and engagement, identify gaps and develop opportunities for further engaging and empowering customers and colleagues</p>	<p>Review digital literacy and cyber resilience skills against participation and engagement, identify gaps and develop opportunities for further engaging and empowering customers and colleagues</p>

## Digital Council and Smart City – Libraries Digital Inclusion

Digital inclusion is about ensuring the benefits of the internet and digital technologies are available to everyone. This is important not only to ensure that citizens can access Council services, but also to support the Council's central priorities of reducing poverty and improving well-being. Our aim is to provide our citizens with access to digital connectivity and that we can provide support for our citizens to gain digital skills and the confidence to use them.

Key deliverable	Delivered to date	Throughout 2022	Delivered and in business as usual	Delivered and in business as usual	2023	Beyond 2023
<p><b>Digital inclusion</b> We will:</p> <ul style="list-style-type: none"> <li>Ensure connectivity is available in our community spaces including libraries, schools, and early years settings</li> <li>Ensure citizens can access resources within our libraries</li> <li>Ensure citizens can access learning opportunities to further their digital skills and cyber resilience abilities</li> </ul>	<ul style="list-style-type: none"> <li>In March 2020, at the start of the Covid-19 pandemic, we worked to provide our most vulnerable families with devices and connectivity</li> <li>Edinburgh Libraries provide various digital support offers for staff and customers to help improve digital skills and raise confidence with digital technology on a local level.</li> <li>Edinburgh Libraries provide a varied catalogue of digital resources and a wide range of virtual learning, entertainment, and support activities freely accessible to all library members 24/7.</li> <li>Edinburgh Libraries provide free access to pcs, internet and Wi-Fi for all customers, citizens, and visitors.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of Empowered Learning which will</li> <li>Edinburgh Libraries continues to support SCVO in administering Connecting Scotland fund – shortleeting applications and distributing digital technology equipment and connectivity to local applicants.</li> <li>Initial pilot of SLIC Digital Training platform in Edinburgh Libraries – national platform designed to provide training and learning resources on selected digital activities and resources. Designed for public library staff to increase confidence and capability – aiming for 100% digital champion staff cohort.</li> <li>Edinburgh Libraries Get Online digital support delivered remotely over the telephone to combat technological barriers and physical barriers due to Covid19 building closures</li> </ul>	<p>Edinburgh Poverty Commission identified that action must be taken to address and ensure that digital participation opportunities are made available for those living with poverty. We will:</p> <ul style="list-style-type: none"> <li>Support the delivery of measures set out in the Council's Our Future Council; Our Future City plan to provide digital inclusion opportunities for our citizens. We will continue to identify opportunities, develop plans and work with partners to exploit and deliver these commitments throughout the lifespan of the strategy</li> <li>Roll out of remote check-out and return via individual digital device and Edinburgh Libraries App – will allow customers to issue and return books and check their library account using their mobile phone.</li> </ul>	<ul style="list-style-type: none"> <li>Providing up to date infrastructure and hardware</li> <li>Get Online – volunteer led 1:1 support for all learners. Sessions informal and user-led underpinned by SCVO Digital Charter and Good Things Foundation's Learn My Way online modules &amp; resources</li> <li>Get Online VIP - smart technology and e-resources offer accessibility functions which support and facilitate access for customers with sight loss and visual impairment. Identify staff training opportunities in Technology support for people with sight loss</li> <li>Refreshed People's Network - new hardware and software with updated features like wireless printing This provides free public access PC's and Wi-Fi connectivity. The upgrade has improved performance and resilience, and offers new services and future options to integrate customer hubs services into libraries.</li> <li>Provide an Online Public Access Catalogue (OPAC) in every library location</li> <li>Roll out of remote check-out via individual digital device and Edinburgh Libraries App – will allow customers to issue books and check their library account using their mobile phone</li> </ul>	<p>Open Plus technology - to enable access to library buildings and resources outside normal opening hours, with no staff onsite, by swipe card access. This would be for approved and inducted library customers – but available by application for all adult members (pending approval of infrastructure improvements) Self-service on the Edinburgh Libraries App-phase 2 – Library customers will be able to Return books via Library App. Online VIP sessions explore people's needs and provide the right support via small workshops</p>	<ul style="list-style-type: none"> <li>Replace desktops and software in all library locations</li> <li>Provide an Online Public Access Catalogue (OPAC) in every library location</li> <li>Upgrade of People's Network and potential for introduction of "tablet" technology</li> <li>Self-service kiosks</li> <li>New LMS (Libraries Management System)</li> <li>Review of digital connectivity infrastructure and development of plans to meet with current and future technologies</li> </ul>

## Digital Council and Smart City – Empowered Learning and Citizens Digital Inclusion

Digital inclusion is about ensuring the benefits of the internet and digital technologies are available to everyone. This is important not only to ensure that citizens can access Council services, but also to support the Council's central priorities of reducing poverty and improving well-being. Our aim is to provide our citizens with access to digital connectivity and that we can provide support for our citizens to gain digital skills and the confidence to use them.

Key deliverable	Delivered to date	Delivered to date	Ongoing	Ongoing	2023	Beyond 2023
<p><b>Digital inclusion</b> We will:</p> <ul style="list-style-type: none"> <li>• Ensure connectivity is available in our community spaces including libraries, schools, and early years settings</li> <li>• Ensure citizens can access resources within our libraries</li> <li>• Ensure citizens can access learning opportunities to further their digital skills and cyber resilience abilities</li> <li>• Ensure that digital literacies are embedded into all aspects of the curriculum</li> <li>• Foster positive relationships between families and early years settings/schools allowing for support opportunities to be identified</li> <li>• Provide equity of access to digital resources for all learners in schools</li> <li>• Ensure that citizens on low incomes are involved in the design and development of digital services that matter to them</li> <li>• Ensure super-fast broadband infrastructure is rolled out across the whole Council owned estates. This will provide benefits to tenants and the potential to support colleagues across the Council to work in a more mobile and efficient way. This will enable services across the Council, such as the Smart Cities project to develop their programme to reduce/eliminate the barrier of internet access. 2/3 of all council homes now connected to the CityFibre infrastructure.</li> <li>• Working with partners CityFibre to enable FTTP (fibre to premises) infrastructure rollout across the City</li> <li>• Working with 3rd sector partners to provide families with connectivity and devices as part of the SG Connecting Scotland programme. Connecting Scotland is a Scottish Government initiative being managed by the Scottish Council for Voluntary Organisations set up during the pandemic to provide funding to support organisations to help get every citizen in Scotland online</li> </ul>	<ul style="list-style-type: none"> <li>• In March 2020, at the start of the Covid-19 pandemic, we worked to provide our most vulnerable families with devices and connectivity</li> <li>• Schools worked during lockdown to provide devices to pupils to enable remote learning</li> <li>• Funding and agreement to embark on Empowered Learning project, Empowering Learners through access to digital platforms &amp; apps</li> <li>• Ensuring all our Council owned homes are connected to infrastructure to enable a fast and reliable broadband service and can support our colleagues across the Council to work in a more mobile and efficient way and meet tenant's needs. This could also enable services across the Council, such as the Smart Cities project to continue to develop their programme to reduce/eliminate the barrier of internet access.</li> <li>• City of Edinburgh council is working in partnership with CityFibre and Openreach to enable FTTP (fibre to premises) infrastructure rollout across the City to provide super-fast fibre broadband infrastructure to all our council own homes. Through open networks, this infrastructure will prove our tenants with the ability to choose from over 600 different broadband providers, ensuring they have access to the best deals without any set up costs, to date 2/3homes have been connected so far</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of Empowered Learning with over 44,000 devices to children and teachers across the city as well as enhanced Wi-Fi capability in schools. Both, training and roll out of this solution completed</li> </ul>	<p>Edinburgh Poverty Commission identified that action must be taken to address and ensure that digital participation opportunities are made available for those living with poverty. We will:</p> <ul style="list-style-type: none"> <li>• Support the delivery of measures set out in the Council's Our Future Council; Our Future City plan to provide digital inclusion opportunities for our citizens. We will continue to identify opportunities, develop plans and work with partners to exploit and deliver these commitments throughout the lifespan of the strategy</li> <li>• Continue to explore and develop digital connectivity opportunities for Council tenants.</li> <li>• We will continue to work with our partners to identify and develop opportunities for our digital infrastructure to improve connectivity,</li> </ul>	<ul style="list-style-type: none"> <li>• Providing up to date infrastructure and hardware</li> <li>• Get Online –</li> <li>• As part of their Community Benefits commitments CGI will undertake work to improve digital inclusion and participation</li> <li>• Continue to explore and develop digital connectivity opportunities for Council tenants. A follow up strategic planning meeting set for June 2022.</li> <li>• Take forward opportunities to involve Council tenants in user groups to help inform the development and testing of new digital improvements to the Council's housing services, such as improved online reporting of repairs</li> <li>• CityFibre and FTTP infrastructure work well underway, now reviewing options to utilise this infrastructure and settle on a final strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Edinburgh Learns curricular groups to support evaluation of Empowered Learning identifying areas for further support and next steps</li> <li>• Continue to explore and develop connectivity opportunities for Council tenants.</li> <li>• Take forward opportunities to involve Council tenants in user groups to help inform the development and testing of new digital improvements to the Council's housing services, such as improved online reporting of repairs</li> </ul>	<ul style="list-style-type: none"> <li>• Review and refresh Empowered Learning provision In planning to be confirmed:</li> <li>• Review of digital connectivity infrastructure and development of plans to meet with current and future technologies CityFibre expect to have completed their build by the end of 2024</li> </ul>

## Digital Council and Smart City - Smart Cities

A smart city is an urban area that uses different types of Internet of Things (IoT) sensors to collect data then use insights gained from this to manage assets, resources, and services. Our vision for a smart city is the application of data and technology to increase efficiency, minimise costs and enhance convenience.

Key deliverable	Delivered to date	Ongoing work	Ongoing	Ongoing	2023	Beyond 2023
<p>Smart Cities</p> <p>Our aim for Edinburgh is to:</p> <ul style="list-style-type: none"> <li>• Make the city more liveable, workable, and sustainable</li> <li>• Have world class connectivity</li> <li>• Manage the city resources as effectively and intelligently as possible</li> <li>• Deliver world-class citizen-centric city services</li> <li>• Underpin a continuous process of reinvention, transformation, and creativity</li> <li>• Support economic development and long-term prosperity</li> <li>• Improve resilience</li> </ul> <p>Empower citizens to become Smart/Digital Citizens of the future.</p> <ul style="list-style-type: none"> <li>• For Edinburgh this will include:</li> <li>• connectivity – 5G and FTTP</li> <li>• sensor technology, IoT, AI</li> <li>• smart parking and EV charging</li> <li>• wearable and mobile tech</li> <li>• smart public transport</li> <li>• city Wi-Fi</li> <li>• smart energy</li> <li>• health and social care</li> <li>• smart citizens</li> <li>• DDI</li> <li>• conversational platforms</li> <li>• GPS/GLONASS and location analytics</li> <li>• greater citizen engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Approved proposal for a fully integrated IoT Platform. Project delivery to commence in Q1 2022.</li> <li>• Project Initiation Document</li> <li>• Platform High Level Design</li> <li>• Orders for bin and housing sensors</li> </ul>	<p>We will continue over the course of the Strategy to reshape our IT services and help to reshape the city with an approved plan for a fully integrated IoT Platform. This will enable Edinburgh to take advantage of the opportunities afforded by new and transformative technologies to become a digital Council and a world leading Smart City.</p> <p>Through our Customer Digital Engagement and Web programme, we will be:</p> <ul style="list-style-type: none"> <li>• Digital by default – implement a digital approach to the delivery of services</li> <li>• Citizen centric – put citizens at the centre of what we do by</li> </ul>	<p>The City of Edinburgh Council is developing an operations centre to support smart city services. This internet of things (IoT) platform will be able to incorporate artificial intelligence (AI), smart bin and housing sensors, upgraded CCTV and analytics technologies. This concept is underway and will be delivered over the course of the coming years in phases.</p> <p>Edinburgh’s plan for a Smart City Operations Centre foundational platform and sensors benefitting from 8th City European Regional Development Fund support. The 8th City Programme is one of 3 workstreams delivered by the Scottish Cities Alliance, a partnership of Scotland’s seven cities and the Scottish Government</p> <p>Engagement with all mobile operators/infrastructure providers to encourage improved connectivity.</p>	<ul style="list-style-type: none"> <li>• By delivering our Digital Skills and Digital Inclusion commitments, we will:</li> <li>• Provide and signpost a wide range of digital support tools and materials</li> <li>• Provide adult learning opportunities using</li> <li>• Deliver digital inclusion learning opportunities for citizens</li> <li>• Design services and support capabilities that deliver digital inclusion for all our citizens</li> <li>• Embrace social media as a tool for engagement</li> <li>• Smart City Operations Centre work continues</li> </ul>	<p>By treating data as an asset, we will:</p> <ul style="list-style-type: none"> <li>• work with services to improve the tools that enable a Council-wide approach to business intelligence to enhance services and digital engagement with our customers and communities</li> <li>• Smart City Operations Centre work continues</li> </ul> <p>Ongoing projects to improve 4G/5G coverage through use of Council Assets to improve coverage.</p>	<ul style="list-style-type: none"> <li>• We will review our Smart City capability and create a portfolio of smart city projects that balances short-term versus long-term impact, risks, investment, and social value, and establishes key strategic outcomes. As part of the work of the board, we will:</li> <li>• Develop a structured innovation management framework and innovation toolkit that builds on best practice from a broad range of relevant sectors</li> <li>• Work with 3rd party telecoms providers to exploit the connectivity available to us</li> <li>• Adopt and support the development of relevant Scottish UK and international Smart Cities actions and standards to build trust and confidence, ensure interoperability, and provide shared frameworks for city transformation plans</li> <li>• Develop governance to ensure a well-integrated smart city approach and coordinated governance of critical elements associated with portfolio, data and information management, cybersecurity, procurement, ethics, and privacy</li> <li>• Connect and share smart city knowledge, learning and assets</li> <li>• Introduce incubator projects at low cost to pilot tech benefits to solve real world problems</li> <li>• Smart City Operations Centre work continues</li> <li>• Working with SFT/InfraLink to encourage increased 4G/5G coverage across the City including working with our Planning team.</li> </ul>

## Digital Council and Smart City - Innovation

Innovation is about addressing problems in new and original ways that better meet the needs of customers.

Many developments in both the systems we use and in Smart Cities technology are experienced as innovation, having a disruptive impact on how services have previously been experienced or delivered; both positive and negative.

Key deliverable	Delivered to date	Delivered to date	Ongoing	Ongoing	2023	Beyond 2023
<p>The Council sees two forms of innovation driving empowerment:</p> <ul style="list-style-type: none"> <li>un-proven: The first focuses on new 'unproven' technology, where the Council would be an early adopter</li> <li>proven: The second is the adoption of new, or re-use of existing, proven technologies by the Council. This approach will be supported through a business case approach.</li> </ul> <p>Both approaches will be supported as appropriate to the technology and the solution.</p>	<ul style="list-style-type: none"> <li>Teams unified communications</li> <li>Team collaboration (on request)</li> <li>Mobile Device Management re-platform (Intune)</li> <li>Outlook Online</li> <li>BYOD</li> <li>self-service password reset</li> <li>Our Shared Repairs service was a Challenge Sponsor in the Scottish Government's CivTech 4.0 Innovation Programme, supported by Digital Services Relationship Management. 2 Phases included the Tenement App and Case Management system.</li> <li>Phase 1 – Tenement App has been completed.</li> <li>Phase 2 – Case Management cloud-based system for tenement repairs led by the Council has been delivered and is in use.</li> </ul>	<ul style="list-style-type: none"> <li>OneDrive for Business</li> <li>Continue to use technology and innovation to assist in new ways of working</li> </ul>	<p>We will:</p> <ul style="list-style-type: none"> <li>Promote an understanding of new products, process, services, or technologies that are emerging in the market, both locally and globally as well as from SMEs and well-established providers</li> <li>Support an innovative culture across the Council</li> <li>Enable third parties to pitch innovative concepts to the Council following procurement guidelines</li> <li>Provide a structured mechanism for the Council to explore and manage its technology innovation portfolio</li> <li>Engage and consult key stakeholders on benefits and opportunities of Cloud adoption</li> </ul> <p>We will:</p> <ul style="list-style-type: none"> <li>Encourage cross-departmental re-use and sharing of systems/resources</li> <li>Continue to use technology and innovation to assist in new ways of working</li> </ul>	<ul style="list-style-type: none"> <li>Continue to explore and exploit innovation and collaboration opportunities through DDI (data driven innovation)</li> <li>Empowering school leaders to drive innovative changes within their setting</li> <li>Continue Cloud migration</li> <li>Continue to use technology and innovation to assist in new ways of working</li> </ul>	<ul style="list-style-type: none"> <li>Identify opportunities to Increase and drive automation</li> <li>Continue Cloud migration</li> <li>Continue to use technology and innovation to assist in new ways of working</li> <li>Review strategy and update to reflect current innovations, technologies, security, and the Council's technology landscape</li> </ul>	<p>Potential to drive innovation further with adoption of additional Microsoft 365 capabilities:</p> <ul style="list-style-type: none"> <li>e.g., low code no-code (PowerApps and Flow)</li> <li>migration of G drives to Teams/SharePoint and a range of other new 365 tools</li> <li>Identify further innovation opportunities</li> <li>Final Cloud migration strategy move</li> <li>Continue to use technology and innovation to assist in new ways of working</li> </ul>

## Digital Council and Smart City - Technology Sustainability

The City of Edinburgh Council has set an ambitious city-wide target to become carbon neutral by 2030.

Key deliverable	Delivered to date	Delivered to date	Ongoing	Ongoing	2023	Beyond 2023
<p><b>Technology sustainability</b></p> <p>Digital Services and our delivery partners for technology and Smart Cities are committed to contributing to this carbon neutral target in several ways including reducing:</p> <ul style="list-style-type: none"> <li>• Energy use</li> <li>• Carbon emissions</li> <li>• The amount of waste generated</li> <li>• The effects of climate change</li> </ul>	<p>To date, we have:</p> <ul style="list-style-type: none"> <li>• Reduced carbon emissions by implementing an automatic shutdown of PCs in pilot areas across the Council in the evenings and over weekends</li> <li>• Installed multi-function devices to replace printers and copiers across the Council</li> <li>• Chosen technology solutions with virtualisation of servers or cloud hosting where possible to promote better value, save energy and reduce heat output and comply with the European Code of Conduct for the operation of data centres energy efficiency</li> <li>• Disposed of hardware responsibly and in accordance with the waste electrical and electronic equipment (WEEE) Directive and recycled equipment where possible</li> <li>• Extended the lifecycle of PCs and other hardware assets to take advantage of both cost savings and reducing waste</li> <li>• Implemented home/remote working solutions that reduce travel between sites and between home and work</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to collect and dispose of hardware responsibly and in accordance with the waste electrical and electronic equipment (WEEE) Directive and recycled equipment where possible when lifting of Covid restrictions allow Complete Win2K8 server decommission - reducing number of servers</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to collect and dispose of hardware responsibly and in accordance with the waste electrical and electronic equipment (WEEE) Directive and recycled equipment where possible when lifting of Covid restrictions allow</li> <li>• Specific review of iPad and iPhone recycling</li> </ul>	<ul style="list-style-type: none"> <li>• Review WAN</li> <li>• Device review</li> </ul>	<ul style="list-style-type: none"> <li>• Commence wider device review planning focusing on how we can make this more sustainable e.g., use of thin client (remote connection to central server rather than the reliance on local hard drive will mean less need for enhanced devices)</li> <li>• Implement end user device shutdown regime to save energy and improve security</li> </ul>	<ul style="list-style-type: none"> <li>• Support 2030 Climate Strategy where digital technology as an enabler can contribute</li> <li>• CGI has committed to achieving net zero carbon emissions by 2030 with respect to carbon emissions</li> <li>• The City of Edinburgh Council has committed to become a "net-zero" city by 2030. Digital Services will work with CGI to reduce CO2 emissions and achieve these sustainability goals through innovative energy solutions</li> </ul>

Key deliverables that aren't viable for progression will be shown in the table below. There can be several reasons why this can happen, as technology is an enabler it may be that the technology to deliver these has changed significantly, or largescale business delivery review is undertaken which means a different technology approach is required. As part of our overarching principles, we will balance delivery, quality, best value, and scope. We will focus on ensuring the delivery of quality solutions that offer best value and meet requirements across the entire organisation. This table will be updated quarterly.

Strategic Theme	Key deliverable not initiated	Rationale

The updates contained within this Digital and Smart City Strategy Implementation Plan were compiled 31<sup>st</sup> March 2023

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# Governance, Risk and Best Value Committee

10am, Tuesday, 2 May 2023

## Annual Treasury Management Strategy 2023/24 - referral from the City of Edinburgh Council

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The City of Edinburgh Council has referred a report on the Annual Treasury Management Strategy 2023/24 to the Governance, Risk and Best Value Committee for scrutiny.

**Dr Deborah Smart**  
Executive Director of Corporate Services

Contact: Louise Williamson, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services Directorate  
E-mail: [louise.p.williamson@edinburgh.gov.uk](mailto:louise.p.williamson@edinburgh.gov.uk) | Tel: 0131 529 4264

# Referral Report

## Annual Treasury Management Strategy 2023/24 - referral from the City of Edinburgh Council

### 2. Terms of Referral

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- 2.1 The City of Edinburgh Council on 16 March 2023 considered a report on the Annual Treasury Management Strategy 2023/24 comprising an Annual Investment Strategy and a Debt Management Strategy. Approval was sought for the Treasury Management Strategy.
- 2.2 The City of Edinburgh Council agreed:
  - 2.2.1 To approve the Annual Treasury Management Strategy 2023/24.
  - 2.2.2 To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

### 3. Background Reading/ External References

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Minute of the City of Edinburgh Council 16 March 2023.

Minute of Finance and Resources Committee 10 March 2023.

### 4. Appendices

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- 4.1 Appendix 1 - report by the Executive Director of Corporate Services

# The City of Edinburgh Council

10.00am, Thursday, 16 March 2023

## Annual Treasury Management Strategy 2023/24 – referral from the Finance and Resources Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the Annual Treasury Management Strategy 2023/24 to the City of Edinburgh Council for approval.

**Dr Deborah Smart**  
Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services Directorate  
Email: [taylor.ward@edinburgh.gov.uk](mailto:taylor.ward@edinburgh.gov.uk)

# Referral Report

## Annual Treasury Management Strategy 2023/24

### 2. Terms of Referral

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- 2.1 On 10 March 2023, the Finance and Resources Committee considered a report on the Annual Treasury Management Strategy 2023/24 comprising an Annual Investment Strategy and a Debt Management Strategy.
- 2.2 The Finance and Resources Committee agreed:
  - 2.2.1 To note the Annual Treasury Management Strategy 2023/24 and refer the report to the City of Edinburgh Council for approval then on to the Governance, Risk and Best Value Committee for scrutiny.
  - 2.2.2 To note the key points in the report, that:
    - 2.2.2.1 The Council's total capital expenditure was forecast to be £2.473bn between 2022/23 and 2027/28 with an underlying need to borrow at 31 March 2028 forecast to be £2.321bn.
    - 2.2.2.2 The Council would continue to fund its Capital Financing Requirement from temporary investment balances over the next year, locking out the risk where appropriate.

### 3. Background Reading

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- 3.1 [Finance and Resources Committee – 10 March 2023 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 10 March 2023

### 4. Appendices

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- 4.1 Appendix 1 – report by the Executive Director of Corporate Services

# Finance and Resources

10:00am, Friday, 10 March 2023

## Annual Treasury Management Strategy 2023/24

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

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1.1 It is recommended that the Committee:

1.1.1 Notes the Annual Treasury Strategy 2023/24 and refers the report to the City of Edinburgh Council for approval then on to Governance, Risk and Best Value Committee for scrutiny.

1.1.2 Notes the key points in the report, that:

- The Council's total capital expenditure is forecast to be £2.473bn between 2022/23 and 2027/28 with an underlying need to borrow at 31 March 2028 forecast to be £2.321bn; and
- The Council will continue to fund its Capital Financing Requirement from temporary investment balances over the next year, locking out the risk where appropriate.

**Dr Deborah Smart**

Executive Director of Corporate Services

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Finance Division, Resources Directorate

E-mail: [innes.edwards@edinburgh.gov.uk](mailto:innes.edwards@edinburgh.gov.uk) | Tel: 0131 469 6291



## Annual Treasury Management Strategy 2023/24

### 2. Executive Summary

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- 2.1 The report proposes a Treasury Management Strategy for the Council for 2023/24, comprising an Annual Investment Strategy and a Debt Management Strategy. There is a statutory requirement for Council to approve this in advance of the new financial year.

### 3. Background

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- 3.1 This report sets out a Treasury Management Strategy for 2023/24 including estimates of funding requirements, an economic forecast and borrowing and investment strategies.
- 3.2 The Council's Treasury Management activities are carried out in accordance with the Council's Treasury Policy Statement. Under the provisions of the Treasury Policy Statement, a report should be submitted on the proposed Treasury Management Strategy for the ensuing year. The Treasury Strategy aims to:
- Ensure that the Council has sufficient and appropriate facilities available to meet its short and long-term borrowing requirements and funding needs;
  - Secure new funding at the lowest cost; and,
  - Ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks.
- 3.3 Treasury Management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code. It also adheres to the statutory requirements in Scotland which require this report, including the Capital Investment Programme and Prudential Indicators to be approved by the full Council. Appendix 7 gives details of the Capital Investment Programme and updated Prudential Indicators based on the budget approved by Council on 23 February 2023.

## 4. Main report

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### Capital Expenditure

- 4.1 Table A1.1 in Appendix 1 shows the forecast capital expenditure for both the General Fund (GF) Services and the Housing Revenue Account (HRA) for the current and next 5 years. This shows that GF capital expenditure is anticipated to be £1.347bn, and the HRA £1.126bn, giving a total of £2.473bn over the 6 years.

### Loans Fund Borrowing Requirement

- 4.2 Tables A1.2 and A1.3 show how it is anticipated that the Capital Expenditure in Table A1.1 will be funded. Of the £2.473bn, £810m for the GF and £441m for the HRA will be funded by new capital advances from the Loans Fund.
- 4.3 Table A1.4 in Appendix 1 shows that the Council's underlying need to borrow (shown as 'Cumulative Capital Expenditure') is projected to increase from £1.623bn at the start of the current financial year to £2.321bn at 31 March 2028.

### Economic Outlook

- 4.4 Appendix 2 gives an overview of the current economic and market outlook. The major issues to the economy over the quarter continue to be the continuing economic recovery from the coronavirus pandemic and the invasion of Ukraine by Russia, which have contributed to substantially higher inflation and higher interest rates. In the UK inflation is well above the Bank of England's target rate of 2% at 10.5% and the UK only narrowly avoided recession in Q4 2022.

### Treasury Management Strategy – Debt

- 4.5 The Council has only borrowed £11.1m during the 2022/23 financial year, linked to on-lending to Edinburgh Living MMR LLP.
- 4.6 The Debt Management Strategy for 2023/24, as set out in Appendix 3, is to:
- continue to reduce investment balances to temporarily fund capital expenditure; and
  - continue to lock out the risk on projects when the timing of capital expenditure becomes certain and if there are any short-term dips in interest rates.

### **Loan Fund Repayment Policy**

- 4.7 The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, and one of the requirements of the Regulations is to report the Council's Loan Fund Repayment Policy. The Policy for 2023/24 is contained in Appendix 4 and Appendix 6 sets out details of the existing loans including maturity date and interest rate payable.

### **Treasury Management – Annual Investment Strategy**

- 4.8 Appendix 5 details the proposed Annual Investment Strategy for 2023/24. It is intended to continue the current investment strategy, which is centred around the security of the investments, taking advantage of longer rates where liquidity and appropriate interest rates allow. Investment will continue to be made via the Cash Fund arrangement.

### **Treasury Management Indicators**

- 4.9 Appendix 7 shows the Indicators required by the Prudential Code which have been updated to reflect the budget approved by Council on 23 February.

### **Treasury Management Policy Statements**

- 4.10 Appendices 8 and 9 set out the Treasury Management Policy Statements for the City of Edinburgh Council and its Treasury Cash Fund.

## **5. Next Steps**

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- 5.1 The success of the Treasury team can be measured by the outperformance of the Treasury Cash Fund against its benchmark of 7 day compounded SONIA (Sterling Overnight Index Average) and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

## **6. Financial impact**

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- 6.1 The Council continues to manage its debt portfolio so as to minimise the medium-term cost of funding its capital projects. Provision for the revenue implications arising from this report have already been included in the Council's long-term financial plan.
- 6.2 The Treasury Cash Fund has generated significant additional income for the Council.

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

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- 7.1 There are no adverse stakeholder/community impacts arising from this report.



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

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8.1 None

## **9. Appendices**

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- 9.1 Appendix 1 – Capital Expenditure and Funding Requirement
- 9.2 Appendix 2 - Economic and Market Outlook
- 9.3 Appendix 3 – Treasury Management – Debt Management Strategy
- 9.4 Appendix 4 – Loans Fund Repayment Policy
- 9.5 Appendix 5 – Treasury Management – Annual Investment Strategy
- 9.6 Appendix 6 – Debt Maturity Profile (January 2022)
- 9.7 Appendix 7 – Prudential Indicators
- 9.8 Appendix 8 – Treasury Management Policy Statement – The City of Edinburgh Council
- 9.9 Appendix 9 – Treasury Management Policy Statement – Treasury Cash Fund

## Summary of Capital Expenditure and Funding Requirement

General Services	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000	£000
Learning Estate	95,726	34,501	99,846	118,462	112,777	47,761	10,233
Asset Management Works	23,236	11,321	15,473	35,677	41,635	26,071	16,000
Place - Transport and Infrastructure	176,181	47,928	73,781	43,468	30,562	21,685	20,322
Place - Other Projects	0	57,945	45,966	45,944	32,874	29,200	29,200
Corporate Services	3,155	1,001	4,665	1,597	669	678	615
Edinburgh Health and Social Care Partnership	164	601	0	0	0	0	0
Other Community (inc Libraries and Sports Centres)	0	3,502	5,352	165	165	165	165
Trams to Newhaven	68,486	56,452	1,755	0	0	0	0
Edinburgh Living LLPs	4,167	37,817	59,418	70,500	41,793	10,804	0
Contingency	0	0	324	0	5,000	5,000	5,000
(slippage) / acceleration across the programme	0	0	-31,233	-15,765	5,775	14,880	11,601
<b>Total Capital Expenditure</b>	<b>371,116</b>	<b>251,067</b>	<b>275,346</b>	<b>300,048</b>	<b>271,250</b>	<b>156,244</b>	<b>93,136</b>
<b>HRA – Capital Expenditure</b>	<b>64,850</b>	<b>106,590</b>	<b>173,361</b>	<b>189,941</b>	<b>202,249</b>	<b>232,711</b>	<b>220,729</b>

**Table A1.1 - Capital Expenditure on General Fund Services and HRA**

General Services	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000	£000
Grants	115,690	110,057	75,131	70,619	71,430	67,194	68,194
Asset Sales	7,387	3,571	7,000	4,000	3,000	3,000	3,000
Capital Fund	7,150	-	27,650	-	-	-	-
Other External Income	20,447	16,275	6,369	-	-	-	-
Loans Fund Advances	220,442	121,164	159,196	225,429	196,820	85,050	21,942
<b>Total</b>	<b>371,116</b>	<b>251,067</b>	<b>275,346</b>	<b>300,048</b>	<b>271,250</b>	<b>156,244</b>	<b>93,136</b>

**Table A1.2 - Funding Sources for General Fund Services Capital Expenditure**

HRA	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000	£000
Grants	18,372	18,386	28,051	17,563	27,002	37,490	17,225
Asset Sales	11,114	24,124	60,329	46,688	111,810	105,935	74,724
Current Revenue	-	18,300	23,300	18,300	18,300	18,300	18,300
Loans Fund Advances	35,364	45,780	61,681	107,390	45,137	70,986	110,480
<b>Total</b>	<b>64,850</b>	<b>106,590</b>	<b>173,361</b>	<b>189,941</b>	<b>202,249</b>	<b>232,711</b>	<b>220,729</b>

**Table A1.3 - Funding Sources for HRA Capital Expenditure**

<b>Capital Funding v. 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>2027/28</b>
	<b>Outturn</b>	<b>Forecast</b>	<b>Estimate</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>£'000</b>
Debt b/fd	1,347,045	1,499,374	1,452,260	1,501,407	1,626,299	1,692,286	1,706,342
Cumulative Capital Expenditure b/fd	1,456,649	1,622,957	1,713,418	1,851,343	2,095,800	2,240,388	2,287,135
Over/underborrowed b/fd	-109,603	-123,583	-261,158	-349,936	-469,501	-548,101	-580,793
GF Capital Financed by borrowing	147,789	44,091	98,023	154,929	155,027	74,246	21,942
OS Debt rounding	-2						
Tram Capital Financed by borrowing	68,486	56,452	1,755	0	0	0	0
Lending to LLPs	4,167	20,621	59,418	70,500	41,793	10,804	0
HRA Capital Financed by borrowing	35,364	45,780	61,681	107,390	45,137	70,986	110,480
less scheduled repayments by GF	-39,573	-45,119	-47,882	-51,766	-57,491	-61,096	-62,925
less scheduled repayments by Tram	0	0	-2,478	-5,073	-5,193	-5,316	-5,441
less scheduled repayments by LLPs	-590	-688	-888	-1,537	-2,329	-2,850	-3,066
less scheduled repayments by HRA	-17,356	-18,661	-19,796	-21,343	-23,715	-25,104	-27,023
less scheduled repayments by Police	-556						
less scheduled repayments by NHT	-31,421	-12,015	-11,908	-8,642	-8,642	-14,924	0
Underlying Need to Borrow	166,308	90,461	137,925	244,457	144,587	46,747	33,967
plus total maturing debt	53,935	55,114	44,753	44,008	67,913	69,844	47,063
Total Borrowing Requirement	220,243	145,576	182,678	288,465	212,500	116,592	81,030
Cumulative Borrowing Requirement	220,243	365,819	548,497	836,962	1,049,462	1,166,054	1,247,084
Committed Market Borrowing	206,264	8,000					
Planned PWLB or short borrowing for year			93,900	168,900	133,900	83,900	58,900
Debt at end of the year	1,499,374	1,452,260	1,501,407	1,626,299	1,692,286	1,706,342	1,718,179
Cumulative Capital Expenditure	1,622,957	1,713,418	1,851,343	2,095,800	2,240,388	2,287,135	2,321,102
Cumulative Over/Under Borrowed	-123,583	-261,158	-349,936	-469,501	-548,101	-580,793	-602,923

**Table A1.4 - Capital Funding v. External Debt**

Please note, the above tables may include rounding differences

## Economic and Market Outlook

### Overview

The major issues to the economy over the last quarter continued to be the on-going economic recovery from the coronavirus pandemic and the invasion of Ukraine by Russia. Amongst other causes, these have contributed to substantially higher inflation and higher interest rates. The UK Growth Plan announced by then Prime Minister and Chancellor, Liz Truss and Kwasi Kwarteng, at the end of September 2022, caused economic turmoil with the Bank of England having to step in to stabilise the economy after the value of the pound dropped to \$1.05 and a steep increase in UK Gilt yields. The Government eventually reversed most of its announcements and after replacing the Prime Minister and Chancellor, now Rishi Sunak and Jeremy Hunt, the pound and gilt yields returned to the levels they were prior to the mini budget.

### World Economy

The Federal Reserve Open Market Committee (FOMC) increased the federal funds Rate seven consecutive times in 2022 with rates ending the year at 4.25%-4.50% (with a further 25bp increase post quarter). The US economy grew by 3.2% in Q3 2022 following two quarters of contraction. US inflation slowed for a fifth consecutive month to 7.1% in November 2022.

Inflation in the Eurozone was 9.2% in December 2022 down from 10.1% in November giving some early signs that inflation in the Eurozone area may have peaked. The main contributors to the reduction were energy prices rising at a slower rate but food, alcohol and tobacco, non-energy industrial goods and services all increased. The Core inflation index which excludes energy, food, alcohol and tobacco increased from 5% to 5.2%.

### UK Inflation Outlook

Figure A2.1 below shows CPI (Consumer Price Index) and RPI since March 2004 and CPIH (CPI including owner occupier housing costs), which was reinstated as a national statistic in July 2017, since 2009.

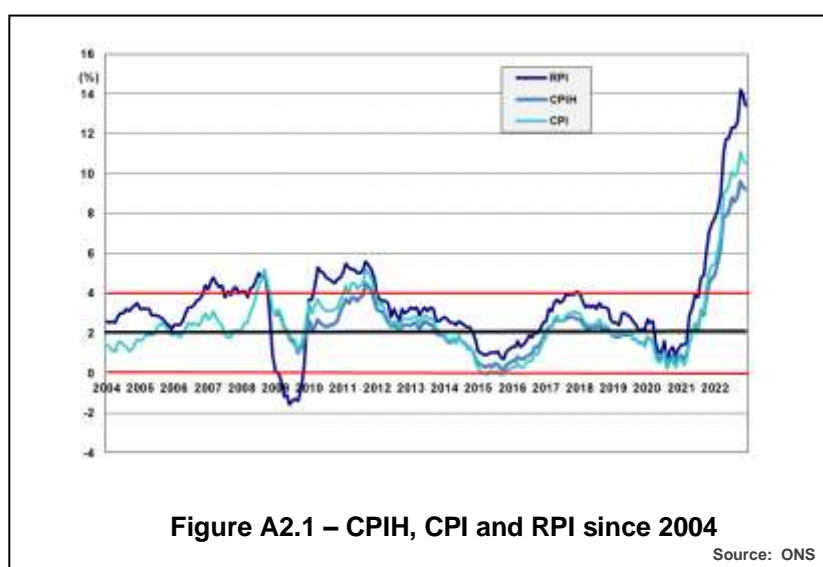
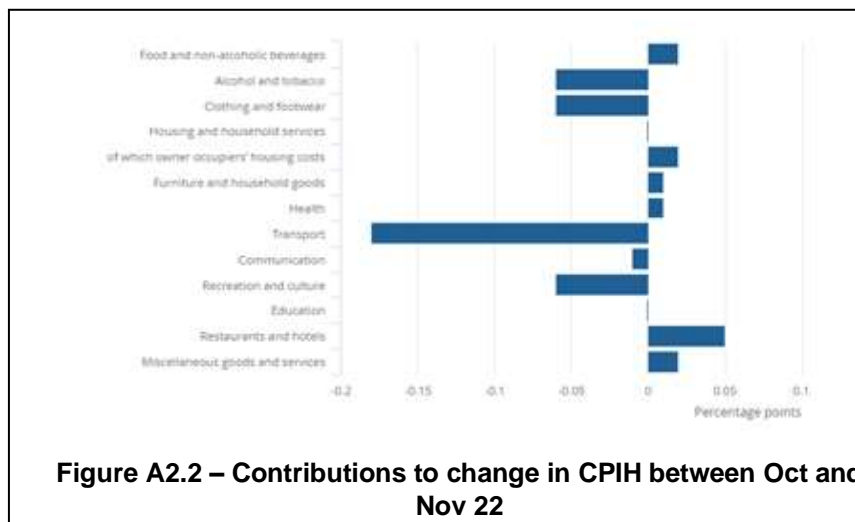


Figure A2.1 – CPIH, CPI and RPI since 2004

Source: ONS

The Government's preferred measure of inflation, CPI was 10.5% year on year in December 2022, decreasing for two months from 11.1% in October and way above the Bank of England's target rate. CPIH (Consumer Prices Index including owner occupiers' housing costs) 9.2% year on year in December 2022, having decreased from 9.6% in October. The main contributor to the decrease in CPIH was transport and motor fuels in particular while restaurants, cafes and pubs gave the largest upward contributions.

Figure A2.2 shows the contributions to change in CPIH from October to November 2022 clearly showing the decreases in transport and increase in restaurants.



### UK Interest Rate Outlook

The Bank of England has raised interest rates at every single one of their 10 Monetary Policy Committee (MPC) meetings since December 2021. The UK Bank Rate is now 4.0% with further increases at the MPC's March and May meetings a distinct possibility as the Bank of England's MPC tries to bring record high inflation levels under control. Inflation in October 2022 hit 11.1% falling slightly since, with a December reading of 10.5%. It is hoped that inflation has reached its peak as much of the inflation was caused by one-off events including energy prices which now seem to be falling. However, there is still the possibility of a wage/price spiral which may lead to inflation becoming entrenched in the economy.

## Treasury Management – Debt Management Strategy

### Overview

The overall objectives of the Council's Strategy for Debt Management are to:

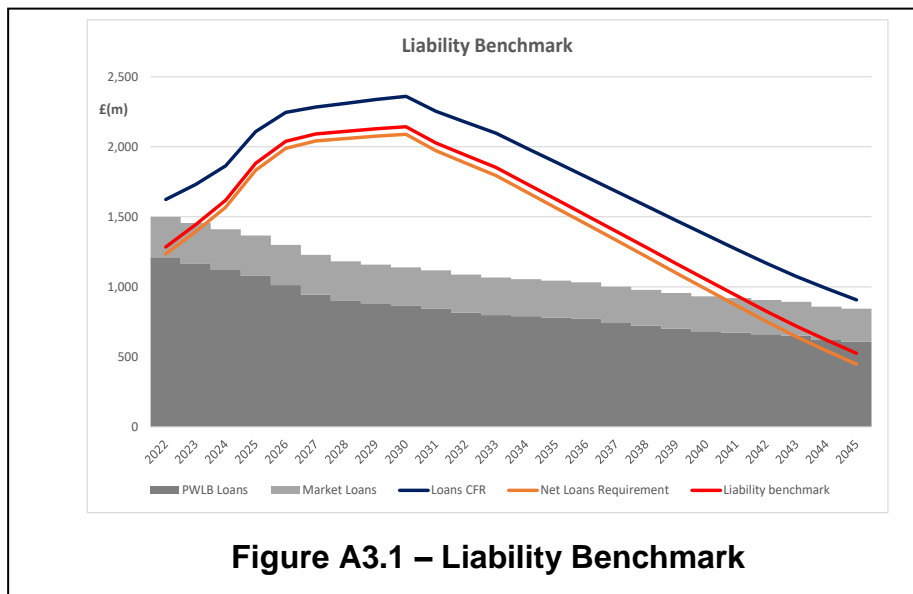
- forecast average future interest rates and borrow accordingly;
- secure new funding at the lowest cost in a manner that is sustainable in the medium term;
- ensure that the Council's interest rate risk is managed appropriately;
- ensure smooth debt profile with a spread of maturities; and
- reschedule debt to take advantage of interest rates.

### Loans Fund Borrowing Requirement

Table A1.1 in Appendix 1 shows the forecast capital expenditure for both the General Fund (GF) Services and the Housing Revenue Account (HRA) for the current and next 5 years. This shows that GF capital expenditure is anticipated to be £1.347bn, and the HRA £1.126bn, giving a total of £2.473bn over the 6 years.

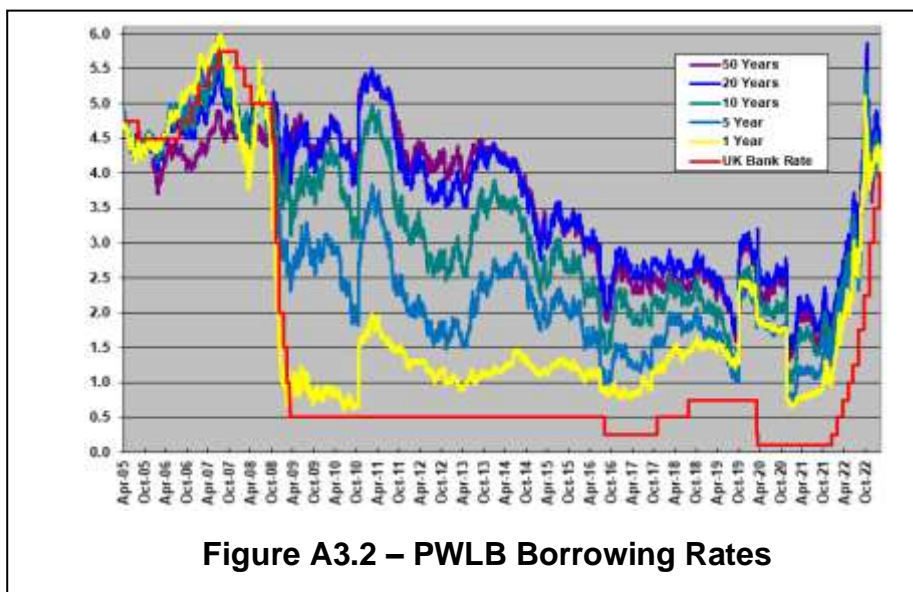
Tables A1.2 and A1.3 show how it is anticipated that the Capital Expenditure in Table A1.1 will be funded. Of the £2.473bn, £810m for the GF and £441m for the HRA will be funded by new capital advances from the Loans Fund. Table A1.4 in Appendix 1 shows that the Council's underlying need to borrow (shown as Cumulative Capital Expenditure) is projected to increase from £1.622bn at the start of the current financial year to £2.321bn at 31 March 2028.

Figure A3.1 below shows the Council's Liability benchmark which includes projected borrowing up to 2031. This indicates how much the Council would need to borrow if the Capital projections prove to be accurate. The Council therefore has a substantial borrowing requirement and hence interest rate risk.



### Debt Management Strategy

Figure A3.2 below shows PWLB Maturity Borrowing Rates from April 2005 to February 2023.



This shows the unprecedented rise in interest rates over the last year. While the £500m borrowed in the 3 years to April 2023 gives the Council some breathing space, the Council still has a substantial borrowing requirement over the next 6 years which gives the Council a significant financing risk. Figure A5.2 shows that the Council still has an elevated level of cash, although it is falling and is likely to fall further. It is difficult to justify borrowing at rates which now seem high, but the future course on interest rates is uncertain.

The strategy for the coming year is therefore to:

- continue to reduce investment balances to temporarily fund capital expenditure; and
- continue to lock out the risk on projects when the timing of capital expenditure becomes certain and if there are any short-term dips in interest rates.

### **Other Long-Term Liabilities**

There are two changes in accounting treatment which will affect the value of the Council's other long-term liabilities.

Firstly, the Council is adopting the IFRS16 accounting standard with effect from 2022/23. This will have the effect of increasing the Council's Long-term Liabilities by £42 as "Right of Use" liabilities are recognised on the Council's Balance sheet. However, it is essentially presentational as the Council will also recognise £42m in "Right of Use" assets on the balance sheet at the same time.

In 2023/24, the Council will also change the accounting treatment of service concessions, whereby the principal element of debt repayments on the concessions will be spread over the (longer) life of the asset rather than the contract term. The effect of this will be to increase other long-term liabilities by £95m on 1 April 2023, with further increases in subsequent years.

Other long-term liabilities are included in the calculation of the Council's Debt Capital Financing Requirement (CFR) so they will also result in an increase in the Council's Operational Boundary and Authorised Limit. Neither of these change the Council's underlying need to borrow so the Council's Loans CFR shown in the Figure A3.1 is unchanged.

However, the £95m from prior years can be treated as overpayments made available to fund expenditure. As this is used, as part of the revenue budget, the Council's actual cash position will be reduced. Since the Council is currently using cash balances to temporarily fund capital expenditure, a reduced cash position may have an effect on the timing of future borrowing. The costs associated with this are contained within the approved revenue budget.

### **Maturity / Interest Rate Structure of Borrowing**

While all of the Council's external borrowing is currently fixed rate, the Council is required to set limits on the maturity structure of its borrowing and the proportion of its borrowing which can be variable rate loans. The limits proposed are as follows:



	Lower Limit	Upper Limit
Under 12 months	0%	35%
12-24 months	0%	35%
24 months to 5 years	0%	50%
5 to 10 years	0%	50%
10 years +	20%	100%

It is also intended to operate with in the following limits for variable rate borrowing:

Upper limit for variable rate loans 25%

Upper limit for fixed rate loans 100%

### Loans Fund Repayment Policy

The Council operates a consolidated loans fund under the terms of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. Capital payments made by services are financed by capital advances from the loans fund. The Regulations require the Council to have a policy for the prudent repayment to the loans fund of the capital advances. The 2016 guidance sets out four options for the calculation of the repayment of loans fund advances, which are:

**Option 1 – Statutory Method** – this method allows repayments to be made as if the previous Schedule 3 to the 1975 Local Government (Scotland) Act was still in force but is no longer available as an option;

**Option 2 – Depreciation Method** – a complex method that links the calculated repayment to the depreciation charged each year and movement in the value of the asset;

**Option 3 – Asset Life Method** – a simpler alternative to the depreciation method, either on an equal instalment basis or on an annuity basis; or

**Option 4 – Funding/Income Profile Method** – repayments calculated by assessing future income receivable from the use of the asset, if the asset created generates income.

The guidance indicates that these four options are those likely to be most relevant for the majority of local authorities for loans fund advances made for the authority's own capital expenditure. Other approaches are not ruled out but must be considered by the local authority to be a prudent repayment.

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.

Repayments for capital advances (with the exception of those detailed below) will be calculated using option 3 – 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 Option 4 – the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments.

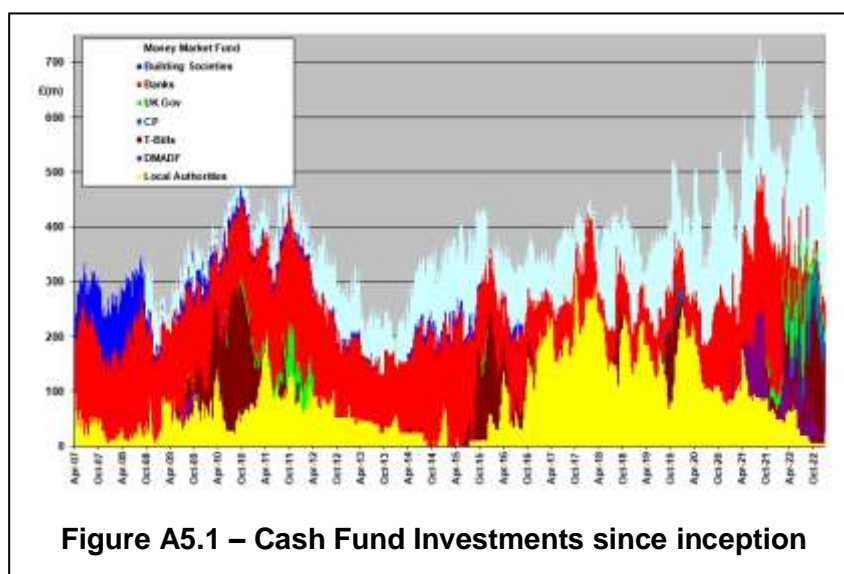
The business cases brought forward for other projects involving major capital expenditure funded by borrowing will consider the appropriate repayment method depending on the structure of the business case.

## Treasury Management – Annual Investment Strategy

In line with CIPFA's Code of Practice, the overall objectives of the Council's Strategy for Investment Management are to:

- ensure the security of funds invested;
- ensure that the Council has sufficient liquid funds to cover its expenditure commitments; and
- pursue optimum investment return within the above two objectives.

The Council's cash balances are pooled and invested via the Treasury Cash Fund subject to the limits set out in the Cash Fund Treasury Management Policy Statement. The Cash Fund's Investment Strategy continues to be based around the security of the investments. Figure A5.1 shows the split of investments since the inception of the cash fund.



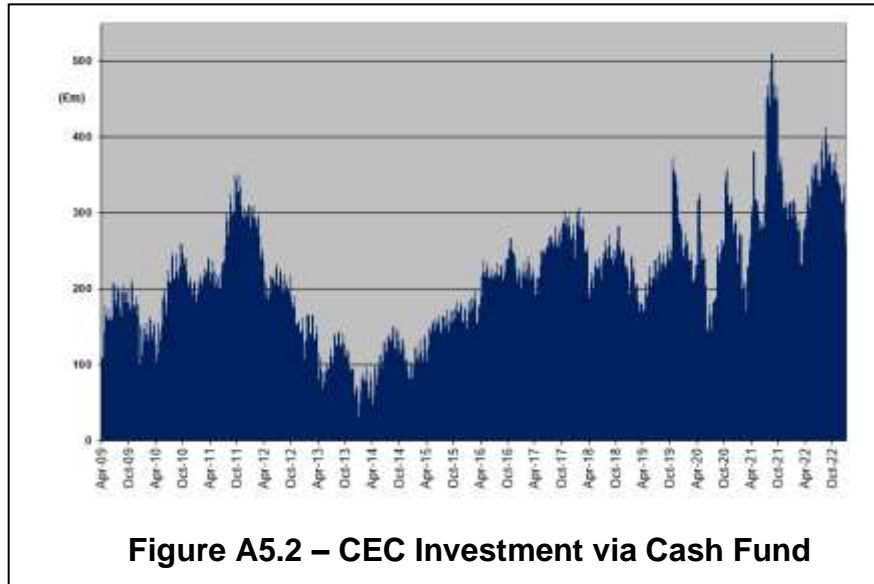
**Figure A5.1 – Cash Fund Investments since inception**

The Bank of England has raised interest rates at every single one of their 10 Monetary Policy Committee (MPC) meetings since December 2021. The UK Bank Rate is now 4.0% with further increases at the MPC's March and May meetings a distinct possibility. In this scenario, duration has a negative effect on the portfolio. This has made performance against the benchmark which moves in line with UK Bank Rate exceptionally challenging while maintaining the security of the portfolio.

On top of that, UK banks remain awash with cash and have little appetite to take deposits. Opportunities were taken to place deposits with the UK Government using the DMADF, UK Treasury Bills and UK Gilts at rates higher than on offer with Banks and Money Market Funds. To counter the effect of consecutive interest rate rises, we have kept the portfolio very liquid, and intend to continue this into the new financial year adding duration to the portfolio when we consider that we are closer to the peak of rates. In addition, there has

been some recent interest from other local authorities in taking notice money from the Council. A number of 31- and 35-day notice loans have been agreed with the interest rate payable moving in line with any change made by the Bank of England, will hopefully provide a good core holding to the portfolio over the next few months.

Figure A5.2 below shows the level of Council investments via the cash fund



Investment will continue to be made via the Treasury Cash Fund arrangement. Appendix 8 contains the Treasury Management Policy Statement for the Treasury Cash Fund which details the investment and counterparty limits for the Fund.

## Appendix 6

### Debt Maturity Profile (February 2023)

#### Market Debt (non LOBO)

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
08/10/2020	A	08/10/2045	56,500,257.49	2.613	1,727,158.52
30/06/2005	M	30/06/2065	5,000,000.00	4.4	220,000.00
07/07/2005	M	07/07/2065	5,000,000.00	4.4	220,000.00
21/12/2005	M	21/12/2065	5,000,000.00	4.99	249,500.00
28/12/2005	M	24/12/2065	12,500,000.00	4.99	623,750.00
14/03/2006	M	15/03/2066	15,000,000.00	5	750,000.00
18/08/2006	M	18/08/2066	10,000,000.00	5.25	525,000.00
01/02/2008	M	01/02/2078	10,000,000.00	3.95	395,000.00
			120,772,841.48		

#### Market Debt (LOBO)

Start Date	Loan Type	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
12/11/1998	M	13/11/2028	3,000,000.00	4.75	142,500.00
15/12/2003	M	15/12/2053	10,000,000.00	5.25	525,000.00
18/02/2004	M	18/02/2054	10,000,000.00	4.54	454,000.00
28/04/2005	M	28/04/2055	12,900,000.00	4.75	612,750.00
01/07/2005	M	01/07/2065	10,000,000.00	3.86	386,000.00
24/08/2005	M	24/08/2065	5,000,000.00	4.4	220,000.00
07/09/2005	M	07/09/2065	10,000,000.00	4.99	499,000.00
13/09/2005	M	14/09/2065	5,000,000.00	3.95	197,500.00
03/10/2005	M	05/10/2065	5,000,000.00	4.375	218,750.00
23/12/2005	M	23/12/2065	10,000,000.00	4.75	475,000.00
06/03/2006	M	04/03/2066	5,000,000.00	4.625	231,250.00
17/03/2006	M	17/03/2066	10,000,000.00	5.25	525,000.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
03/04/2006	M	01/04/2066	10,000,000.00	4.875	487,500.00
07/04/2006	M	07/04/2066	10,000,000.00	4.75	475,000.00
05/06/2006	M	07/06/2066	20,000,000.00	5.25	1,050,000.00
05/06/2006	M	07/06/2066	16,500,000.00	5.25	866,250.00
			172,400,000.00		

<b>PWLB</b>						
<b>Start Date</b>	<b>Loan Type</b>	<b>Maturity Date</b>	<b>Principal Outstanding £</b>	<b>Interest Rate %</b>	<b>Annual Interest £</b>	
24/04/1995	M	25/03/2023	10,000,000.00	8.5	850,000.00	
05/12/1995	M	15/05/2023	5,200,000.00	8	416,000.00	
20/09/1993	M	14/09/2023	2,997,451.21	7.875	236,049.28	
20/09/1993	M	14/09/2023	584,502.98	7.875	46,029.61	
08/05/1996	M	25/09/2023	10,000,000.00	8.375	837,500.00	
13/10/2009	M	13/10/2023	5,000,000.00	3.87	193,500.00	
05/12/1995	M	15/11/2023	10,000,000.00	8	800,000.00	
10/05/2010	M	10/05/2024	10,000,000.00	4.32	432,000.00	
28/09/1995	M	28/09/2024	2,895,506.10	8.25	238,879.25	
14/05/2012	M	14/11/2024	10,000,000.00	3.36	336,000.00	
14/12/2009	A	14/12/2024	1,667,538.64	3.66	82,768.94	
17/10/1996	M	25/03/2025	10,000,000.00	7.875	787,500.00	
10/05/2010	M	10/05/2025	5,000,000.00	4.37	218,500.00	
16/11/2012	M	16/05/2025	20,000,000.00	2.88	576,000.00	
13/02/1997	M	18/05/2025	10,000,000.00	7.375	737,500.00	
20/02/1997	M	15/11/2025	20,000,000.00	7.375	1,475,000.00	
01/12/2009	A	01/12/2025	3,508,514.75	3.64	157,491.50	
21/12/1995	M	21/12/2025	2,397,960.97	7.875	188,839.43	
21/05/1997	M	15/05/2026	10,000,000.00	7.125	712,500.00	
28/05/1997	M	15/05/2026	10,000,000.00	7.25	725,000.00	
29/08/1997	M	15/11/2026	5,000,000.00	7	350,000.00	
24/06/1997	M	15/11/2026	5,328,077.00	7.125	379,625.49	
07/08/1997	M	15/11/2026	15,000,000.00	6.875	1,031,250.00	
13/10/1997	M	25/03/2027	10,000,000.00	6.375	637,500.00	
22/10/1997	M	25/03/2027	5,000,000.00	6.5	325,000.00	
13/11/1997	M	15/05/2027	3,649,966.00	6.5	237,247.79	
17/11/1997	M	15/05/2027	5,000,000.00	6.5	325,000.00	
13/12/2012	M	13/06/2027	20,000,000.00	3.18	636,000.00	
12/03/1998	M	15/11/2027	8,677,693.00	5.875	509,814.46	
06/09/2010	M	06/09/2028	10,000,000.00	3.85	385,000.00	
14/07/2011	M	14/07/2029	10,000,000.00	4.9	490,000.00	
14/07/1950	E	03/03/2030	1,895.62	3	62.56	
14/07/2011	M	14/07/2030	10,000,000.00	4.93	493,000.00	
15/06/1951	E	15/05/2031	1,991.93	3	59.76	
06/09/2010	M	06/09/2031	20,000,000.00	3.95	790,000.00	
15/12/2011	M	15/06/2032	10,000,000.00	3.98	398,000.00	
15/09/2011	M	15/09/2036	10,000,000.00	4.47	447,000.00	
22/09/2011	M	22/09/2036	10,000,000.00	4.49	449,000.00	
10/12/2007	M	10/12/2037	10,000,000.00	4.49	449,000.00	
08/09/2011	M	08/09/2038	10,000,000.00	4.67	467,000.00	
15/09/2011	M	15/09/2039	10,000,000.00	4.52	452,000.00	
06/10/2011	M	06/10/2043	20,000,000.00	4.35	870,000.00	
09/08/2011	M	09/02/2046	20,000,000.00	4.8	960,000.00	

23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
23/01/2006	M	23/07/2046	10,000,000.00	3.7	370,000.00
19/05/2006	M	19/11/2046	10,000,000.00	4.25	425,000.00
07/01/2008	M	07/01/2048	5,000,000.00	4.4	220,000.00
24/03/2020	A	24/03/2050	14,011,287.23	1.64	224,786.70
26/03/2020	A	26/03/2050	4,663,035.29	1.49	67,935.34
26/03/2021	A	26/03/2051	9,614,327.97	1.75	164,806.87
12/07/2021	A	12/07/2051	38,464,432.97	1.78	680,030.06
27/01/2006	M	27/07/2051	1,250,000.00	3.7	46,250.00
16/01/2007	M	16/07/2052	40,000,000.00	4.25	1,700,000.00
30/01/2007	M	30/07/2052	10,000,000.00	4.35	435,000.00
13/02/2007	M	13/08/2052	20,000,000.00	4.35	870,000.00
20/02/2007	M	20/08/2052	70,000,000.00	4.35	3,045,000.00
22/02/2007	M	22/08/2052	50,000,000.00	4.35	2,175,000.00
08/03/2007	M	08/09/2052	5,000,000.00	4.25	212,500.00
30/05/2007	M	30/11/2052	10,000,000.00	4.6	460,000.00
11/06/2007	M	11/12/2052	15,000,000.00	4.7	705,000.00
12/06/2007	M	12/12/2052	25,000,000.00	4.75	1,187,500.00
05/07/2007	M	05/01/2053	12,000,000.00	4.8	576,000.00
25/07/2007	M	25/01/2053	5,000,000.00	4.65	232,500.00
10/08/2007	M	10/02/2053	5,000,000.00	4.55	227,500.00
24/08/2007	M	24/02/2053	7,500,000.00	4.5	337,500.00
13/09/2007	M	13/03/2053	5,000,000.00	4.5	225,000.00
14/10/2019	A	10/04/2053	103,658,231.86	2.69	2,773,513.63
12/10/2007	M	12/04/2053	5,000,000.00	4.6	230,000.00
01/07/2021	A	01/07/2053	48,292,867.50	1.98	950,453.33
05/11/2007	M	05/05/2057	5,000,000.00	4.6	230,000.00
15/08/2008	M	15/02/2058	5,000,000.00	4.39	219,500.00
25/01/2019	A	25/01/2059	2,571,791.87	2.65	68,994.96
11/06/2019	A	11/06/2059	1,211,725.69	2.23	27,378.69
01/10/2019	A	01/10/2059	1,271,857.56	1.74	22,023.17
02/10/2019	A	02/10/2059	37,891,649.30	1.8	691,722.20
05/11/2019	A	05/11/2059	6,849,318.72	2.96	201,976.68
28/11/2019	A	28/11/2059	1,253,416.90	3.03	37,837.69
02/12/2019	A	02/12/2059	2,698,410.45	3.03	81,458.61
20/01/2020	A	20/01/2060	1,893,927.30	1.77	33,361.18
20/01/2020	A	20/01/2060	439,496.99	2.97	13,004.03
04/10/2019	M	04/04/2060	40,000,000.00	1.69	676,000.00
07/12/2021	A	07/12/2060	18,758,205.61	1.8	336,090.50
02/12/2011	M	02/12/2061	5,000,000.00	3.98	199,000.00
07/12/2021	A	07/12/2061	4,092,431.64	1.79	72,927.92
19/05/2022	A	19/05/2062	3,075,123.56	2.86	87,644.76
02/11/2022	A	02/11/2062	8,000,000.00	4.61	367,981.17
24/03/2022	A	24/03/2063	17,877,239.67	2.65	468,780.64
26/03/2020	M	26/03/2070	10,000,000.00	1.29	129,000.00
12/07/2021	M	12/07/2071	50,000,000.00	1.74	870,000.00
23/12/2021	M	23/12/2071	25,000,000.00	1.45	362,500.00

1,174,249,876.28

**SPECIAL**

<b>Start Date</b>	<b>Loan Type</b>	<b>Maturity Date</b>	<b>Principal Outstanding £</b>	<b>Interest Rate %</b>	<b>Annual Interest £</b>
31/03/2015	E	01/04/2023	90,144.87	0	0
22/09/2015	E	01/10/2023	43,959.94	0	0
29/03/2019	E	01/04/2029	90,986.09	0	0
			225,090.90		



## 2023/24 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:

	Capital Expenditure - General Services						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Rolled Forward Capital Investment Programme</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Learning Estate	95,726	34,501	99,846	118,462	112,777	47,761	10,233
Asset Management Works	23,236	11,321	15,473	35,677	41,635	26,071	16,000
Place - Transport and Infrastructure	176,181	47,928	73,781	43,468	30,562	21,685	20,322
Place - Other Projects	0	57,945	45,966	45,944	32,874	29,200	29,200
Corporate Services	3,155	1,001	4,665	1,597	669	678	615
Edinburgh Health and Social Care Partnership	164	601	0	0	0	0	0
Other Community (inc Libraries and Sports Centres)	0	3,502	5,352	165	165	165	165
Trams to Newhaven	68,486	56,452	1,755	0	0	0	0
Edinburgh Living LLPs	4,167	37,817	59,418	70,500	41,793	10,804	0
Contingency	0	0	324	0	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	0	-31,233	-15,765	5,775	14,880	11,601
<b>Total General Services Capital Expenditure</b>	<b>371,116</b>	<b>251,067</b>	<b>275,346</b>	<b>300,048</b>	<b>271,250</b>	<b>156,244</b>	<b>93,136</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 2023-2028 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000	£000
<b>Rolled Forward Capital Investment Programme</b>							
Housing Revenue Account	64,850	106,590	173,361	189,941	202,249	232,711	220,729

### 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:

	Ratio of Financing Costs to Net Revenue Stream						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%
General Services	6.8%	7.1%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	32.0%	32.5%	33.8%	35.0%	37.0%	37.8%	38.5%

Note: Figures for 2024/25 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

### 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:

	Capital Financing Requirement						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m	£m
General Services (including Finance Leases / Right of Use Assets)	1,411	1,494	1,620	1,707	1,789	1,791	1,739
Housing Revenue Account (HRA)	394	422	463	550	571	617	700
NHT LLPs	56	44	32	24	15	-0	-0
Edinburgh Living LLPs	42	62	120	189	229	236	233
<b>Total Capital Financing Requirement</b>	<b>1,903</b>	<b>2,021</b>	<b>2,236</b>	<b>2,469</b>	<b>2,604</b>	<b>2,644</b>	<b>2,673</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 consequences 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 five have now 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>2027/28</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</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>	<b>£m</b>
Gross Debt	1,789	1,769	1,896	2,009	2,065	2,073	2,079
Capital Financing Requirements	1,903	2,021	2,236	2,469	2,604	2,644	2,673
<b>(Over) / under limit by:</b>	<b>114</b>	<b>252</b>	<b>340</b>	<b>460</b>	<b>539</b>	<b>571</b>	<b>593</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.

From 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. The capital financing requirement has been adjusted by £42m for 'Right of Use Assets' under IFRS16. 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. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated 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>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	1,748	1,905	2,202	2,531	2,806	2,925	2,972
Credit Arrangements (including leases and Right of Use assets)	289	317	394	383	373	366	361
<b>Authorised Limit for External Debt</b>	<b>2,038</b>	<b>2,222</b>	<b>2,596</b>	<b>2,914</b>	<b>3,179</b>	<b>3,291</b>	<b>3,333</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 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>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	1,690	1,855	2,152	2,481	2,756	2,875	2,922
Credit Arrangements (including leases)	289	317	394	383	373	366	361
<b>Operational Boundary for External Debt</b>	<b>1,980</b>	<b>2,172</b>	<b>2,546</b>	<b>2,864</b>	<b>3,129</b>	<b>3,241</b>	<b>3,283</b>

The Council's actual external debt at 31 March 2022 was £1,789m of borrowing (including sums repayable within 12 months).

#### **Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans**

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>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>
<b>General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances</b>						
Loans Fund Advances in year	44,091	98,023	154,929	155,027	74,246	21,942
Year 1 - Interest Only	882	1,960	3,099	3,101	1,485	439
Year 2 - Interest and Principal Repayment	3,233	7,188	11,361	11,369	5,445	1,609
<b>Housing Revenue Account (HRA) - New Loans Fund Advances</b>						
Loans Fund Advances in year (excl. LLP programme *)	45,780	61,681	107,390	45,137	70,986	110,480
Year 1 - Interest Only	973	1,311	2,282	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,946	2,621	4,564	1,918	3,017	4,695

\* 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 from 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.

# The City of Edinburgh Council

## Treasury Cash Fund

### Treasury Management Policy Statement

#### Summary

The Council operates the Treasury Cash Fund on a low risk, low return basis for cash investments on behalf of itself, Lothian Pension Fund and other associated organisations. This Policy Statement covers the type of investments which are permitted for monies held with the Cash Fund and should be read in conjunction with the Treasury Policy Statement for the City of Edinburgh Council.

#### Approved Activities

The activity undertaken in the management of cash balances and their investment in cash and near cash instruments. In undertaking this activity, the key objective is the security of the monies invested. Accordingly, the investment types and counterparty limits below represent a prudent attitude towards the instruments with which and the institutions with whom investment will be undertaken.

#### Treasury Management Strategy

The treasury management strategy for the cash fund is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks

#### Permitted Instruments

The Chief Financial Officer may invest monies in accordance with the Council's requirements only by using the following instruments:

- (a) Temporary deposit, Certificate of Deposit, collateralised deposit, structured deposit, commercial paper, floating rate note or Bonds with an approved institution of the Bank of England or with any other approved organisation for investment (see below)
- (b) UK Treasury Bills
- (c) Gilt-edged securities
- (d) Reverse Repurchase Agreements
- (e) Money Market Funds and Bond Funds
- (f) Debt Management Office's Debt Management Agency Deposit Facility

#### Limits on Investment

The approved limits on counterparties and investment types are as follows (where money limits and percentages are stated, the greater of the two should be applied):

- (a) DMO's DMADF, UK Treasury Bills and UK Gilts with no limit
- (b) UK local authorities up to a maximum of £50 million per authority.
- (c) other public bodies up to a maximum of £20 million per organisation.
- (d) The Council's bankers, where not otherwise permitted under (k) below, up to a limit of £20m on an overnight only basis other than when funds are received into the Council's bank account without pre-notification.
- (e) Money Market Funds with no limit in total but with no more than £30 million or 15% of the funds under management with any one Fund.
- (f) Bond Funds with no more than £20 million or 10% of the funds under management.
- (g) Supranational Bonds with a limit of £60 million or 20% of the fund in total.
- (h) Financial institutions where the relevant deposits, CDs or Bonds are guaranteed by a sovereign government of AA or above up to a maximum of £60 million or 20 percent of the fund per

institution for the duration of the guarantee in addition to the appropriate counterparty limit for the institution.

- (i) Local Authority Collateralised deposits up to a maximum of £30 million or 15 percent of the fund per institution up to a maximum of 5 years in addition to the appropriate counterparty limit for the institution.
- (j) Structured deposits up to a maximum of £20 million or 10 percent of the fund, subject to the appropriate counterparty limits for the institution also being applied.
- (k) Financial institutions included on the Bank of England's authorised list under the following criteria:

<b>Credit Rating</b>	<b>Banks Insecured</b>	<b>Banks Secured</b>	<b>B. Socs. Insecured</b>	<b>B. Socs. Secured</b>
AAA	20% or £60m	20% or £60m	20% or £60m	20% or £60m
AA+	15% or £30m	20% or £60m	15% or £30m	20% or £60m
AA	15% or £30m	20% or £60m	15% or £30m	15% or £30m
AA-	15% or £30m	20% or £60m	10% or £20m	15% or £30m
A+	10% or £20m	15% or £30m	10% or £20m	10% or £20m
A	10% or £20m	15% or £30m	10% or £20m	10% or £20m
A-	10% or £20m	15% or £30m	5% or £10m	10% or £20m
BBB+	5% or £10m	5% or £10m	n/a	n/a
None	n/a	n/a	n/a	n/a

The credit ratings quoted in the above table are for the financial institution, instrument or security provided and are the lowest of the relevant long-term ratings from the three main Credit ratings agencies, S&P, Moodys and Fitch.

### **Time Limits**

In addition to the monetary limits above, the following maximum time limits will be placed on investments:

<b>Category</b>	<b>Max. Time Limit</b>
20% of Assets Under Management / £60m	5 Years
15% of Assets Under Management / £30m	1 Years
10% of Assets Under Management / £20m	6 months
5% of Assets Under Management / £10m	3 months

In addition to the above limits, no more than 25% of assets under management will have a maturity greater than 1 year.

In considering an investment, consideration is given to a wide range of information, not simply the credit ratings of the institution being considered. This will include financial information on the institution, relevant Credit Default Swaps and equity pricing data, and the general macro-economic, market and sector background. The investment risks and controls to mitigate those risks are outlined to the end of this document.

### **Policy on Delegation**

The Treasury Cash Fund is operated under the Council's Treasury Policy Statement and the delegations are defined in that document.

### **Reporting Arrangements**

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Service Director – Finance and Procurement will report to the Council as follows:

- (a) A Treasury Strategy prior to the commencement of the financial year.
- (b) A mid-term report during the financial year.
- (c) A Treasury Annual Report as soon as practicable after the end of the financial year.
- (d) Ad hoc reports according to need.



Type of Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) (Very low risk)	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. UK Treasury Bills (Very Low Risk)	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. Maturity at issue is only 1, 3 or 6 months so will be used mainly in the 1-to 3-month period to provide a high level of security but a better return than the DMADF in (a).	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
c. UK Gilts (Very Low Risk)	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates unless held to maturity. There is a risk to capital if the Gilt needed to be sold, so should only be used on a hold to maturity basis as a proxy for a slightly longer maturity Treasury Bill	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments. Would only be used on a hold to maturity basis at the very short end of the yield curve.
d. Deposits with other local authorities or public bodies (Very low risk)	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value.	Little mitigating controls required for local authority deposits, as this is a quasi UK Sovereign Government investment.
e. Money Market Funds (MMFs) (low/medium risk)	Pooled cash investment vehicle which provides short term liquidity.	Funds will generally be used to provide liquidity for the Cash Fund.
f. Bond Funds (low/medium risk)	AAA Rated Pooled cash investment vehicle investing in a range of Government, Financial Institutions and Government Bonds.	Fairly liquid vehicle investing in Bonds with a high average credit rating, will only be used for a relatively small proportion of the fund.
g. Call account deposit accounts with financial institutions (banks and building societies) (Risk is dependent on credit rating)	<p>These tend to be moderately low risk investments, but will exhibit higher risks than the categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.</p> <p>These will be used to provide the primary liquidity source for Cash Management</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>
h. Term deposits with financial institutions (banks and building societies) (Low to medium risk depending on period & credit rating)	The risk on these is determined, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>
i. Certificates of deposits with financial institutions (risk dependent on credit rating)	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a) to (d) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>
j. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) (Low to medium risk depending on period & credit rating)	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a) to (d) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>

<p>k. Bonds (Low to medium risk depending on period &amp; credit rating)</p>	<p>This entails a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. Bonds may also carry an explicit Government Guarantee.</p>
<p>l. Floating Rate Notes (Low to medium risk depending on credit rating)</p>	<p>These are Bonds on which the rate of interest is established periodically with reference to short term interest rates.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.  Will be used in an increasing interest rate environment but only for a limited proportion of the portfolio.</p>
<p>m. Commercial Paper (Low to medium risk depending on credit rating)</p>	<p>These are short term promissory notes issued at a discount par. They entail a higher level of risk exposure than gilts and the aim is to achieve a higher rate of return than normally available from gilts. They do have an exposure to movements in market prices of assets held.</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, on a hold to maturity basis. They are relatively short maturity.</p>
<p>n. Secured Investments (relatively low risk due to dual recourse)</p>	<p>These include Reverse Purchase Agreements (Repo) and Covered Bonds issued by banks and building societies.</p>	<p>Both Repo and Covered Bonds provide opportunities to lower credit risk by having any exposure supported by an enhanced level of high quality collateral such as Gilts in the case of Repo. The lower credit risk is reflected in the Cash Fund being able to invest larger % or value amounts as shown in the criteria for financial institutions in (k).</p>

## The City of Edinburgh Council

### Treasury Management Policy Statement

#### Summary

The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services. As part of the adoption of that code, the Council agreed to create and maintain, as the cornerstones for effective treasury management:

- a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities; and
- suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

This document outlines the Council's Treasury Management Policy Statement which provides a framework for the Council's treasury management activities. Any reference in the Treasury Policy Statement to the Chief Financial Officer should be taken to be any other officer to whom the Chief Financial Officer has delegated his powers.

#### Approved Activities

The Council defines its treasury management activities as:

“The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

Subject to any legal restrictions, this definition covers the following activities:

- arranging, administering and managing all capital financing transactions
- approving, arranging and administering all borrowing on behalf of the Council
- cash flow management
- investment of surplus funds
- ensuring adequate banking facilities are in place, negotiating bank charges, and ensuring the optimal use by the Council of banking and associated facilities and services.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council also acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

#### Treasury Management Strategy

The treasury management strategy for the cash fund is to:

- Secure both capital and revenue funding at the lowest cost in the medium term; and
- ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks

## **Approved Sources of Finance**

Finance will only be raised in accordance with legislation and within this limit the Council has a number of approved methods and sources of raising capital finance. No other instrument other than those listed below may be used:

- Bank Overdraft
- Temporary Loans
- Loans from the Public Works Loan Board
- Loans from the European Community institutions
- Long-Term Market Loans
- Bonds
- Stock Issues
- Negotiable Bonds
- Internal (Capital Receipts and Revenue Balances)
- Commercial Paper
- Medium Term Notes
- Finance and Operating Leases
- Deferred Purchase Covenant Agreements
- Government and European Community Capital Grants
- Lottery Monies
- Public and Private Partnership funding initiatives

## **Permitted Instruments**

Where possible the Service Director - Finance and Procurement, the Council's Statutory Section 95 Chief Financial Officer, will manage all of the Council's temporary surplus funds together and invest them using the Council's Treasury Cash Fund. The investment restrictions contained in the Treasury Cash Fund Policy Statement therefore apply to the City of Edinburgh Council's monies.

However small operational balances will need to be retained with the Council's bankers, and in other cases – such as devolved schools – relatively small investment balances may be operated locally. Some allowance for temporary deposits has therefore been made.

In addition, the Council has some non-cash investment types and these are also included in the Policy Statement.

The Service Director – Finance and Procurement, as the Council's Statutory Chief Financial Officer, may invest monies in accordance with the Council's requirements only by using the following instruments:

- (a) Temporary deposit with an approved institution of the Bank of England or with any other approved organisation for investment (see below)
- (b) Money Market Funds
- (c) Debt Management Office's Debt Management Agency Deposit Facility
- (d) Investment Properties
- (e) Loans to Other Organisations
- (f) Investment in share capital of Council Companies and Joint Ventures
- (g) Loans (including mezzanine debt) to / investment in the Loan Stock of Council Companies and LLPs
- (h) Investment in Shared Equity Housing Schemes
- (i) Investment in the Subordinated Debt of projects delivered via the "HubCo" model

## Approved Organisations for Investment

The approved counterparty limits are as follows:

- (a) *The Council's bankers with no limit.*
- (b) *DMO's DMADF with no limit.*
- (c) *AAA Money Market Funds with no limit.*
- (d) *financial institutions on the Bank of England's authorised list where the lowest of their long-term rating from the three main Credit ratings agencies, S&P, Moody's and Fitch, equivalent to A- or above up to a maximum of £10 million per institution.*
- (e) *building societies where the lowest of their long-term rating from the three main Credit ratings agencies, S&P, Moody's and Fitch, equivalent to A- or above up to a maximum of £5 million per institution.*
- (f) *Subordinated debt of projects delivered via "HubCo" model up to a maximum of £1 million.*

In addition, there is no explicit limit at present for the non-cash investment types. However, it is anticipated that each specific investment of these types would be reported individually to Council and a full list of them will be contained in the Treasury Annual Report.

The investment risks and controls to mitigate those risks are outlined to the end of this document.

### Policy on Delegation

Responsibility for the implementation and regular monitoring of the Council's treasury management policies and practices is retained by the Council.

The Council delegates responsibility for the execution and administration of Treasury Management decisions to the Service Director - Finance and Procurement, as the Statutory Section 95 Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Council nominates the Governance, Risk and Best Value Committee to be responsible for the ensuring effective scrutiny of the treasury management strategy and policies.

### Reporting Arrangements

This will include, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs. The Service Director – Finance and Procurement will report to the Council as follows:

- (a) A Treasury Strategy prior to the commencement of the financial year.
- (b) A mid-term report during the financial year
- (c) A Treasury Annual Report as soon as practicable after the end of the financial year.
- (d) Ad hoc reports according to need.

Type of Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) (Very low risk)	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. Money Market Funds (MMFs) (low/medium risk)	Pooled cash investment vehicle which provides short term liquidity.	Funds will generally be used to provide liquidity for the Cash Fund.
c. Call account deposit accounts with financial institutions (banks and building societies) (Risk is dependent on credit rating)	<p>These tend to be moderately low risk investments, but will exhibit higher risks than the category (a) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.</p> <p>These will be used to provide the primary liquidity source for Cash Management</p>	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools.</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence</p>
d. Term deposits with financial institutions (banks and building societies) (Low to medium risk depending on period & credit rating)	The risk on these is determined, but will exhibit higher risks than category (a) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply	<p>The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Pools</p> <p>On day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.</p>
e. Investment properties	These are non-service properties which are being held solely for a longer term rental income stream or capital appreciation. These are highly illiquid assets with high risk to value (the potential for property prices to fall).	Property holding will be re-valued regularly and reported annually with gross and net rental streams.
f. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit substantial credit risk and are likely to be highly illiquid.	Each third-party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
g. Loans to a local authority company or LLP	<p>These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit significant credit risk and are likely to be highly illiquid.</p> <p>In the case of mezzanine loans, these are specifically to ensure that the LLPs tasked with delivering Council objectives do so within State Aid rules</p>	<p>Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.</p> <p>The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. Strict viability tests to ensure long term financial security are completed before any funds are advanced to the LLP.</p>
h. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.
i. Investment in Shared Equity Schemes	These are service investments which exhibit property market risk and are likely to be highly illiquid, with funds tied up for many years.	Each scheme investment requires Member approval and each decision will be supported by the service rational behind the investment and the likelihood of loss.
j. Investment in the Subordinated Debt of projects delivered via the "Hubco" model	These are investments which are exposed to the success or failure of individual projects and are highly illiquid	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project's term

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 2 May 2023

## Capital Strategy 2023-33 – Annual Report – referral from the Finance and Resources Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred the annual report on the Capital Strategy 2023-33 – Annual Report to the Governance, Risk and Best Value Committee as part of its work programme.

**Dr Deborah Smart**  
Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services Directorate  
Email: [taylor.ward@edinburgh.gov.uk](mailto:taylor.ward@edinburgh.gov.uk)

# Referral Report

## Capital Strategy 2023-33 – Annual Report

### 2. Terms of Referral

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- 2.1 On 10 March 2023, the Finance and Resources Committee considered the Capital Strategy 2023-33 – Annual Report. The proposed capital strategy provided a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.
- 2.2 The Finance and Resources Committee agreed:
  - 2.2.1 To note the Capital Strategy as set out in Appendix 1 in the report.
  - 2.2.2 To refer the report to full Council for approval of the Capital Strategy.
  - 2.2.3 To refer the report to the Governance, Risk and Best Value Committee as part of its work programme.
  - 2.2.4 To note that capital expenditure priorities were being considered in line with the Council's priorities and the Council Business Plan.

### 3. Background Reading

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- 3.1 [Finance and Resources Committee – 10 March 2023 - Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 10 March 2023

### 4. Appendices

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- 4.1 Appendix 1 – report by the Executive Director of Corporate Services



# Finance and Resources Committee

10am, Friday, 10 March 2023

## Capital Strategy 2023-33 – Annual Report

Item number  
Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 To note the Capital Strategy, as set out in Appendix 1;
- 1.2 To refer the report to full Council for approval of the Capital Strategy;
- 1.3 To refer the report to the Governance, Risk and Best Value Committee as part of its work programmes; and
- 1.4 To note that capital expenditure priorities are being considered in line with the Council's priorities and the Council Business Plan.

**Dr Deborah Smart**

Executive Director of Corporate Services

Contact: Rebecca Andrew, Principal Accountant,

Finance and Procurement Division, Corporate Services Directorate

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## Capital Strategy 2023-33 – Annual Report

### 2. Executive Summary

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- 2.1 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. Background

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- 3.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2021. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made. This strategy is required to be updated on an annual basis.
- 3.2 The Council approved [Sustainable Capital Strategy 2022-23](#) at its meeting of 17 March 2022. This report seeks approval of the updated Capital Strategy for 2023-33.

### 4. Main report

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- 4.1 In order to deliver Council priorities and for the city to grow in a sustainable way, the Council needs to invest in its existing assets as well as creating new ones. The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.
- 4.2 The capital strategy is a high-level document, which brings together a number of other key Council strategies. It should be read in conjunction with the following plans and policies
- [Sustainable Capital Budget Strategy 2023-2033](#)
  - Annual Treasury Management Strategy (on this agenda)
  - [Revenue Budget Framework 2023/27 – progress update](#)

- [Revenue Budget Framework 2023/27 – further update](#)
- [Revenue Budget 2022/23 – Risks and Reserves](#)
- [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#)
- [Council Business Plan 2023-27](#)
- [2050 Edinburgh City Vision](#)
- [Council Sustainability Programme Short Window Improvement Plan](#)
- [City Plan 2030](#)
- [Corporate Asset Strategy](#)
- [Property and Asset Management Strategy](#)
- [Transport Asset Management Plan](#)
- [City Centre Transformation Strategy](#)
- [City Mobility Plan](#)
- [Council Emissions Reduction Plan](#)
- [2030 Climate Strategy and Implementation Plan](#)

4.3 In addition to the statutory background, Edinburgh and the Council's role and the Council's Business Plan and Vision which now includes more on environmental sustainability, the capital strategy covers the following areas;

- Capital Expenditure and Financing (the Council's capital expenditure plans, and the corresponding financing requirement);
- Treasury Management (how the Council keeps sufficient but not excessive cash to meet the Council's spending needs, while managing risks involved);
- Other investments and long-term liabilities (the Council's non-treasury investments and other liabilities); and
- Knowledge and Skills (the professional skills and knowledge contained within the Council's accounting, treasury and property teams, as supplemented by external advisers).

4.4 The full capital strategy is included in Appendix 1.

## **5. Next Steps**

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- 5.1 This report will be referred to Finance and Resources Committee and Governance, Risk and Best Value Committee as part of their oversight and scrutiny roles.
- 5.2 The strategy will be updated on an annual basis, with this being the fifth iteration.
- 5.3 The prudential indicators within will be reporting to Finance and Resources Committee on a quarterly basis along with the capital monitoring.

## **6. Financial impact**

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- 6.1 There are no direct financial implications arising from this report. The implications of the expenditure and investment plans contained in the strategy were considered at Finance and Resources Committee on 7 February and subsequently at the Council's budget setting meeting on 23 February 2023.

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

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- 7.1 The capital strategy is a high-level document which brings together a number of other Council strategies, each of which is the result of appropriate community engagement.
- 7.2 Approval of the capital strategy ensures the Council continues to have regard to the Prudential Code when carrying out its duties under Part 7 of the Local Government in Scotland Act 2003.
- 7.3 There are no sustainability impacts directly arising from this report.

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

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- 8.1 [Local Development Plan Action Programme](#), January 2019
- 8.2 [Corporate Asset Strategy](#), Corporate Policy and Strategy Committee, 12 May 2015
- 8.3 [Property and Asset Management Strategy](#), Finance and Resources Committee, September 2015
- 8.4 [Transport Asset Management Plan \(TAMP\)](#), Transport and Environment Committee, 6 December 2018
- 8.5 [Sustainable Capital Budget Strategy 2023-2033](#), Finance and Resources Committee 7 February 2023
- 8.6 [Revenue Budget Framework 2023/27 – progress update](#), Finance and Resources Committee 7 February 2023
- 8.7 [Revenue Budget Framework 2023/27 – further update](#), City of Edinburgh Council, 23 February 2023
- 8.8 [Revenue Budget 2023/24 – Risks and Reserves](#), Finance and Resources Committee 7 February 2023
- 8.9 [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#), Finance and Resources Committee 7 February 2023
- 8.10 [Council Business Plan 2023-27](#), City of Edinburgh Council, 15 December 2022
- 8.11 Treasury Management Strategy 2022-23, Finance and Resources Committee, 10 March 2023

**Appendices**

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Appendix 1: Detailed Sustainable Capital Strategy 2023-33

# Appendix 1: Sustainable Capital Strategy 2023-33

## 1. Introduction

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- 1.1 The Sustainable Capital Strategy for City of Edinburgh Council 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.
- 1.2 The Strategy takes a long-term view and covers the period from 2023 to 2033.
- 1.3 The [Council Business Plan 2023-27](#) brings together the Council's strategic priorities into a single plan responding to these needs for change and should also be read alongside this strategy and the wider capital and revenue budgets.
- 1.4 The [Sustainable Capital Budget Strategy](#) sets out priorities for £1,490.517m of council capital investment, in alignment with the Council Business Plan, over the medium to long-term.
- 1.5 The Housing Revenue Account (HRA) Budget Strategy (2023-33) sets out priorities for £1,714.493m of HRA capital investment based on tenant priorities, service performance and statutory investment requirements. The programme is to be funded from HRA borrowing, Scottish Government grant funding for new affordable homes and capital receipts. Based on current financial assumptions; including an annual 3% rent increase, 86% of existing Council homes could be brought up to the Energy Efficiency Standard for Social Housing (ESSH2) over the lifetime of the Business Plan and 2,400 new Council homes could be delivered.
- 1.6 The General Fund's Sustainable Capital Budget Strategy is fully funded over the 10-year period. However, if a funding gap in the strategy emerges through failure to deliver revenue savings, increased borrowing costs or project cost pressures increase, 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.
- 1.7 The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions. Analysis of the impact of construction industry inflation on capital projects by Council Officers, supported by external consultants Faithful and Gould, shows uplifts of between 15% and 30% in 2022.
- 1.8 The strategy assumes that some priorities, such as the City Centre Transformation and wider transport initiatives, will need to be funded primarily from external funding unless significant realignment of existing budgets is undertaken.
- 1.9 The wider financial implications of City Plan 2030 infrastructure requirements will have some impact on the 2023-33 Capital Budget Strategy which has yet to be fully

understood and reflected in the assumptions of this report. The proposed [City Plan 2030](#) was submitted for examination by Scottish Ministers on 9 December 2022. Following examination, the plan will be finalised to incorporate required changes and detailed modelling will be undertaken to understand the financial implications for the Council.

- 1.10 For its 2022/2023 financial statements, the Authority will adopt the provisions of 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.

## **2. Statutory Background**

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- 2.1 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003. The Prudential Code was revised by CIPFA in 2021. A key element of the revised code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made.

## **3. Edinburgh and the Council's Role**

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- 3.1 Edinburgh is a city with huge strengths, but real and vital challenges.
- 3.2 It has one of the highest skilled, highest paid populations of any city in the UK, but even here 19% of children grow up in poverty, and inequalities in health are vivid – boys born in the poorest parts of the city can expect to live a life around 20 years shorter than those in the most affluent. This year we have seen a cost of living crisis forcing even more families into impossible daily choices as they struggle to get by.
- 3.3 Edinburgh is the fastest growing city in Scotland. This is a true sign of the city's success, but it does bring real pressure on city communities, on housing, and on the city infrastructure on which we all rely. Analysis of population trends suggests that the total number of residents will increase by at least 64,000 people by 2043, with a 72% increase in those aged 75 and over. It is also projected that by 2030 the number of pupils in our primary and secondary schools will increase by 9%. 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 and at-risk children. Increased funding for older people and those with physical and/or learning disabilities will be dependent on the receipt of funding from the Edinburgh Health and Social Care Partnership.
- 3.4 Edinburgh is Scotland's economic capital and, outside London, the strongest major city economy in the UK. But business conditions throughout the UK will be challenging for the next few years, with the economy as a whole expected to be in recession or growing slowly until 2026 at earliest.

- 3.5 Following Council elections in May 2022, the Council's Business Plan was updated to incorporate new cross party strategic objectives agreed by Council, alongside an officer assessment of approaches needed to meet budgetary and other pressures facing the Council. The plan was agreed by Council in December 2022, with final amendments arising as a result of the Council Budget process to be agreed by Council in March 2023.
- 3.6 The business plan sets out three long term strategic priorities for the Council – create good places to live and work, end poverty in Edinburgh, and become a net zero city by 2030 – alongside the specific outcomes, objectives, and key actions needed to deliver those priorities. The plan also seeks to ensure an appropriate focus on areas of service performance which the Council is keen to strengthen.

## **4. City of Edinburgh Council's Business Plan and Vision**

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### **2050 Edinburgh City Vision**

- 4.1 In the autumn of 2016 the City of Edinburgh Council launched a major conversation about the future of a city and a society, inviting Edinburgh to talk about its aspirations, plans, and concerns, for the first time in a generation: [Edinburgh's City Vision for 2050](#).
- 4.2 The [Council Business Plan 2023-27 builds on the City Vision and](#) sets out three priorities for the next phase of the city's development and for the way we will reform our services. We will use this plan to guide our budget and investment decisions, ensuring that spending is focused on those activities with the biggest impact.
- 4.3 Our three core priorities are to:
- Create good places to live and work
  - End poverty in Edinburgh



- Become a net zero city by 2030



- 4.4 These three priorities are interlinked and interdependent. They connect the major strategies and Council policies agreed in the past few years, through the shared goals and commitments of the Council and its partners, and towards our long-term ambitions for Edinburgh to be a fair, welcoming, pioneering, and thriving city, as expressed by the 2050 Edinburgh City Vision.
- 4.5 In order to be successful, these priorities must be delivered through the lens of climate and social justice. The actions set out here represent some of the infrastructure, cultural and behaviour changes needed to become a net zero city by 2030, end poverty in Edinburgh, and create good places to live and work, but we recognise that they require significant investment and commitment to make the change we know is needed.



- 4.6 Across all these priorities, Council services are committed to ensuring that services provided are inclusive and accessible to everyone. This means taking steps to ensure that action for equalities and inclusion is mainstreamed throughout Council planning and delivery. It also means making sure that the diverse people and communities of Edinburgh, including those protected by current and future legislation, feel their voice is effectively heard and listened to in decision making processes.
- 4.7 Alongside these wider strategic objectives, there are a wide range of statutory duties that the Council is required to deliver. This statutory landscape includes significant duties relating to, for instance, education and caring for vulnerable citizens, but it extends well beyond these into almost every area of Council operations. Throughout the delivery of this business plan, the Council must continue to meet all its statutory duties, but the way these are met will continue to evolve in line with the financial framework and the budget and service challenges the Council faces.

### **City Centre Transformation, City Mobility and City Plan 2030**

- 4.8 Central to achieving the net-zero target are the [City Centre Transformation Strategy](#) and [City Mobility Plan](#). The City Centre Transformation plans to create a vibrant and people focused city centre, while the City Mobility Plan looks at the way people travel around Edinburgh, changing roads and pavements for people to move around our city more easily and sustainably.
- 4.9 These strategies are supported by a number of action plans including:
- [Circulation Plan](#)
  - [Public Transport Action Plan](#)
  - [Active Travel Action Plan](#)
  - [Parking Action Plan](#)

- 4.10 These plans are ambitious and funding them will be challenging. The Capital Strategy only provides partial funding for these plans, with the expectation that additional external funding will be required to deliver the plans in full.
- 4.11 Following the Choices for City Plan consultation in Spring 2020, The proposed [City Plan 2030](#) was submitted for examination by Scottish Ministers on 9 December 2022. Following examination, the plan will be finalised to incorporate required changes and detailed modelling will be undertaken to understanding the financial implications for the Council.
- 4.12 The proposed City Plan 2030 contains policies and proposals to limit the environmental impact of development and minimise carbon emissions by:
- Supporting the outcomes of the City Mobility Plan;
  - Strengthening and growing the city-wide green network to connect our places, parks and greenspaces;
  - Requiring all new buildings to achieve net zero operation greenhouse gas emissions;
  - Requiring all new buildings and refurbishments to incorporate measures to address the climate emergency;
  - Designing all new developments to be in a way which tackles and adapts to climate change;
  - Promoting higher density, mixed use neighbourhoods to reduce the need to travel for work and everyday services; and
  - Supporting Local Place Plans to achieve resilient places and support community ambitions.
- 4.13 As the city works towards these objectives, it is also predicted to grow. City Plan 2030 sets out how and where growth will happen in the future. Existing plans for development are set out in the current [Local Development Plan](#). The [Local Development Plan Action Programme](#) sets out the new infrastructure that is required to accommodate this growth. Once finalised and adopted City Plan 2030 will replace the current Local Development Plan.

### **Environmental Sustainability**

- 4.14 Edinburgh is a thriving city and is home to businesses from all industries who are driving innovation and solutions to help tackle the climate crisis and support the city's target of net-zero commitment by 2030. Businesses and stakeholders from across the private, public and third sectors are working together to invest in climate action and make our city resilient to future challenges and build a better future for our citizens. There are many [innovative and exciting projects](#) being undertaken in the city to support Edinburgh's net-zero commitment and to help the city meet its climate target.
- 4.15 The Council has a significant role to play in supporting the city to transition to net-zero carbon by tackling major infrastructure challenges. The full capital cost associated with achieving the Council's 2030 net-zero carbon target and mitigating

the impact of climate change is likely to be significant but is still to be funded. Discussions are ongoing with partners as part of delivering the [2030 Climate Strategy and Implementation Plan](#) and the [Council Emissions Reduction Plan](#).

- 4.16 The Council is working in partnership with the Scottish Government to explore potential funding solutions and opportunities whilst developing a Strategic Investment Plan for the net-zero transition. Any funding gaps identified would be considered as part of future budgets.
- 4.17 The Council has assessed its capital budget strategy against the [methodology](#) developed by the Institute for Climate Economic to check that spending is in line with our net zero ambition. Key findings show that, for the expected expenditure for 2023-33 (a total of £1.5bn analysed):
- 58 % of the total investment (£ 875 m) is in line with the Council’s climate ambition (labelled as either “favourable under conditions”, or “very favourable”)
  - 33 % is considered as neutral
  - 4 % is unfavourable
  - 4 % is classified as “undefined” as the expenditure did not match with any item in the taxonomy

#### **Other Key Plans and Policies**

- 4.18 As well as the strategies, plans and policies outlined above, the capital strategy should be read in conjunction with the following plans and policies for additional background;
- [Sustainable Capital Budget Strategy 2023-2033](#)
  - Annual Treasury Management Strategy
  - [Revenue Budget Framework 2023/27 – progress update](#)
  - [Revenue Budget Framework 2023/27 – further update](#)
  - [Revenue Budget 2022/23 – Risks and Reserves](#)
  - [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#)
  - [Corporate Asset Strategy](#)
  - [Transport Asset Management Plan \(TAMP\)](#)

## **5. Capital Expenditure and Financing**

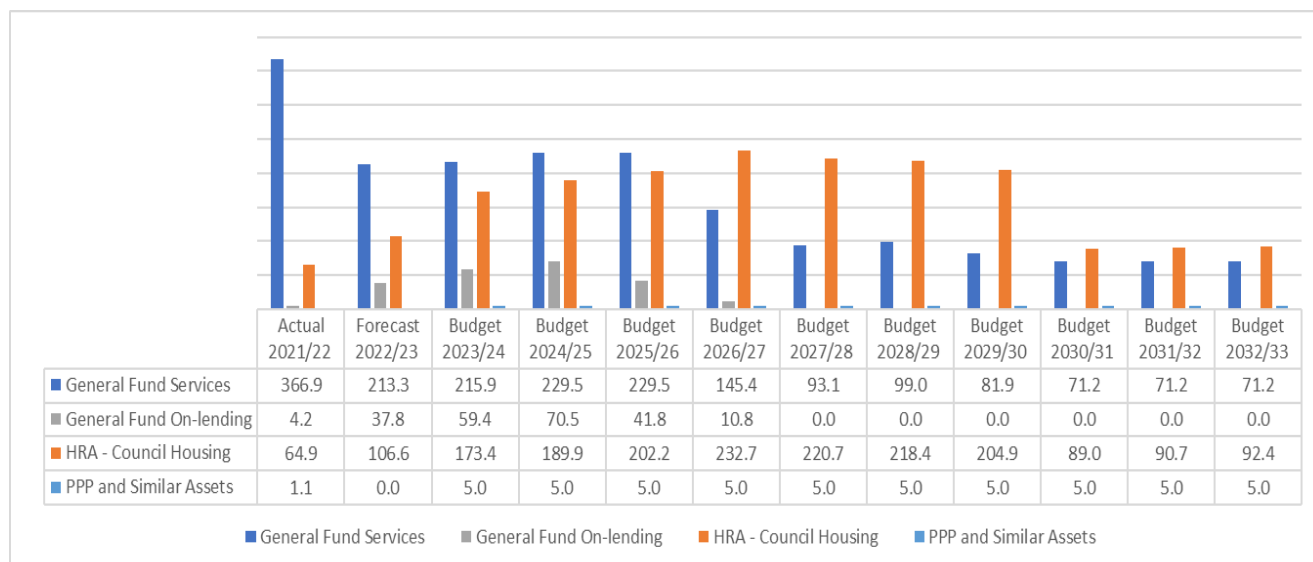
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### **Capital Expenditure**

- 5.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

- 5.2 The Council's policy on capitalisation complies with the accounting requirements for local authorities and is set out in its [Audited Annual Accounts](#). This has been supplemented with a [change in accounting policy for capitalisation of interest costs](#) which was approved at Finance and Resources Committee on 21 January 2021.
- 5.3 The previous Capital Investment Programme 2009-19 was superseded by the [Capital Budget Strategy 2020-30](#), which was reported to Finance and Resources Committee on 14 February 2020 and approved at the Council's budget meeting of 20 February 2020. The Capital Budget Strategy is subject to annual review and forms part of the annual budget setting.
- 5.4 The latest update, the [Sustainable Capital Budget Strategy 2023-2033](#), sets out capital expenditure and funding of £1,474.517m based on the assumptions set out above, including the generation of savings and additional income in revenue budgets. This was subsequently amended at the Council's budget meeting of 23 February 2023, where the approved budget motion added a further £16m, revising the total to £1,490.517m. Funding assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.
- 5.5 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.
- 5.6 In the period 2023/33, the Council is planning total capital expenditure across the General Fund, HRA and Leases of £3,255.010m. Whilst the later years are only indicative at present, they are summarised below:

Chart 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions



5.7 Significant General Fund capital projects through the 2023-33 strategy include<sup>1</sup>:

- Wave 4 Schools - £294.233m



- Asset Management Works and Retrofit - £205.206m
- New Schools and Extensions for Population Growth - £103.774m
- Investment in Roads and Transport Infrastructure (including North Bridge) - £176.654m

<sup>1</sup> Values are those included in the Council's Capital Investment Programme and do not recognise any external funding which has not yet been received, including funding from the Edinburgh and South East Scotland City Deal.

## Housing Revenue Account

- 5.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.



- 5.9 The [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#), amended by approved the Council budget motion of 23 February 2023 sets out planned capital investment of £1,018.990m over the next five years, rising to £1,714.493m over 10 years to deliver tenant priorities, including building new homes, modernising existing homes and help tenants reduce their cost of living. This is summarised in the table below:

Table 1: HRA Five Year Capital Investment Programme and Ten-Year Investment Strategy

Programme Heading	1	2	3	4	5	5 Year	6 to 10	10 Year
	2023/24	2024/25	2025/26	2026/27	2027/28	Total	2028/29 to 2032/33	Total
	£m	£m	£m	£m	£m		£m	
Programme Expenditure								
New Homes Development*	99.090	109.200	127.123	149.064	137.969	622.446	317.983	940.429
New Home Land Costs	2.000	3.000	-	4.875	4.875	14.750	5.000	19.750
Tenant's Homes & Services & Maintenance	12.567	12.669	12.885	14.621	14.399	67.139	68.110	135.250
External Fabric and Estates & Acquisitions	59.704	65.072	62.241	64.151	63.487	314.655	304.410	619.065
<b>Total Expenditure</b>	<b>173.361</b>	<b>189.941</b>	<b>202.249</b>	<b>232.711</b>	<b>220.729</b>	<b>1018.990</b>	<b>695.503</b>	<b>1714.493</b>
Programme Resources								
Prudential Borrowing	61.681	107.390	45.137	70.986	110.480	395.675	309.737	705.412
Capital Funded from Revenue / Reserve	23.300	18.300	18.300	18.300	18.300	96.500	106.300	202.800
Capital Receipts and Contributions	14.520	23.147	23.862	45.096	41.697	148.322	167.521	315.844
Receipts from LLPs*	45.809	23.541	87.948	60.838	33.026	251.163	26.175	277.338
Scottish Government Subsidy (Social)	26.131	15.643	26.042	36.530	16.265	120.610	80.970	201.580
Scottish Government Subsidy (Acquisition)	1.920	1.920	0.960	0.960	0.960	6.720	4.800	11.520
<b>Total Funding</b>	<b>173.361</b>	<b>189.941</b>	<b>202.249</b>	<b>232.711</b>	<b>220.729</b>	<b>1018.990</b>	<b>695.503</b>	<b>1714.493</b>

- 5.10 This investment aims to deliver Council commitments on affordable housing and net zero. Capital investment will be accompanied by improvements in how we deliver housing services to increase customer satisfaction.

- 5.11 The HRA Budget Strategy 2023-2033 will also be a catalyst for wider area improvements; including the regeneration of Granton Waterfront, Pennywell, Craigmillar, Meadowbank, Fountainbridge, Powderhall and Wester Hailes.

5.12 Within the Council’s housebuilding programme, there are currently over 613 new homes on site and under construction and a further 1,055 homes in design and pre-construction stage. This does not include homes being delivered for private sale or market rent through Council-led developments. Council-led developments are set out in the map below.



### Edinburgh Living (Limited Liability Partnerships)

5.13 The Council also uses general fund resources to increase the provision of affordable housing in the city, through lending to Edinburgh Living (LLPs) with £182.515m provided in the strategy. These projects are self-financing because of income from affordable rents. However, it should be noted that at present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLPs up to 2023-24 for a total of £248m. The Housing Revenue Account (HRA) Business Plan assumes continuation of the consent beyond this point, in the form of capital receipts in the HRA. Options are being reviewed to address the requirement for consent for future years on-lending.

### Identifying Capital Priorities

5.14 New projects can be added to the Council’s capital programme in the following ways:

- Allocation of additional resources at the Council’s budget meeting in February each year.
- Reprioritisation of existing budgets approved by service committees and, where this represents a change in policy, by full Council.
- Approval of a prudentially funded business case approved by relevant service committee and full Council
- Award of external funding



- A combination of any of the above

## Capital Financing

- 5.15 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing, Public Private Partnerships and similar instruments). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

Capital Financing	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31	Budget 2031/32	Budget 2032/33
Grants	134.062	128.442	103.182	88.182	98.432	105.684	85.419	89.863	98.840	90.841	73.598	73.598
Asset Sales	18.501	27.696	67.329	50.688	114.810	108.935	77.724	71.160	44.161	39.105	26.936	27.334
Capital Fund	7.150	0.000	27.650	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Supported Borrowing	137.198	85.942	43.602	29.213	18.969	18.978	18.915	18.915	18.915	18.300	25.700	25.700
On-Lending	4.167	20.621	59.418	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other External Income	20.447	16.275	6.369	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PPP and similar arrangements	1.057	0.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000	5.000
Loans Fund Advances - Self-Financed	114.441	78.681	141.157	251.406	199.495	144.555	131.807	137.437	124.929	11.974	35.680	37.009
<b>Total</b>	<b>437.023</b>	<b>357.657</b>	<b>453.707</b>	<b>494.989</b>	<b>478.499</b>	<b>393.955</b>	<b>318.865</b>	<b>322.376</b>	<b>291.845</b>	<b>165.220</b>	<b>166.914</b>	<b>168.641</b>

- 5.16 The grants total above does not include external funding where the timing of that funding is uncertain. This includes Sustrans funding for Active Travel.

## Loans Fund Review and Policy

- 5.17 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. Repayments for capital advances (with the exception of those detailed below) will be calculated using option 3 – the Asset Life method.
- 5.18 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 Option 4 – the funding/income method and these capital advances will be repaid using an annuity structure with fixed interest rate and principal repayments.
- 5.19 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.

## International Financial Reporting Standard (IFRS) 16 - Leases

- 5.20 For its 2022/2023 financial statements, the Authority will adopt the provisions of 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.
- 5.21 The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles,

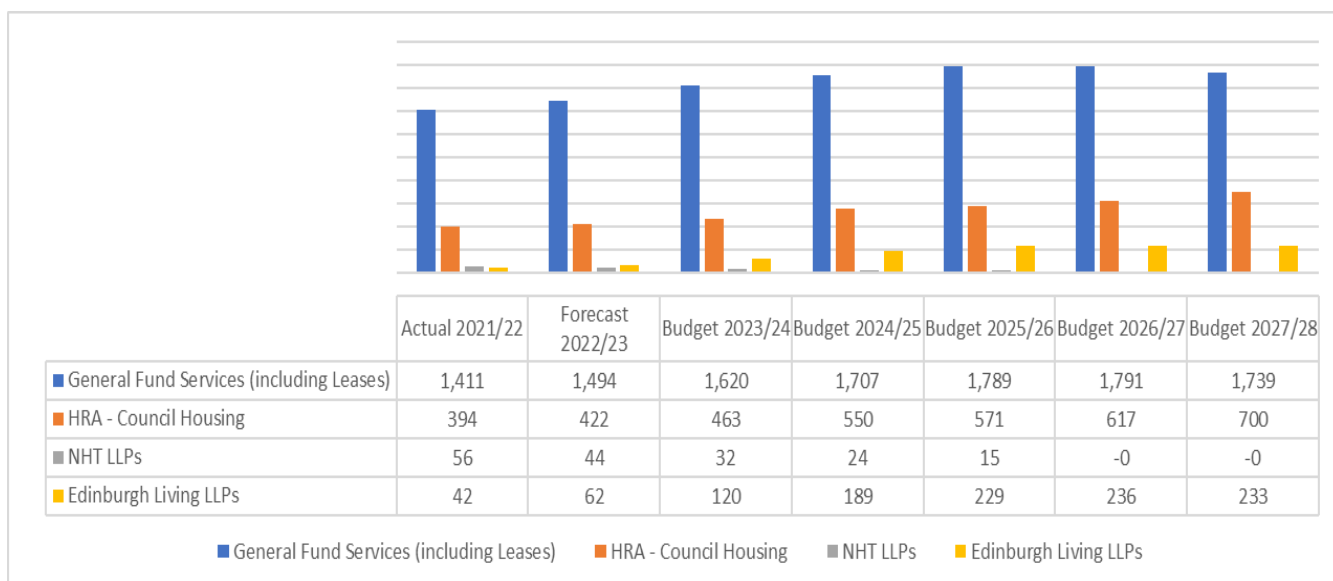
plant, equipment, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought into the balance sheet at 1 April 2022. Leases for items of low value and leases that expire on or before 31 March 2023 are exempt from the new arrangements.

- 5.22 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.
- 5.23 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.
- 5.24 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.
- 5.25 The de minimis limit for IFRS 16 has been set at £10,000, in line with the capital expenditure de minimis. 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)

#### **Capital Financing Requirement**

- 5.26 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with loans fund repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Chart 2: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions



### Corporate Property Strategy

5.27 A refreshed Corporate Property Strategy is being prepared and will be submitted to the Policy and Sustainability Committee in May 2023. The strategy will provide a framework for how changes to the Council’s operational property estate will be taken forward over the next 5-10 years. The strategy will focus on the property solutions required to address:

- changes to working patterns that have occurred since the COVID pandemic
- the ambition to deliver improved and integrated services with partners in local communities aligned to the 20-minute neighbourhood approach, and
- how property can assist with the move towards a Carbon Neutral City by 2030.

5.28 The Corporate Property Strategy will not be a list of projects which have already been developed and require to be implemented. Rather it will set out the process which needs to be followed for approving and implementing changes to the property estate which are aligned to the Council’s Business Plan objectives.

5.29 The Council spends £100m a year running the buildings it owns. The Council aim to identify sites for new housing, release capital for investment, reduce costs and carbon emissions and is committed to seeing all new buildings meet ambitious net zero carbon targets by adopting Passivhaus standards where possible.

5.30 The Council remains committed to upgrading the existing operational property estate through the Asset Management Works, programme with almost £150m allocated to this purpose in the 10-year capital budget strategy. This will hugely improve the condition and safety of our buildings.

- 5.31 Heat and energy use in Council buildings accounts for 68% of the Council's own emissions footprint. The Sustainable Development service have been actively looking into other funding streams including any Scottish Government funding which could be used for the Council's future property improvement investment which will support the Council Emissions Reduction Plan. The revised 2023-33 Capital Budget Strategy provides £60.850m of Council capital investment to progress with an initial 'Pathfinder' project that involves implementing significant retrofit works to Council operational buildings to improve their energy efficiency. This programme is linked to the Scottish Government's 'Green Growth Accelerator' funding programme which will release £10.120m of revenue funding if the carbon reduction targets are achieved.
- 5.32 As part of the Corporate Property Strategy, the Council needs to consider how to invest in future projects and ensure they align with the approach to deliver multi service hubs for the whole community, rather than single use buildings. A report on Delivering the 20-Minute Neighbourhood Strategy was considered by the Policy and Sustainability Committee in November 2021.
- 5.33 There is a significant opportunity for learning estate buildings across the city to become anchor facilities for wider joined up service delivery in local communities aligned with the principles of the 20-minute neighbourhood concept. 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. The Passivhaus certified standard will also be adopted.
- 5.34 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.
- 5.35 On the 18 December 2020 the Scottish Government announced that the Council's Liberton High School and Wester Hailes Education Centre Phase 2 projects would both be part of Phase 2 of the Learning Estate Investment Programme. The Scottish Government will pay for ongoing maintenance of the new facilities through an outcomes-based funding model. This follows the previous announcement on 9 September 2019 that Currie High School would be include within the Scottish Government's first phase of the Learning Estate Investment Programme.
- 5.36 Furthermore, funding has been provided for library and employability services to be included within the Macmillan Hub project in Pennywell. This is addition to Scottish Government Early Years funding for a new nursery and the recently announced Scottish Government Regeneration Capital Grant Fund award for wider community facilities. The Hub will provide an opportunity to create a building shared between the Council and the North Edinburgh community to provide education, lifelong

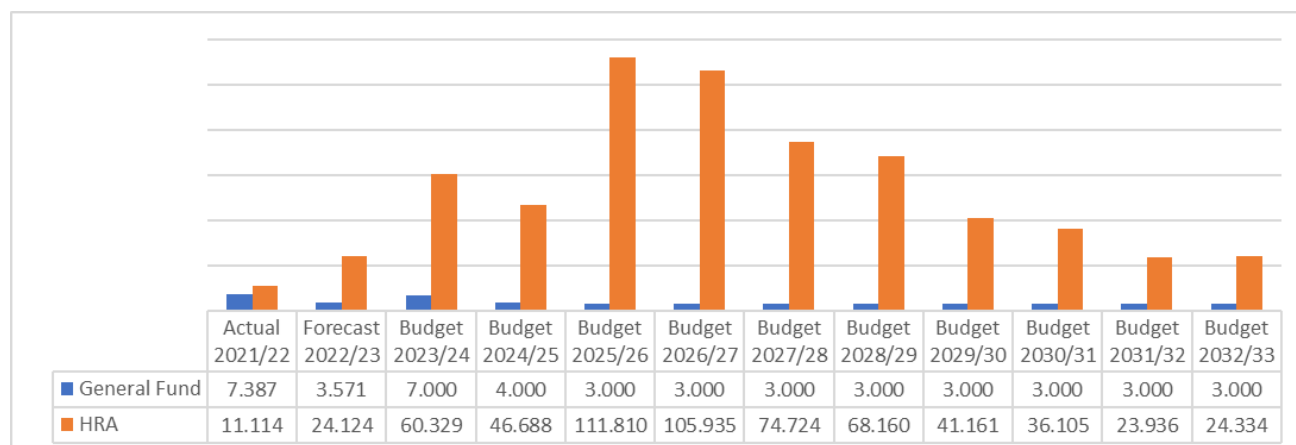
learning, arts, culture and employment support for this area of the city, which all strongly aligns with the Council's 20-minute neighbourhood principles.

- 5.37 There is also an opportunity for existing learning estate facilities to be adapted in order that wider services can be delivered from these locations. In order to ensure this is successful detailed suitability assessment of the physical changes required to the learning estate will be progressed. A new Edinburgh's Learning Estate Strategy 2021 'Investing in New Buildings: Guiding Principles' was approved by Education, Children and Families Committee on 12 October 2021.

### Asset Disposals

- 5.38 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council expects to receive £35 m of capital receipts in the General Fund in the years 2023/24 to 2032/33 as follows, with significantly more in the HRA through Edinburgh Living purchase of completed homes delivered through the Council's housebuilding programme:

Chart 3: Capital receipts in £ millions



## 6. Treasury Management

### Treasury Management

- 6.1 Treasury management's role is to keep sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent and holds cash reserves, at least in the short-term. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

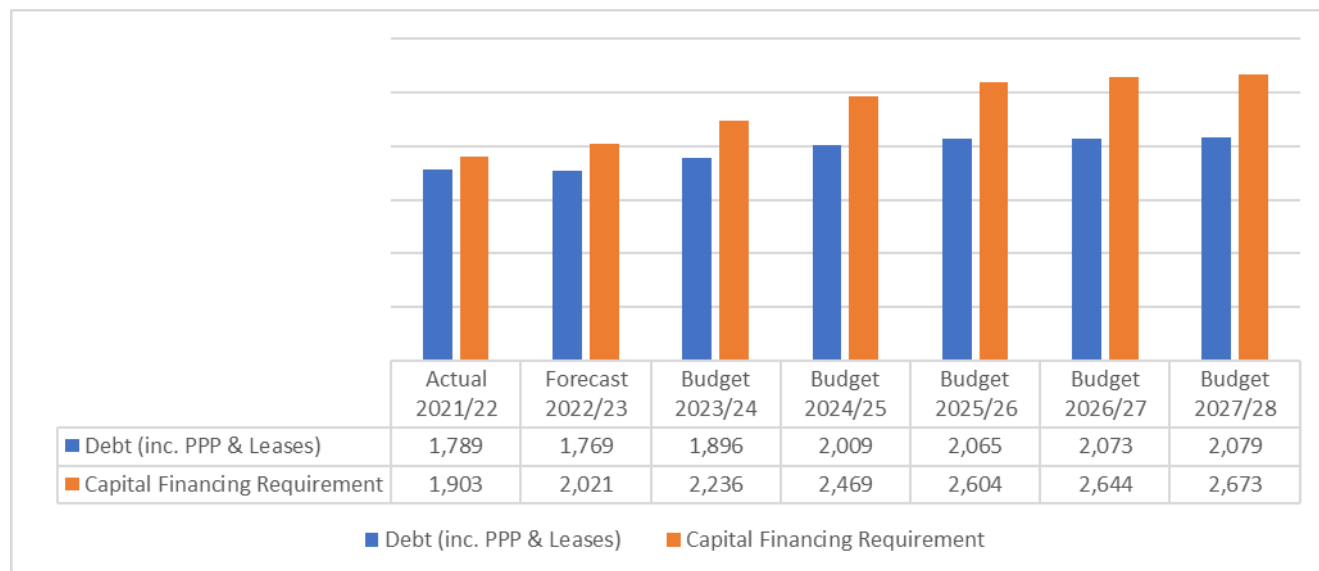
### Borrowing Strategy

- 6.2 As interest rates have increased significantly, only £11.1m in PWLB borrowing has been taken this financial year. However, in the previous 3 years the Council had

borrowed nearly £500million mitigating a significant amount of the Council's interest rate risk.

- 6.3 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement as summarised in the chart below:

Chart 4: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

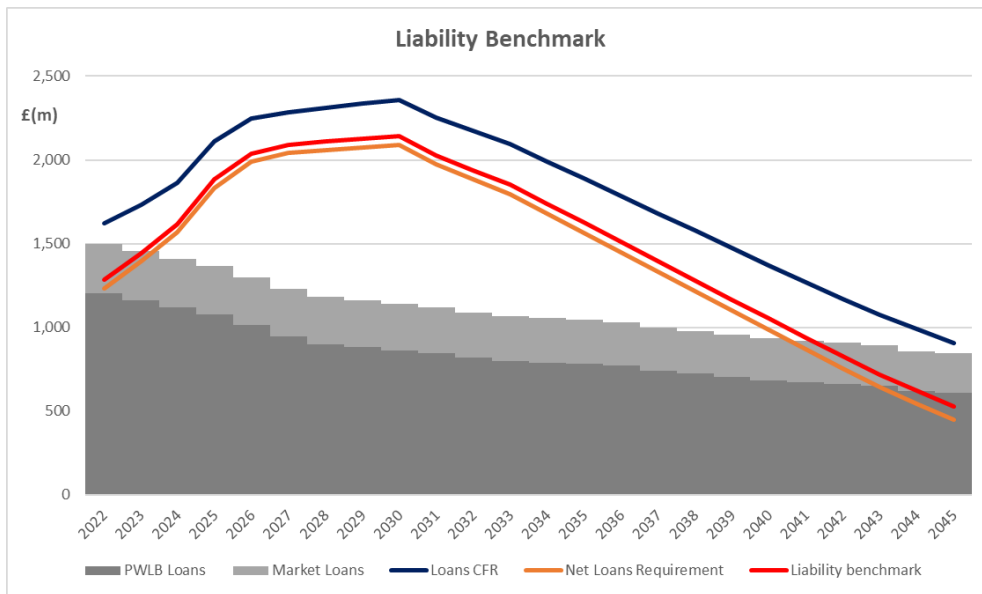


- 6.4 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Chart 4, the Council expects to comply with this in the medium term.
- 6.5 From 2022/23 onwards, the values for both the Debt and the Capital Financing Requirement are higher than they would otherwise have been for technical accounting reasons due to the adoption of the IFRS16 accounting standard and the review of the accounting treatment of service provisions. Neither of these changes alter the Council's underlying need to borrow.

### Liability Benchmarking

- 6.6 To compare the Council's actual borrowing against its predicted underlying need to borrow, a liability benchmark has been calculated using the Council's loans and Capital Financing Requirement less its core underlying cash investments.
- 6.7 The chart below shows the projection of the Council's benchmark:

Chart 5: Liability Benchmark in £ millions



6.8 The chart shows that the Council is projected to be significantly under its liability benchmark over the period. This shows that the Council will require to undertake additional borrowing in the latter years to fund this.

### Affordable Borrowing Limit

6.9 The Council sets an affordable borrowing limit (also termed the authorised limit for external debt) each year. A lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 3: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2021/22 Limit	2022/23 Limit	2023/24 Limit	2024/25 Limit	2025/26 Limit	2026/27 Limit	2027/28 Limit
Authorised Limit – Borrowing	1,748	1,905	2,202	2,531	2,806	2,925	2,972
Authorised Limit – PFI, Leases & ROU Assets	289	317	394	383	373	366	361
<b>Authorised Limit – Total External Debt</b>	<b>2,038</b>	<b>2,222</b>	<b>2,596</b>	<b>2,914</b>	<b>3,179</b>	<b>3,291</b>	<b>3,333</b>
Operational Boundary – Borrowing	1,690	1,855	2,152	2,481	2,756	2,875	2,922
Operational Boundary – PFI, Leases & ROU Assets	289	317	394	383	373	366	361
<b>Operational Boundary – Total External Debt</b>	<b>1,980</b>	<b>2,172</b>	<b>2,546</b>	<b>2,864</b>	<b>3,129</b>	<b>3,241</b>	<b>3,283</b>

### Investment Strategy

6.10 Treasury investments arise from receiving cash before it is paid out again and through reserves and other fund balances.

6.11 The Council's cash investments are pooled with the sterling cash of Lothian Pension Fund and other associated organisations and invested together. The investment policy for treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash is

invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Additional liquidity is provided using Money Market Funds. Investments made for service reasons are not generally considered to be part of normal treasury management activity

- 6.12 The Bank of England has raised interest rates at every single one of their 10 Monetary Policy Committee meetings since December 2021 with further increases at their March and May meetings a distinct possibility. In this scenario duration has a negative effect on the portfolio. This has made performance again the benchmark which moves in line with UK Bank Rate exceptionally challenging while maintaining the security of the portfolio.
- 6.13 Further details on treasury investments are in Appendix 5 of the Annual Treasury Management Strategy report.
- 6.14 Decisions on treasury management investment and borrowing are made daily and are therefore delegated by the Council to the Service Director: Finance and Procurement and relevant staff, who must act in line with the Treasury Management Policy Statement approved by the Council on the recommendations of the Finance and Resources Committee. Semi-annual reports on treasury management activity are presented to Council. The Governance, Risk and Best Value Committee is responsible for scrutinising treasury management decisions.

## **7. Other Investments and Long-term Liabilities**

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### **Investments**

- 7.1 The Council makes investments to assist local public services, including making loans to and buying shares in Council's subsidiaries that assist in the delivery of Council priorities. Examples include investments in the Edinburgh International Conference Centre, the EDI Group, Edinburgh Living LLPs and Energy for Edinburgh. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.
- 7.2 Decisions on service investments are made by the relevant Executive Director or Service Director, in accordance with the scheme of delegation, in consultation with the Service Director - Finance and Procurement and are approved by the relevant executive committee of the Council. Most loans and share purchases are capital expenditure and purchases will therefore also be approved as part of the capital programme.

### **Commercial Activities**

- 7.3 The Council retains a commercial property investment portfolio for city development purposes, but also derives financial gain from this activity. The investment portfolio consists of over 1,130 assets and is forecast to produce a rental income of c. £15m per annum. The portfolio has recovered well from the COVID-19 pandemic although there is still a legacy accrued through that period which is being actively managed. The portfolio is estimated to have a value of c. £230m.



- 7.4 With economic development being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include voids and falls in rental income. In order to minimise the liability to the Council the portfolio is actively managed on a commercial basis. The approach to managing the portfolio is set out in the [Council Commercial Property Portfolio Update Report](#), 23 May 2019. An updated strategy is due to be considered by the Finance and Resources Committee later this year.
- 7.5 Decisions on commercial investments are made by the Executive Director of Place in line with the criteria and limits set by the Council as part of the Scheme of Delegation and Financial Regulations, and directly through the Finance and Resources Committee, where appropriate. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.
- 7.6 The council also has commercial activities in Edinburgh International Conference Centre and the EDI group. The commercial activities in the EDI group are in the process of being wound down in accordance [EDI transition strategy](#) approved by Council on 31 May 2018.

#### **Integration with Wider Financial Strategy**

- 7.7 It is recognised that the Council's capital resources are limited. Borrowing carried out for investment must be repaid from increasingly limited revenue budgets. The Capital Budget Strategy can only be funded if the Council is able to balance its revenue budget over the medium to long term to comply with the terms of the Prudential Code.
- 7.8 The [Council Business Plan 2023-27](#) brings together the Council's strategic priorities into a single plan responding to these needs for change and should also be read alongside this strategy and the wider capital and revenue budgets for both the General Fund and the HRA.

#### **Risks and Reserves**

- 7.9 The Council undertakes an annual review of its risks and reserves in the context of setting the revenue and capital budgets. The most recent update, Revenue Budget 2023/24 – Risks and Reserves was reported to the Finance and Resources Committee on 7 February 2023 and set out a number of risks (and associated mitigating actions), including potential cost pressures around demographic-led demand, the continuing expenditure and income impacts of the cost of living crisis, pay awards and the financial implications of other legislative changes, as well as the level of future funding settlements and delivery of approved savings.
- 7.10 The report recommends maintaining the level of unallocated reserves at £26.7m, equating to around 2.3% of the Council's net expenditure which is in line with other local authorities in Scotland.

- 7.11 The report also outlined the maintenance of a series of ringfenced reserves for statutory<sup>2</sup> or specific policy<sup>3</sup> reasons or to reflect timing differences between the receipt of income and its subsequent application.

### Revenue Budget Implications of Capital Strategy

- 7.12 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and loans fund repayments are charged to revenue, offset by any investment income received. The net annual charge of financing costs is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general grants.

Table 4: Prudential Indicator: Proportion of financing costs to net revenue stream

	Actual 2021/22	Forecast 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
Financing costs (£m) – General Fund Services	76.8	84.7	98.5	100.9	104.7	108.3	109.3
Proportion of net General Fund revenue stream	6.80%	7.14%	7.57%	8.03%	8.24%	8.43%	8.42%
Financing costs (£m) – Housing Revenue Account	34.2	33.4	35.9	39.5	43.6	46.5	48.6
Proportion of net HRA revenue stream	32.04%	32.49%	33.83%	34.97%	36.97%	37.85%	38.53%

- 7.13 In addition to financing costs, the Council makes provision for all running costs and lifecycle maintenance of assets in its revenue budget planning process. Before inclusion in the capital programme, a business case is created for every new project which sets out the revenue implications and how they will be funded.
- 7.14 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The implications of capital expenditure have been built into the Council's long-term financial planning assumptions to ensure that the proposed capital programme is prudent, affordable and sustainable.

## 8. Knowledge and Skills

- 8.1 The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
- 8.2 The Finance and Procurement function, within the Council's Corporate Services Directorate, has qualified accountants working throughout the Division. The accountancy function is an accredited employer with regard to Continuing

<sup>2</sup> Including the Insurance Fund, Council Tax Discount Fund (ringfenced for the provision of affordable housing), licensing reserves and sums set aside under the Devolved School Management (DSM) scheme.

<sup>3</sup> Including the Spend to Save and City Strategic Investment Funds.

Professional Development (CPD) with the CIPFA and ACCA accountancy bodies. This accreditation is assessed externally every 3 years with the most recent review last year.

- 8.3 The accounting function has been externally assessed as being a Platinum Accredited Employer for training and continuing professional development (CPD) by CIPFA in recognition of the development opportunities provided to staff.
- 8.4 Benchmarking information (2018) showed that the Council had an above average number of qualified staff compared with other local authorities across the UK with over 66% of staff being qualified or part-qualified. Support is provided for those engaged in study for accounting, treasury and insurance qualifications. The CPD assessment undertaken by CIMA examines the provision of training and guidance available to staff on ethical issues including whistleblowing and money laundering legislation.
- 8.5 The 2019 CIPFA Benchmarking showed the Council to be 20.5% below the peer group staffing cost and 35% below peer group staffing numbers. While the definition of Finance was slightly wider, Scotland-specific benchmarking published in 2019 showed the Council to have the lowest relative expenditure on Finance support of any council in Scotland.
- 8.6 As well as finance qualifications, the Treasury Team hold a range of Treasury, Investment and Banking qualifications including the CIPFA/ACT Certificate in International Treasury Management – Public Finance and the Investment Management Certificate. The team also has a wide range of knowledge and experience in investment instruments as well as debt and other funding structures.
- 8.7 The Estates team, within the Council's Place Directorate, through which the property investment portfolio is managed, has RICS qualified surveyors working across the Division, the majority of which are also members of the Registered Valuers scheme.
- 8.8 In addition, use is made of external advisers and consultants that are specialists in their field, when specialist technical advice is required. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

## **9. Conclusion**

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- 9.1 The Capital Strategy is a reporting requirement introduced by the 2017 edition of the CIPFA Prudential Code, with the first iteration published in March 2019 and annual updates provided thereafter.
- 9.2 In December 2021, the CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition) was published. Further developments for capital strategies were made in this update following their introduction in 2017, such as setting the strategy in the context of the organisation's corporate objectives.

- 9.3 The Capital Strategy takes account of the City of Edinburgh Council's Business Plan, Corporate Objectives and Vision whilst considering any new investment within the context of growing in a financial and environmentally sustainable way.
- 9.4 The cost of living crisis, revenue funding pressures and the true costs of creating low carbon infrastructure will have an impact on what the Council can afford in both the General Fund and HRA, and it needs to ensure that the projects taken forward are the right choices with more limited revenue funding resources.
- 9.5 The Council has a significant role to play in supporting the city to transition to net-zero carbon by tackling major infrastructure challenges. The full capital cost associated with achieving the Council's 2030 net-zero carbon target and mitigating the impact of climate change is likely to be significant but is still to be funded. Discussions are ongoing with partners as part of delivering the 2030 Climate Strategy and Implementation Plan and the Council Emissions Reduction Plan which are part of our environmental sustainability.
- 9.6 The Council also needs to consider a total place approach where new buildings are not built in isolation but consider the full range of services offered, their role and accessibility within the local community as we adopt the 20-minute neighbourhood approach.
- 9.7 This Capital Strategy for City of Edinburgh Council 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. It also provides an overview of how associated risk is managed and the implications for future financial and environmental sustainability.

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 2 May 2023

## Risk Management Policy - referral from the Policy and Sustainability Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Policy and Sustainability Committee has referred a report on the Council's refreshed Risk Management Policy, to the Governance, Risk and Best Value Committee for information.

**Dr Deborah Smart**  
Executive Director of Corporate Services

Contact: Louise Williamson, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services Directorate  
E-mail: [louise.p.williamson@edinburgh.gov.uk](mailto:louise.p.williamson@edinburgh.gov.uk) | Tel: 0131 529 4264

# Referral Report

## Risk Management Policy - referral from the Policy and Sustainability Committee

### 2. Terms of Referral

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2.1 On 21 March 2023 the Policy and Sustainability Committee considered a report by the Executive Director of Corporate Services on the Council's refreshed Risk Management Policy (the Policy) which superseded the existing policy dated 30 November 2021. The Policy described the Council's overarching risk management approach and was supported by a risk management framework that described how the policy would be applied by all Council directorates and divisions.

2.2 The operational risk assessment tool used by Services to assess Service risks had been revised following feedback from officers on challenges using the existing tool.

#### 2.3 Motion

- 1) To approve the Council's updated Risk Management Policy as set out in Appendix 1 to the report by the Executive Director of Corporate Services.
- 2) To refer the report to the Governance, Risk and Best Value (GRBV) Committee for information.

- moved by Councillor Day, seconded by Councillor Watt

#### Amendment

- 1) To review the Council's updated Risk Management Policy as set out in Appendix 1 to the report by the Executive Director of Corporate Services.
- 2) To note the concerns raised at GRBV around risk reporting formats and the lack of detailed information provided to councillors, particularly in relation to mitigating actions. Recognises that at section there is very little detail of the role of elected members in managing risk.
- 3) To note that GRBV members have agreed to hold a workshop to look at how to improve risk reporting to committee and escalation routes should members have concerns which they believe should be considered by executive committees or full Council.
- 4) To refer the report to the Governance, Risk and Best Value (GRBV) Committee for information.

- 5) To agree to bring back the report for approval in two cycles, with a more detailed assessment of elected member involvement, roles, reporting and escalation following the workshop with GRBV members.

- moved by Councillor Campbell, seconded by Councillor McVey.

In accordance with Standing Order 22(12), the amendment was adjusted and accepted as an amendment to the motion.

### **Decision**

To approve the following adjusted motion by Councillor Day:

- 1) To review the Council's updated Risk Management Policy as set out in Appendix 1 to the report by the Executive Director of Corporate Services.
- 2) To note the concerns raised at GRBV around risk reporting formats and the lack of detailed information provided to councillors, particularly in relation to mitigating actions. Recognises that at section 5 there is very little detail of the role of elected members in overseeing risk.
- 3) To note that GRBV members have agreed to hold a workshop to look at how to improve risk reporting to committee and escalation routes should members have concerns which they believe should be considered by executive committees or full Council.
- 4) To refer the report to the Governance, Risk and Best Value (GRBV) Committee for information.
- 5) To agree to bring back the report for approval in two cycles, with a more detailed assessment of elected member involvement, roles, reporting and escalation following the workshop with GRBV members.

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

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Minute of the Policy and Sustainability Committee of 21 March 2023.

## **4. Appendices**

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Appendix 1 – Report by the Executive Director of Corporate Services

# Policy and Sustainability Committee

10.00am, Tuesday, 21 March 2023

## Risk Management Policy

Item number

Executive/routine

Executive

Wards

Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
- 1.1.1 reviews and approves the Council's updated Risk Management Policy as set out in Appendix 1 to this report; and
  - 1.1.2 refers the report to the Governance, Risk and Best Value (GRBV) Committee for information.

**Dr Deborah Smart**

Executive Director of Corporate Services

Contact: Chris Lawson, Head of Health and Safety/Interim Risk  
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## Risk Management Policy

### 2. Executive Summary

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- 2.1 The purpose of this paper is to present the Council's refreshed Risk Management Policy (the Policy) to the Committee for review and approval.
- 2.2 This Policy supersedes the existing policy dated 30 November 2021.
- 2.3 The Policy describes the Council's overarching risk management approach and is supported by a risk management framework that describes how the policy will be applied by all Council directorates and divisions.
- 2.4 The operational risk assessment tool used by Services to assess Service risks has been revised following feedback from officers on challenges using the existing tool.

### 3. Background

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- 3.1 Risk management is a fundamental part of effective business management.
- 3.2 As risk management is not a statutory or legislative requirement, it is the Council's responsibility to determine its risk appetite and implement its own Risk Management Policy and supporting arrangements.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) also notes that the discipline of risk management promotes innovation in support of strategic objectives and service delivery; opening the door to the possibility of taking risks to achieve positive outcomes.
- 3.4 Establishing a Risk Management Policy should also support identification and realisation of the improvements and benefits associated with both planned and unexpected opportunities, delivery of Council priorities, whilst protecting the citizens of Edinburgh, Council's employees and assets (where possible) from their potential negative impacts.
- 3.5 Consequently, good risk management should be an embedded component of both decision making and ongoing service delivery across the Council; should be viewed positively; and should not be performed as a separate standalone or retrospective activity.
- 3.6 The current Policy was last reviewed by the Committee in November 2021.

## 4. Main report

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- 4.1 The objective of the Risk Management Policy is to support achievement of the Council's priorities by establishing a structured and proportionate organisational risk management approach that:
  - 4.1.1 supports all Council areas in making and recording effective risk based strategic and operational decisions;
  - 4.1.2 ensures that all known current and future risks associated with ongoing service delivery are consistently and effectively identified; recorded; assessed; and appropriately mitigated and managed in line with the Council's risk appetite; and
  - 4.1.3 supports identification and realisation of the potential improvements associated with both planned and unexpected opportunities, delivery of Council priorities, whilst protecting the citizens of Edinburgh, the Council's employees and assets (where possible) from potential negative risk impacts.
- 4.2 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 risk management across Council services; risk management structures and responsibilities.
- 4.3 The Policy also includes the requirement to consider project delivery risks, and any risks associated with partnership or contractual arrangements supporting delivery of Council priorities and service delivery that could potentially affect the Council.
- 4.4 When refreshing the Policy, good practice has been considered and incorporated (where relevant) from a number of sources, including the risk management guidance included in the Scottish Government's Public Finance Manual; CIPFA; the International Organisation for Standardisation's ISO31000 Risk Management Guidelines; the Institute of Risk Management; and other public bodies.
- 4.5 The policy will be implemented in line with the Council's agreed risk appetite which sets out the amount of risk that the Council has agreed that it is prepared to accept.
- 4.6 This policy is currently support by risk assessment template tools for Services conducting risk assessments and facilitating risk based discussions. These are in general circulation within Services for their use. The current templates in use are in the process of being revised as part of a piece of work to provide detailed supporting guidance to those completing risk assessment activities at all levels within the Council, following user feedback. The revised templates will be published on the Risk Management [Orb](#) pages.

## 5. Next Steps

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- 5.1 Once approved by the Committee, the Policy will be shared and communicated across the Council, with the refreshed version published on the policy register maintained on the Council's website.

## **6. Financial impact**

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- 6.1 There are no direct financial implications associated with the Policy, although there may be costs associated with implementing controls to mitigate risks and/or failing to mitigate risks.

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

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- 7.1 Consistent and effective application of the Policy will help to ensure delivery of Council priorities, that citizens of Edinburgh, Council's employees and assets are protected (where possible) from the negative risk impacts associated with planned and unplanned events, whilst identifying opportunities for improvement

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

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- 8.1 [ISO31000 Risk Management Guidelines](#)
- 8.2 [Institute of Risk Management](#)
- 8.3 [Management of Risk](#)
- 8.4 [CIPFA Risk Management](#)
- 8.5 [Scottish Government Public Finance Manual](#)

## **9. Appendices**

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- 9.1 Appendix 1 - Risk Management Policy

# Risk Management Policy

Implementation date: 21 March 2023

## Control schedule

Version control

<b>Approved by</b>	Policy and Sustainability Committee
<b>Approval Date</b>	21 March 2023
<b>Senior Responsible Officer</b>	Dr Deborah Smart, Executive Director of Corporate Services, Nick Smith, Service Director, Legal and Assurance
<b>Author</b>	Chris Lawson, Interim Head of Risk
<b>Scheduled for review</b>	January 2025 (TBC)

Version control

Version	Date	Author	Comment
0.3	6 October 2020	Lesley Newdall, Senior Audit and Risk Manager	
0.4	30 November 2021	Lesley Newdall, Head of Audit and Risk	
0.5	21 March 2023	Chris Lawson, Interim Head of Risk	

Previous committee decisions affecting this policy

Date	Committee	Link to report	Link to minute
6 October 2020	Policy and Sustainability Committee	<a href="#">Report</a>	<a href="#">Meeting Minute</a>
30 November 2021	Policy and Sustainability Committee	<a href="#">Report</a>	<a href="#">Meeting Minute</a>

# Risk Management Policy

## Policy statement

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- 1.1 The purpose of this Risk Management Policy (the Policy), along with the Risk Management Framework (the Framework), is to support the Council in achieving its objectives; through strengthening the ability to respond to challenges, ensuring conformity with rules and regulations, providing assurance that controls are in place, and supporting well-informed decision making.
- 1.2 The Policy also aims to support identification of opportunities for improvement and operational efficiencies.

## Scope

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- 2.1 This Policy applies to all Council employees and is intended to support embedding of effective risk management in all Council directorates, divisions and services.
- 2.2 The Chief Executive and Corporate Leadership Team (CLT) have overall responsibility for the design and application of the Council's Risk Management Framework.

## Policy content

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### **Risk Framework**

- 3.1 The Policy forms part of the overall Risk Management Framework, which includes governance arrangements, procedures and guidance, templates, training materials and communications relating to risk management within the Council. For the Framework to be effective, the following principles should be applied:
  - 3.1.1 Risk management is an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels;

- 3.1.2 Risk management should be an integral part of all organisational activities to support decision making in achieving objectives;
  - 3.1.3 Risk management should be collaborative and informed by the best available information and expertise;
  - 3.1.4 Risk management processes should include risk identification and assessment to determine how the risks should be prioritised and managed;
  - 3.1.5 Timely, accurate and useful risk reporting should be used to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities; and
  - 3.1.6 Risk management processes should be continually improved through learning and experience.
- 3.2 The Corporate Risk Management Team is responsible for the ongoing maintenance of the Framework.

### **Alignment with Council Objectives**

- 3.3. As the purpose of the Risk Management Framework is to support the Council in achieving its objectives, the Policy and approach should be aligned to those objectives, and applied proportionately to the level of risk the Council faces.
- 3.3.1 The Corporate Leadership Team should review the Framework periodically, and alongside the latest Business Plan and Council Policies to ensure alignment with the Council's strategic objectives;
  - 3.3.2 The Council faces a wide range of risks across its services given the broad and diverse nature of the Council's undertakings; however the level of action should be proportionate to the risk rating;
  - 3.3.3 Mitigations should be prioritised for those risks that have been rated as critical or high; and
  - 3.3.4 The Corporate Leadership Team should meet quarterly to review how management is responding to critical and high rated risks; however operational risks are also considered as part of the normal flow of management information in the business-as-usual environment.

### **Risk Appetite**

- 3.4 Risk Appetite is the level of risk the Council is willing to accept in pursuit of its objectives.

- 3.4.1 The Council's risk appetite statement is established by the Corporate Leadership Team and approved by the Policy and Sustainability Committee. The application of this is set out within Directorate Risk Committees and Divisional Management Teams, to ensure risks are managed consistently within agreed tolerances and within the overall Council risk appetite.
- 3.4.2 Risk Appetite can change over time as economic circumstances and objectives change; and
- 3.4.3 The Council reviews its overall risk appetite annually, aligned with the latest Business Plan, to ensure delivery of the Council's strategic objectives.

### **Risk Management Processes**

- 3.5 The Risk Management Framework provides a number of tools to support services in the identification, management and reporting of risks:
  - 3.5.1 Standardised Risk Register templates support a consistent approach to the articulation of risk causes and impacts, risk ratings, and the effectiveness of controls;
  - 3.5.2 Standardised Directorate reporting provides a consistent view of the escalation and aggregation of key risks across the Council, leading to well-informed decision making from the leadership team;
  - 3.5.3 Transparency and accessibility of risk information across all levels of the organisation supports effective governance and assurance of risk management by officers and elected members; and
  - 3.5.4 The identification of common issues across directorates presents opportunities for new mitigating controls and potential improvements.

### **Implementation and Review**

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- 4.1 Implementation of this Policy will be effective from the date of approval. This Policy supersedes the previous Enterprise Risk Management Policy approved on 30 November 2021.
- 4.2 This policy will be reviewed bi-annually by the Policy and Sustainability Committee.

### **Roles and Responsibilities**

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- 5.1 All Council colleagues are responsible for identifying risks, which can be found locally within services, or derive from economic, circumstantial or other events.
- 5.1.1 **Policy and Sustainability Committee** has responsibility for setting the Council's Risk Appetite;
- 5.1.2 **Chief Executive and Corporate Leadership Team** has overall accountability for the Council's approach to Risk Management. Decisions on the approach and the treatment of escalated risks that are made within the Corporate Leadership Team Risk Committee;
- 5.1.3 **Executive Directors and Service Directors** have responsibility for the oversight and management of risks within their directorates and divisions respectively, and escalation of relevant risks to the Corporate Leadership Team through directorate risk committees;
- 5.1.4 **Heads of Service** are responsible for identifying and managing risks within their service area. Escalations are agreed within local risk meetings and leadership meetings;
- 5.1.5 **Operations Managers** provide support in the implementation and embedding of the Framework locally, and through shared discussion and insight within the council-wide Risk Forum; and
- 5.1.6 **Corporate Risk Management Team** provides templates, training, advice and guidance on the implementation and embedding of the risk management policy and the Framework.
- 5.2 The escalation of risks should be trackable from divisional risk meetings through to directorate risk committees, then onto the CLT risk committee as required. The CLT risk committee is used for endorsement of risk treatment, to provide constructive challenge, and to make final decisions on risk acceptance. The output from CLT risk committee accompanies an overall Council risk profile, for scrutiny by the GRBV committee.

## Related documents

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- 6.1 The following documents / further reading should be considered alongside this Policy:



6.1.1 [Council Business Plan.](#)

6.1.2 [Risk Management Orb pages.](#)

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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 2 May 2023

## Best Value Assurance Audit – Update - referral from the Policy and Sustainability Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Policy and Sustainability Committee has referred a report on the progress made in response to the Best Value Assurance Audit recommendations to the Governance, Risk and Best Value Committee for consideration and scrutiny.

**Dr Deborah Smart**  
Executive Director of Corporate Services

Contact: Louise Williamson, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services Directorate  
E-mail: [louise.p.williamson@edinburgh.gov.uk](mailto:louise.p.williamson@edinburgh.gov.uk) | Tel: 0131 529 4264

# Referral Report

## Best Value Assurance Audit – Update - referral from the Policy and Sustainability Committee

### 2. Terms of Referral

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2.1 On 21 March 2023 the Policy and Sustainability Committee considered a report by the Executive Director of Corporate Services on the progress with the implementation of actions from the key recommendations for the Council from the Council's Best Value Assurance Audit Report. Approval had been sought for further updates to be through the arrangements in place for each workstream which provided an update on the progress made to respond to the Best Value Assurance Audit recommendations.

#### 2.2 Motion

- 1) To note the progress made to date to respond to the Best Value Assurance Audit Report recommendations.
- 2) To agree that reporting on the Best Value recommendations would be through the relevant committee/body for each workstream.
- 3) To refer the report by the Executive Director of Corporate Services to the Governance Risk and Best Value Committee for consideration and scrutiny.

- moved by Councillor Day, seconded by Councillor Watt

#### Amendment

- 1) To note the progress made to date to respond to the Best Value Assurance Audit Report recommendations.
- 2) To agree that reporting on the Best Value recommendations would be through the relevant committee/body for each workstream with an overview of overall progress reported to the Policy and Sustainability Committee bi-annually.
- 3) To refer the report by the Executive Director of Corporate Services to the Governance Risk and Best Value Committee for consideration and scrutiny.

- moved by Councillor Beal, seconded by Councillor Lang

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

## **Decision**

To approve the following adjusted motion by Councillor Day:

- 1) To note the progress made to date to respond to the Best Value Assurance Audit Report recommendations.
- 2) To agree that reporting on the Best Value recommendations would be through the relevant committee/body for each workstream with an overview of overall progress reported to the Policy and Sustainability Committee bi-annually.
- 3) To refer the report by the Executive Director of Corporate Services to the Governance Risk and Best Value Committee for consideration and scrutiny.

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

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Minute of the Policy and Sustainability Committee of 21 March 2023.

## **4. Appendices**

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Appendix 1 – Report by the Executive Director of Corporate Services

# Policy and Sustainability Committee

10.00am, Tuesday, 21 March 2023

## Best Value Assurance Audit - Update

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

---

- 1.1 Note the progress made to date to respond to the Best Value Assurance Audit Report recommendations.
- 1.2 Agree that reporting on the Best Value recommendations will be through the relevant committee/body for each workstream.
- 1.3 Refer this report to the Governance Risk and Best Value Committee for consideration and scrutiny.

**Dr Deborah Smart**

Executive Director of Corporate Services

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## Best Value Assurance Audit - Update

### 2. Executive Summary

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- 2.1 An update was provided on the progress with the implementation of actions from the key recommendations for the Council from the Council's Best Value Assurance Audit Report. Approval is also sought for further updates to be through the arrangements in place for each workstream.

### 3. Background

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- 3.1 The City of Edinburgh Council Best Value Assurance Audit Report (BVAR) was published by the Accounts Commission on 26 November 2020.
- 3.2 Since November 2020, regular updates have been provided to the Policy and Sustainability Committee and the Governance, Risk and Best Value Committee.

### 4. Main report

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- 4.1 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.
- 4.2 There were six key recommendations made within the BVAR and the latest updates are provided at appendix one.
- 4.3 Significant progress has been made on all six of the key recommendations made in the audit and consideration must be made on future reporting. For many of the recommendations there is not a natural closing point and work will continue indefinitely to improve that area of work in line with the audit recommendations. The following arrangements for each recommendation are in place:
- 4.3.1 Recommendation one – Medium Term Financial Plan– the medium-term financial plan is being taken forward as specific programme of work that will be reported to Council in the near future which will agree future reporting arrangements.

- 4.3.2 Recommendations two and four – Performance - are covered by the Planning and Performance Framework which outlines an approach to committee reporting for performance.
  - 4.3.3 Recommendation three - elected member training - was largely covered by the comprehensive induction training programme, but elected member refresher training will continue throughout the life of the Council.
  - 4.3.4 Recommendation five – Community Engagement and Consultation - a new consultation policy has been agreed and this will be reviewed and updated by the Policy and Sustainability Committee as part of its remit.
  - 4.3.5 Recommendation six - Edinburgh Partnership - Progress in this workstream has been good, with constructive and practical meetings with the Council and the Edinburgh Association of Community Councils. This work will continue to develop and will be reported and monitored at the Edinburgh Partnership.
- 4.4 As a result of the comprehensive reporting arrangements in place for each workstream and the progress that has been made with the Best Value recommendations, it is recommended that the current separate reporting arrangements for the Best Value recommendations cease, and reporting reverts to the arrangements set out in the individual workstreams.

## **5. Next Steps**

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- 5.1 This report will be referred to the Governance, Risk and Best Value Committee for its information.

## **6. Financial impact**

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- 6.1 There is no direct financial impact resulting from the Best Value Assurance Audit. All improvement actions will be individually costed and will be required to be managed through existing revenue budget allocations.

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

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- 7.1 Each workstream has involved differing stakeholder involvement as appropriate and the details of this are included in the appendix.

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

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- 8.1 [Best Value Assurance Audit](#) – City of Edinburgh Council, 10 December 2020



**9. Appendices**

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9.1 Appendix 1 – Best Value Assurance Audit - Status Update Table

Appendix 1

Status Update Table – March 2023

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update	
1(b)	<p>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.</p>	<p>Given the announcement on 5 January 2021 that Edinburgh and all other mainland authorities in Scotland would be returning to arrangements akin to the March 2020 lockdown and the significant consequent increase in uncertainty and risk that any longer-term budget is based on incomplete information or flawed assumptions, the primary focus for 2021/22 activity has reflected the Council's statutory responsibility to set a balanced budget for the following year by 11 March. This shorter, one-year timeframe is consistent with both the UK and Scottish Governments and councils elsewhere in Scotland.</p> <p>Once the financial position is clearer, a strategic long-term financial plan, guided by the overarching vision, principles and priorities set out within the Business Plan: Our Future Council, Our Future City will therefore be developed to maintain its financial sustainability.</p>	<p>An update on the revenue budget framework, based on a five-year planning timeframe, was presented to the Finance and Resources Committee on 7 October 2021, highlighting a cumulative projected savings requirement of some £126m by 2026/27.</p> <p>Recognising the lead-in time for the scale of change likely to be required to address this requirement, the report re-emphasised the need for early consideration and a corresponding comprehensive and sustainable savings plan, rooted in the Council's priorities as set</p>	<p>While the Council has approved a balanced revenue budget for 2022/23, there are significant financial challenges going forward. Current projections indicate a need to deliver at least £63m of recurring savings in 2023/24, increasing to £144m over the five-year period to 2026/27. The grant funding and other planning assumptions underlying these gaps will be reviewed following the publication of the Scottish Government's Resource</p>	<p>While the Council has approved a balanced revenue budget for 2022/23, there are significant financial challenges going forward. Current projections indicate a need to deliver at least £63m of recurring savings in 2023/24, increasing to £144m over the five-year period to 2026/27. The grant funding and other planning assumptions underlying these gaps were reviewed following the publication of the Scottish Government's Resource Spending Review on 31 May and, given increasing inflation-related pressures, a further update will be reported to the Finance and Resources Committee on 8 September.</p>	<p>An update on the Council's revenue budget planning assumptions was considered by the Finance and Resources Committee on 8 September 2022, indicating an increase in the estimated savings requirement for 2023/24 to £70.4m and £152.9m over the period to 2026/27 whilst noting a number of other inflation-related risks and pressures. Members also noted 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</p>	<p>A report considered by the Finance and Resources Committee on 10 November 2022 updated 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.</p> <p>A range of proposed measures, including corporate</p>	<p>On 23 February 2023, the Council agreed a one-year balanced budget for 2023/24. Given the extent of future years' savings requirements and wider environmental factors, however, it is imperative that planning of a longer period of strategic change be initiated immediately given the required lead-in times for detailed programme development and implementation.</p> <p>Development of the Council's Medium-Term Financial Plan (MTFP) will place a greater emphasis on strategic and cross-cutting</p>

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	<p>The BVAR also noted findings in relation to the setting and subsequent implementation and delivery of the Council's revenue budget. These included continuing shortfalls in savings delivery (and consequent reliance on savings in non-service budgets), a lack of robustness in the implementation plans for some proposals and the potential for the Council's use of reserves to become unsustainable without decisive action.</p> <p>In seeking to address these concerns, a number of further enhancements have been introduced into this year's process, including updated, detailed and consistently applied guidance for Finance professionals in assessing the rigour of accompanying savings implementation plans and more general earlier recognition, through discussion and agreement at Corporate Leadership Team, of the impact of underlying service pressures and savings</p>	<p>out in the Business Plan, to be initiated by Autumn 2021 to address the projected funding gap in 2022/23 and, in particular, the significant shortfalls in subsequent years.</p> <p>The Finance and Resources Committee meeting on 7 October also considered an update on the Council's Sustainable Capital Strategy. Following a review of the funding of the programme, the existing Capital Budget Strategy for 2022/32 was assessed to be broadly affordable, albeit with some required savings still to be identified. Delivery of this</p>	<p>Spending Review on 31 May.</p> <p>In recognising the urgency of this requirement, Directorates have been asked to develop potential savings 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 the subject of a process of co-design between the incoming administration</p>	<p>In recognising the urgency of this requirement, Directorates have been asked to develop potential savings options. , with reference to the priorities set out in the Council's business plan. These proposals will be the subject of a process of co-design between the incoming administration and officers and form the basis of planned public consultation in Autumn 2022.</p>	<p>on 10 November 2022</p>	<p>mitigations, budget realignment and savings relating to decisions already agreed by, or recommended to, members was presented for consideration. Alongside initial tactical savings developed through the Medium-Term Financial Plan (MFTP), 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.</p> <p>In view of this remaining gap, a further update, incorporating the impact of the provisional 2023/24 Local Government Finance Settlement</p>	<p>proposals, informed by the priorities included within the Business Plan, as a means of improving outcomes and ensuring continuing financial sustainability. The plan also highlights the importance of the Council's services becoming more technologically enabled and digitally delivered, with a reorientation of work to focus, where appropriate, on more preventative practices.</p> <p>To support this process, the establishment of a formal change programme is underway, using</p>

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	<p>shortfalls on the robustness of the budget framework. An indicative five-year planning timeframe has also been adopted.</p> <p>In light of the COVID-related risks within the budget framework, it is also proposed to realign and reprioritise the Council's reserves with effect from 31 March 2021 as follows:</p> <p>(i) an increased unallocated General Fund balance of £25m, equating to around 2.3% of the Council's net expenditure and being more in line with other authorities in Scotland;</p> <p>(ii) a series of ringfenced reserves maintained for statutory or specific policy</p>	<p>plan is, however, subject to the identification of corresponding savings to balance the revenue framework over the medium to longer term.</p> <p>A further update report on the Council's revenue budget framework was then considered by the Finance and Resources Committee on 3 February 2022. The report outlined a number of proposed changes to current planning assumptions, including a revised level of grant funding following the announcement of council-specific allocations for 2022/23 on 20 December 2021. These</p>	<p>and officers and form the basis of planned public consultation in Autumn 2022.</p> <p>An update on progress in developing these options and the outcome of the review of financial planning assumptions will be reported to the Finance and Resources Committee on 16 June</p>			<p>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. This 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.</p>	<p>existing staff wherever practicable. The precise content of this prioritised programme will be subject to annual review but with an indicative Year 1 focus on the Social Care Operating Model, Inclusion Services and HR/Pay Core System and other efficiency initiatives. Some of these will be jointly delivered with the EIJB.</p>

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	<p>reasons or to reflect timing differences between the receipt of income and its subsequent application, together totalling £55m;</p> <p>(iii) a workforce transformation reserve of £15m, less commitments incurred as part of the recent targeted staff release programme for senior managers, to facilitate organisational restructuring and deliver associated recurring efficiency savings; and</p> <p>a COVID contingency reserve of £16m, acknowledging the</p>	<p>assumptions were subsequently revised following the announcement of additional one-off funding as part of the Scottish Budget Bill's Parliamentary consideration, with the report referred to Council for decision on 24 February.</p> <p>The report considered by the Finance and Resources Committee on 3 February also provided an overview of the proposed process through which detailed options to address the significant funding gaps in 2023/24 and subsequent years of the budget framework will be developed.</p>					

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	<p>continuing uncertainty of the recurring impacts of the pandemic on, in particular, income levels in key areas such as parking, commercial rentals and other fees and charges.</p> <p>Once the financial position is clearer, a strategic long-term financial plan, guided by the overarching vision, principles and priorities set out within the Business Plan: Our Future Council, Our Future City will therefore be developed to maintain its financial sustainability.</p>	<p>The Council's People Strategy and Strategic Workforce Plan (2021-2024) was approved at Policy and Sustainability Committee 20/04/21.</p> <p>These included a number of commitments in respect of our People Agenda and specifically in relation to Workforce Planning.</p> <p>An approach to workforce planning has been developed and agreed.</p> <p>A workforce plan has now been completed by Human Resources (as a pilot to the approach) and has now been rolled out to: *Education</p>					

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
		*Customer Services *Waste *Facilities Management *Culture *Housing  The timeline for completion of these will be impacted on service capacity and organisational reviews currently underway e.g. Place Directorate					
2	<p>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.</p>	<p>Continuous improvement is central to the Council's approach for an integrated planning and performance framework (see recommendation 4) aligned to the Council's new business plan.</p> <p>This integrated framework is underpinned by the 'plan, do, check, review/act' model and methodology.</p> <p>To ensure delivery of the draft business plan outcomes and service priorities we will introduce the development of annual service plans at all levels in</p>	<p>The Planning and Performance Framework is now embedding and has reported twice to Policy and Sustainability. This is supplemented internally with a business plan action tracker which reports to CLT every 6 months.</p> <p>Training on reading and critiquing</p>	<p>Annual service plans were completed in September 2021 and two performance updates were submitted to the Policy &amp; Sustainability Committee in November 2021 and February 2022.</p> <p>The review of 21/22 annual plans commenced in March and was</p>	<p>Annual service plans were completed in September 2021 and two performance updates were submitted to the Policy &amp; Sustainability Committee in November 2021 and February 2022.</p> <p>The review of 21/22 annual plans commenced in March and was completed in April. 2022/23 annual</p>	<p>Annual service plans were completed in September 2021 and two performance updates were submitted to the Policy &amp; Sustainability Committee in November 2021 and February 2022.</p> <p>The review of 21/22 annual plans commenced in March and was completed in April. 2022/23 annual service plans have been developed and</p> <p>As we refresh the Council Business Plan work is underway to refresh and align the Planning &amp; Performance Framework including measures and reporting.</p> <p>In the meantime, the next Performance update based on the Current Business Plan will be submitted to Committee in November</p>	<p>Annual Service Planning and review process is in place within the organisation.</p> <p>The Planning &amp; Performance framework has been updated to reflect the Councils updated Business Plan. This includes the specific measures for the Business Plan and more broadly the Public Performance Scorecard,</p>

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	<p>the Council (from Directorate to Service Team level). Plans will be aligned to Key Performance Indicator (KPI) scorecards and underpinned by trend dashboards which will be monitored and actioned regularly.</p> <p>Each year service teams will undertake a detailed review of their plans and associated performance to assess the progress we have made in delivering our outcomes and improving performance. This review will inform service planning for the next year which will ensure that continuous improvement is embedded at all levels.</p> <p>To ensure effective scrutiny of our performance we will develop a regular cycle of performance reporting for Elected Members as well as the wider public.</p> <p>We will also engage with the Improvement Service to look at the options open to the Council to implement a strategic approach to self-evaluation which will align to and enhance our integrated</p>	<p>performance reports will be offered to all elected members following local elections.</p> <p>The recommendation for continuous improvement is embedded in the planning and performance framework. Commencing in March, Service Teams will undertake a review of the year 1 Annual Plans and Performance. This will inform the development of Annual plans for 22/23 at Directorate, Divisional and Service Team Level. The Council is now considering appropriate self-evaluation models.</p>	<p>completed in April. 2022/23 annual service plans are in development and will be completed by the end of May 2022. Alongside this process the Business Plan KPI's will be reviewed, and targets set for 22/23. When completed a full suite of KPI scorecards, dashboards and actions trackers will be developed to monitor performance and the actions that drive delivery of the Business Plan outcomes.</p> <p>A full Annual performance report and LGBF report will be submitted to Committee in</p>	<p>service plans have been developed and are now completed. Alongside this process the Business Plan KPI's will be reviewed, and targets set for 22/23. When completed a full suite of KPI scorecards, dashboards and actions trackers will be developed to monitor performance and the actions that drive delivery of the Business Plan outcomes.</p> <p>Our full Annual performance report 21/22 and LGBF 202/21 report will be submitted to Committee in August 22. Following local elections, the Business Plan will be reviewed and updated. Thereafter, a transition plan will</p>	<p>are now completed. Alongside this process the Business Plan KPI's will be reviewed, and targets set for 22/23. When completed a full suite of KPI scorecards, dashboards and actions trackers will be developed to monitor performance and the actions that drive delivery of the Business Plan outcomes.</p> <p>Our full Annual performance report 21/22 and LGBF 202/21 report was submitted to Committee in August 22.</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</p>		<p>processes for internal monitoring and Elected Member Scrutiny.</p> <p>The Council is considering appropriate self-evaluation models to sit alongside the Planning &amp; Performance Framework.</p>



Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	<p>planning and performance framework.</p> <p>A detailed report on the integrated planning and performance framework will be submitted to Policy and Sustainability in April 2021.</p> <p>As part of developing the framework we will undertake early discussion with political groups to inform our approach.</p>		<p>August 22. Thereafter, two update reports will be submitted to Committee in October and February.</p> <p>Additionally, we are reviewing the Performance and Data section of our website to simplify public access to our performance data and ensure performance and data reports are collated under a single section. Our current pages include all performance reports to Committee, but we will expand what is available to include a quarterly performance</p>	<p>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> <p>Additionally, we have reviewed and updated the Performance and Data section of our website to simplify public access to our performance data and ensure performance and data reports are collated under a single section. Our webpage includes all performance reports to Committee, and we have expanded what is available to include a quarterly performance update report and a range of data analytic reports, for example, Edinburgh by Numbers, SIMD,</p>	<p>measures/KPIs and reporting/monitoring cycles.</p> <p>Additionally, we have reviewed and updated the Performance and Data section of our website to simplify public access to our performance data and ensure performance and data reports are collated under a single section. Our webpage includes all performance reports to Committee, and we have expanded what is available 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 report</p> <p>The Council is considering appropriate self-evaluation models.</p>		

Recommendation		Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
				<p>update report and a range of data analytic reports, for example, Edinburgh by Numbers, SIMD, Locality profiles and the Annual Complaints report will also be located with the performance and data section. The redesign of our performance web pages will be completed by late summer/early Autumn 2022</p> <p>The Council is considering appropriate self-evaluation models.</p>	<p>Locality profiles and the Annual Complaints report</p> <p>The Council is considering appropriate self-evaluation models.</p>			
3	To help them carry out their best value responsibilities, elected members should take advantage of	To fully respond to this recommendation officers are proposing a short (end of March 2021), medium (2021/2022) and longer-term response (post local government 2022 election).	<p>Work on the medium and long-term response is progressing.</p> <p>The training needs analysis</p>	Work on the medium term and long-term response to supporting elected members to take advantage	The initial 8-week programme is now complete and development of the ongoing programme 2022/2023 is now being programmed.	No further update at this stage.		The initial training programme was designed for both new and returning councillors and included mandatory training on subjects such

Recommendation	Status and progress to date at February 2021 including next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
<p>the learning and development opportunities provided by the council.</p>	<p>Short (end March 2021) – To ensure elected member learning and development meets statutory requirements, is continuous, relevant and of good quality officers will carry out an audit of all current training materials and communicate the current offering to members. All statutory and requested training will also continue.</p> <p>Medium (2021/2022) – A training needs analysis will be carried out with elected members. This will be fundamental to identify any gaps in learning and development and help implement further training that is useful, relevant, developmental and will encourage and support participation. A key aspect of this will be to consider more online and virtual training to allow members to complete learning and development at a convenient time.</p> <p>Long-term (post Local Government elections) - The training needs analysis will be a fundamental tool to support the induction and</p>	<p>continues – survey, interviews and committee self-evaluation sessions.</p> <p>An elected member survey has been live for 4 weeks and will close on 13 Feb. A key section of this survey focusses on elected member development and training.</p> <p>Interviews have been offered to all elected members to provide an opportunity for members to provide feedback on previous/current training to inform the development of training post May 2022.</p> <p>A draft induction (May/June 2022) and follow up programme (Autumn 2022) is</p>	<p>of learning and development opportunities provided by the Council continues. The initial training analysis with elected members pre-election is complete and informed the development of the 8-week induction programme which is now well underway with positive feedback. An evaluation to inform the further autumn and ongoing programme will be carried out. All elected members will also have access to mylearninghub where all materials will be stored, and members can use this to continually</p>	<p>An evaluation of the programme to date will take place. All elected members also have access to mylearninghub where all materials will be stored, and members can use this to continually enhance their personal learning and development.</p>			<p>as the Code of Conduct which has been completed by all 63 members. Recommended and committee specific training was also well attended, particularly by new members, Each training session was delivered twice with an online and in-person option to allow members the best opportunity to attend at a convenient time. Sessions were also recorded and stored for future viewing on the member's section of myLearning Hub.</p> <p>The training programme is intended to run throughout the term of the Council.</p>

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update	
		<p>on-going training offering to new and returning members after the 2022 election. As in previous election years, a full 8-week induction programme will be offered to members. Building on this, there will then be a focus on continuous learning and development with members supported to take an active role in their development and monitor their participation in further training. This will allow training needs to be identified on an ongoing basis and training and development to be offered timeously.</p>	<p>currently with Directorates/key officers for comment. There has also been discussion with academic partners to delivery training sessions as part of the induction and ongoing training programme.</p> <p>A political mentoring session has also been offered to all political groups. This would be provided by the Improvement Service.</p>	enhance their personal learning and development				A skills assessment of members will be conducted to gauge any gaps in knowledge and the programme designed thereafter to address these.
4(a)	The council should further improve its performance reporting by making better use of performance measures and targets, particularly to demonstrate the impact of	<p>The Council's draft Business Plan includes a new strategy performance map which details the outcomes, actions and initial metrics.</p> <p>Work is now underway to further develop the strategy performance map and we will be working with teams to agree annual plans and</p>	The substance of this update is in section 2.	The substance of this update is in section 2.	The substance of this update is in section 2.	The substance of this update is in section 2.	The substance of this update is in section 2.	The substance of this update is in section 2.

Recommendation		Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	improvement work.	metrics. This is in advance of rolling out the new integrated planning and performance framework which will go live from May 2021, following the closure of the 2020 – 2021 annual performance report.						
4(b)	The council should further improve its performance reporting by publishing easily accessible, up-to-date performance information on its website.	<p>The new planning and performance framework will provide a clear link between our three- year business plan, key strategies, annual service plans and the underlying performance framework including benchmarking.</p> <p>The framework will be underpinned by a cycle of ‘plan, do, check and review and act’ and will aim to drive a culture of continuous improvement (see recommendation 2). The business plan outcomes will be aligned to Specific, Measurable, Achievable and Relevant (SMART) performance indicators and milestones where appropriate, which will allow for open discussion and scrutiny of performance at organisational and service team levels, as well as with Elected Members and the</p>	<p>Development of a quarterly Scorecard for core measures is underway and will be published on the Council website.</p> <p>The 15<sup>th</sup> annual edition of Edinburgh by Numbers and Locality Profiles will be published in February on the Council website for public use. It takes into account Cabinet Office requirements for data accessibility.</p>	<p>The 15<sup>th</sup> annual edition of Edinburgh by Numbers and Locality Profiles were published in February on the Council website for public use.</p> <p>As noted in section 2 improvements to the performance section of the Councils website and development of a quarterly performance scorecard is underway and expect to complete in late Summer/early Autumn</p>	<p>The 15<sup>th</sup> annual edition of Edinburgh by Numbers and Locality Profiles were published in February on the Council website for public use.</p> <p>As noted in section 2 improvements to the performance section of the Councils website and development of a quarterly performance scorecard is underway. Work to make our performance reports accessible continues.</p>	<p>As noted in section 2: we have reviewed and updated the Performance and Data section of our website to simplify public access to our performance data and ensure performance and data reports are collated under a single section. Our webpage includes all performance reports to Committee, and we have expanded what is available 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 report</p>	<p>As we refresh the Council Business Plan work is underway to refresh and align the Planning &amp; Performance Framework including measures and reporting.</p> <p>In the meantime, the next Performance update based on the Current Business Plan will be submitted to Committee in November</p> <p>Work has commenced on the next edition of Edinburgh by Numbers</p>	<p>The performance section of the website has been updated and improved. The addition of the Quarterly Public Performance Scorecard will further enhance the availability and accessibility of a broad range of Council Performance metrics.</p> <p>Performance Committee reports are published on the website as well as a range of data reports such as Edinburgh by Numbers and Locality Profiles.</p> <p>See section 2 for further detail</p>

Recommendation		Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
		wider public on a regular basis.						
5(a)	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.	<p>Officers have developed a new Consultation and Engagement policy to formally embed the principles of high-quality engagement and consultation into the way we work. The intention was to bring this to committee in spring 2020 but consideration was delayed due to the impact of the pandemic.</p> <p>The Council is also developing a Consultation Advisory Panel of expertly trained council officers who will evaluate proposed significant consultations and make recommendations to the Corporate Leadership Team. This group will be established in line with the implementation of the new Consultation and Engagement policy and will be chaired by senior managers on a rotating basis. This will ensure a high quality and coordinated approach to community consultation and engagement.</p>	<p>Recruitment is underway to support community and voluntary sector engagement on the emerging 20-Minute Neighbourhood and Poverty Prevention projects. This will increase skills and capacity within the organisation on critical programmes of work affecting communities.</p> <p>In addition, as part of a Senior Leadership Review in the Place directorate, it is proposed to create a Community Empowerment team to work with community and voluntary sector groups on an on-going basis. A</p>	<p>The first review of the consultation policy has begun, involving stakeholders and colleagues. This will report to Policy and Sustainability in autumn 2022.</p>	<p>The first review of the consultation policy has begun, involving stakeholders and colleagues. This will report to Policy and Sustainability in August 2022.</p> <p>An organisational review of the Lifelong Learning service is due to complete in Autumns 2022. As a result of this review a new Community Engagement and Empowerment service will be established. This team will sit in the Culture and Wellbeing service in the Place Directorate</p>		<p>The Consultation Policy has been updated following review, and the process has been subject to Internal Audit. All of the recommendations of the internal audit are being taken forward and will further strengthen consultation policy and practice across the Council throughout 2023.</p> <p>During 2022/23 a new team has been in place to progress the Council's poverty prevention work. This work is helping to build capacity for Council engagement with communities and third sector groups in relation to poverty prevention and city responses to the cost of living crisis.</p>	No Further Update

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	<p>The Consultation Advisory Panel will ensure that planning for consultation and engagement takes account of and commits to the public reporting of how citizens' views have shaped the decisions of the Council. This approach will be implemented following Council agreement of the Consultation and Empowerment policy and will be reflected as part of the Business Plan annual performance report.</p> <p>The Council is considering its approach to empowering communities and the relationship with community councils with partners in the city, under the auspices of the Edinburgh Partnership. This is being taken forward by a working group (see 6a below). This allows the Council to consider its approach in the round and as part of a comprehensive suite of reforms for community planning and community empowerment.</p>	<p>new Head of Community Empowerment has been appointed from 7 February 2022.</p> <p>The first review of the consultation policy has begun, involving stakeholders and colleagues. This will report to Policy and Sustainability in June 2022.</p>				<p>In 2020 the Council established a new citizen led group – End Poverty Edinburgh – to help raise the voices of people with lived experience of poverty and support co-design of projects to prevent and reduce poverty in the city.</p> <p>In Autumn 2022 additional funding to ensure this project can continue its work through to 2025 was secured through Edinburgh's UK Shared Prosperity Fund Investment Plan.</p>	
5(b)	In order to make community engagement an integral part	Community Asset Transfer (CAT) is an important element of the Council's approach to Community Empowerment. The Council	No further update at this stage.	No further update at this stage.	No further update at this stage.	Since the most recent report a further two transfers have been concluded, bringing	Two requests have recently been approved by Committee and a further stage 2

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
of service improvement and delivery, the council should support community groups to complete asset transfers	has a well-established CAT Policy and provides advice and guidance to community organisations at all stages of the process to enable them to present the best possible case for an asset transfer. Prior to formal asset transfer requests being submitted, officers score the draft submissions following the CAT policy scoring matrix and works with the community to improve their business case so that it is as strong and robust as possible in terms of finance, operation, community consultation and governance. The Council has recently seen evidence of a greater number of Community Asset Transfer requests which it has supported and the number of approved requests has risen during the last 12 months.				the total number of completed transfers to six since the introduction of the Community Empowerment (Scotland) Act 2015. 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. 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 further live cases are being discussed with applicants. We continue to receive initial enquiries on a regular basis, with 24 considered over the last reporting year.		application is being processed, five groups are preparing detailed business plans for consideration and a further seven live cases are being discussed with applicants.



Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update	
6(a)	<p>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.</p>	<p>Work to progress this recommendation will be taken forward in two parts;</p> <p>i) as a Community Planning Partnership looking at effective partnership working, and,</p> <p>ii) as a Council in support of community capacity and local empowerment.</p> <p><u>The Edinburgh Partnership</u></p> <p>Following a meeting of the Edinburgh Partnership Board on 15 December 2020, a working group of key partners led by the Council's Executive Director of Place was established to consider the Accounts Commission's recommendations and formulate a partnership response. Initial work has been carried out, with the group identifying key thematic areas for improvement covering governance to deliver</p>	<p>CEC and EACC representatives have developed a plan to improve ways of working and the communications between the council and all community councils. This was reported to the Culture and Communities Committee and GRBV Committee along with details of the current arrangements, funding and how this links into wider community planning responsibilities and any actions for improvement.</p> <p>The Edinburgh Partnership Board agreed for partners to work with the Edinburgh Association of Community Councils to consider the</p>	<p>No further update at this stage.</p>	<p>The EACC planned to submit a report to the partnership in June to take forward the collaborative working. This however was deferred on their request.</p> <p>A report on the engagement programme for the Edinburgh Partnership Empowerment Strategy will be presented to the Board at its September 2022 meeting.</p>	<p>A report on the engagement programme for the Edinburgh Partnership Empowerment Strategy was presented to the Board at its September 2022 meeting.</p>	<p>Work on the Edinburgh Partnership Empowerment Strategy is ongoing with a programme of stakeholder engagement currently in hand. It is anticipated that the final strategy and implementation plan will be presented to the Board by June 2023.</p> <p>A further constructive meeting was held in November to discuss progress and take forward the agreed CEC/EACC improvement plan. This work is ongoing with actions in the plan running through to 2024.</p>	<p>No further update</p>

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
	<p>outcomes, performance and community engagement. Work is now underway to develop a detailed proposed improvement actions under each of these themes. This will be presented to the Edinburgh Partnership Board in March 2021 for agreement.</p> <p>The Edinburgh Partnership Board has also committed to developing a Community Empowerment Plan and a draft report is due for consideration by the Board in June 2021.</p> <p><u>The Council</u> The Council Business Plan has clearly articulated how the Council's priorities and key strategic programmes of work align with the Community Planning Partnership priorities (LOIP) and, in response to committee agreement to give further consideration of genuine local community empowerment, the Council is carrying out a review of the Localities teams.</p> <p>This will address how the Council improves its</p>	<p>relationship between EPB and EACC and identify what if any support is needed. The EACC plans to submit a report to the partnership in June.</p> <p>Work on the Edinburgh Partnership Empowerment Plan is underway. A phased programme of engagement with stakeholders is planned during 2022, with a progress report on this activity due in June.</p> <p>Head of Community Empowerment has been appointed and will now progress the development of the Community Empowerment Team which will be integral to</p>					

Recommendation	Status and progress to date at February 2021 including next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update	
	approach and capacity to effectively involve community representatives in local outcome plans and the work of the Edinburgh Partnership. This review is due to be complete by April 2021.	delivering against this BV recommendation.						
6(b)	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.	Officers are working with community planning partners to agree clear performance measures and reporting framework. A draft is due to be considered by the Edinburgh Partnership Board in June to allow for any changes resulting from the Best Value working group (detailed under 6a) recommendations to be reflected and to align with the Council's new integrated planning and performance framework (due for implementation in May 2021)	The LOIP Delivery Plan was agreed in September 21 by the Edinburgh Partnership Board. The reframed LOIP will be updated along with the performance framework at the Edinburgh Partnership Board meeting in March 2022.	The Edinburgh Partnership Board approved the revised LOIP at its meeting in March 2022. This is now subject to partner sign off through their internal governance arrangements.	The Edinburgh Partnership Board approved the revised LOIP at its meeting in March 2022. This is now subject to partner sign off through their internal governance arrangements.	The revised LOIP will be considered by the Culture and Communities Committee at its meeting on 4 October 2022.	Work continues on the delivery of the LOIP led by the Delivery Group. This is chaired by Edinburgh College and NHS Lothian. Lead partners have been assigned for each of the priorities from across partner organisations.  A key area of work carried out during the period was the completion of the advice service review, funded by the Edinburgh Partnership. This, together with action to address the current cost of living crisis, forms the basis of the Partnership's focus currently.	No further update.

Recommendation	Status and progress to date at February 2021 including next steps and timescales Next steps and timescales	March 2022 update	June 2022 update	August 2022 Update	October 2022 Update	November 2022 Update	March 2023 Update
						<p>Work continues on the performance framework to ensure the impact of the plan can be effectively measured. A planned Partnership survey is intended to provide necessary data to support this activity.</p> <p>Consideration of the revised LOIP has been deferred by the Culture and Communities Committee until its December meeting.</p>	

# Governance, Risk and Best Value Committee

10.00am, Tuesday 2 May 2023

## Edinburgh Leisure Annual Report 2021/22 – referral from the Culture and Communities Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Governance, Risk and Best Value Committee is asked to note the annual report for 2021/22 and scrutinise the financial performance of the organisation and any risks impacting the Council or Edinburgh Leisure.

**Dr Deborah Smart**

Executive Director of Corporate Services

Contact: Lesley Birrell, Committee Services  
Legal and Assurance Division, Corporate Services  
Email: [lesley.birrell@edinburgh.gov.uk](mailto:lesley.birrell@edinburgh.gov.uk)

# Referral Report

## Edinburgh Leisure Annual Report 2021/22

### 2. Terms of Referral

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- 2.1 On 7 March 2023, the Culture and Communities Committee considered the Edinburgh Leisure Annual Report for 2021/22. The annual report detailed the performance of Edinburgh Leisure as it began the process of recovering its business following the second Covid-19 lockdown in January 2021.
- 2.2 The Committee agreed:
  - 2.2.1 To note the positive performance of Edinburgh Leisure during 2020/21.
  - 2.2.2 To refer the report to the Governance, Risk and Best Value Committee for noting and scrutiny of the financial performance of the organisations and any risks impacting the Council or Edinburgh Leisure.

### 3. Background Reading/ External References

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- 3.1 [Webcast](#) of the Culture and Communities Committee of 7 March 2023

### 4. Appendices

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- 4.1 Appendix – report by the Executive Director of Place

# Culture and Communities Committee

10.00am, Tuesday, 7 March 2023

## Edinburgh Leisure Annual Report 2021/22

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

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- 1.1 The Culture and Communities Committee is asked to:
  - 1.1.1 Note the performance of Edinburgh Leisure during 2021/22; and
  - 1.1.2 Refer this report to the Governance, Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.4).

#### Paul Lawrence

Executive Director of Place

Contact: Evelyn Kilmurry, Head of Libraries, Sport and Wellbeing

E-mail: [evelyn.kilmurry@edinburgh.gov.uk](mailto:evelyn.kilmurry@edinburgh.gov.uk) | Tel: 0131 529 7894

## Edinburgh Leisure Annual Report 2021/22

### 2. Executive Summary

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- 2.1 This is the annual performance report of Edinburgh Leisure, prepared as a requirement of the Services and Funding Agreement and the Council's governance arrangements for scrutiny of Arm's Length External Organisations (ALEOs).
- 2.2 This report covers 2021/22, which followed a second COVID-19 lockdown and associated restrictions and details the performance of Edinburgh Leisure as it begins the process of recovering its business.

### 3. Background

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- 3.1 As part of the Services and Funding Agreement process between the City of Edinburgh Council and Edinburgh Leisure adopted in 2013/14, a report has been presented to this Committee (and its predecessors) on an annual basis.
- 3.2 The last performance update for Edinburgh Leisure was presented to Committee on [1 February 2022](#).

#### **Governance of ALEOs**

- 3.3 An update on the reporting on the Council's Arm's Length External Organisations was approved by Policy and Sustainability Committee on [25 February 2020](#). This report confirmed that the responsibilities of Executive Committees and Governance, Risk and Best Value Committee were as follows:
  - 3.3.1 Executive Committees – should scrutinise the future direction of the ALEO, performance of service delivery, progress against any agreements such as Service Level Agreements, and any emerging issues; and
  - 3.3.2 Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.
- 3.4 Therefore, it is recommended that this report be referred to Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting Edinburgh Leisure.



## 4. Main report

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### Impact of COVID-19

- 4.1 On 24 March 2020 Scotland was placed into a full-lockdown due to the Coronavirus (COVID-19) pandemic and most customer-facing services and businesses, particularly leisure and hospitality industries, were told by the UK and Scottish Governments to close their operation until further notice.
- 4.2 Restrictions varied throughout 2020 and the country was again placed into a full lockdown in January 2021. The stay-at-home order was only lifted in April 2021, with restrictions removed on a gradual basis until the bulk of pandemic restrictions were lifted on 9 August 2021.
- 4.3 Given the impact on Edinburgh Leisure and its ability to deliver services, the company forecasted a budget deficit of £5.602m. In the year to March 2022 Edinburgh Leisure's operating income was circa £6.4m lower than the pre-pandemic year to March 2019. Whilst some cost savings were able to be realised, the loss in income could only be partially offset, hence the need for COVID support from the Council.
- 4.4 To support Edinburgh Leisure through this challenging period, the Council made provision for COVID support payments of up to £6m (£5m of which was paid) in addition to the annual service payment of £7.013m.
- 4.5 However, the year-end position was a deficit of £3.167m due to building project delays as a result of the pandemic. The COVID support payment allowed the positioning of reserves at March 2022 to conclude various (COVID) affected projects, such as improvements to ventilation to meet COVID guidelines in a number of leisure centres and the conclusion of the Warrender Swim Centre lifecycle refurbishment which had been delayed due to the pandemic. By the date of the final 2021/22 COVID support payment, Edinburgh Leisure's budgeting process for 2022/23 was concluded and showed the need for the full £3m approved COVID support package for that year.
- 4.6 The level of COVID-19 support required is expected to reduce in future years, with a total of £3m provided for 2022/23. The Council has budgeted for further COVID-19 support related payments of up to £2m in 2023/24.

### Operational Performance

- 4.7 In 2021/22, the number of visits and income achieved improved on the previous (pandemic affected) financial year but was still significantly lower than before the pandemic.
- 4.8 Total income (not including support from the Coronavirus Job Retention Scheme) was £14.6m, an increase of £7.8m (115%) from 2020/21 but £6.4m (30%) lower than the last full financial year (2018/19) without restrictions.
- 4.9 Total visits for 2021/22 were 2.68m, 6% higher than target and 297% higher than the previous year. The total visits in 2018/19, by comparison, was 4.34m.

## **Active Communities**

- 4.10 As reported to Committee in December 2022, Edinburgh Leisure's Active Communities Team continued to support individuals affected by health conditions, inequalities, and poverty.
- 4.11 In 2021/22, the team supported 4,215 people, significantly lower than the pre-pandemic levels when around 10,000 people per annum were supported. However, with the removal of Coronavirus restrictions Edinburgh Leisure is seeing a steady growth in participants returning to activities and projects.
- 4.12 Online classes, developed through the pandemic, have been retained as participant's confidence to return to venue-based classes has been mixed; some participants have been eager to return whilst others are more cautious. Online delivery has several benefits, including:
- 4.12.1 Enabling Active Communities to continue to give participants the support they need while recognising the impact of the pandemic on people's lives;
  - 4.12.2 Providing an option for people who are required to self-isolate or have chosen to, to protect their health;
  - 4.12.3 Supporting people on wellbeing project waiting lists to increase their activity levels and get to know our instructors and classes; and
  - 4.12.4 Providing people with more options / classes, in addition to their in-person class (e.g. Steady Steps).
- 4.13 The Active Communities Team have also secured funding to deliver three new projects from April 2022:
- 4.13.1 Get Fit for Surgery: £150,000 over two years to support 200 people awaiting hip and knee elective surgery. This programme supports people to increase their physical activity, to improve their health and mental wellbeing in preparation for, and recovery from, surgery;
  - 4.13.2 Fit and Active: £80,000 over two years to support 200 adults with learning disabilities to be active and socially connected; and
  - 4.13.3 £49,876 from City of Edinburgh Council's Education and Children's Services to deliver a new Adolescent Mental Health Project. The 18-month pilot will use the power of physical activity to support young people in Edinburgh aged 12-18 who are experiencing mild to moderate mental health conditions. The project aims to create system change by enabling parents and guardians to refer directly to Edinburgh Leisure to support young people early before their mental health reaches crisis point. Edinburgh Leisure will work with circa 100 young people in the South-East locality of the city, to improve their health, wellbeing, and quality of life.

## **Relocated People Access Programme**

- 4.14 Edinburgh Leisure also continue to support the Council's Relocated People Access programme, which supports relocated people (refugees, asylum seekers and migrants) in Edinburgh to be active in support of their health and wellbeing. The initial programme provided adults (over 16 years of age) with free access to gyms, swimming pools and fitness classes for six months. From February 2022, Edinburgh Leisure have been supporting children and young people (16 years and under) with free access to swimming pools and NRG Zone (gym accreditation programme for young people from S1 up to 15 years) gym sessions. Children and young people can also access free coached activities in a wide range of sports including tennis, gymnastics, climbing, trampolining, and diving. This programme has also supported Ukrainian people relocating to Edinburgh over the last 12 months.

## **Meadowbank Sports Centre**

- 4.15 The completion and opening of Meadowbank Sports Centre was a significant achievement given the challenges created navigating the COVID-19 pandemic, and Edinburgh Leisure played a key role in the delivery of this project. The new sports centre was handed over to the Council by the main contractor, GRAHAM Construction, in May 2022 and Edinburgh Leisure managed the commissioning and mobilisation period to prepare the building for public use. The centre opened its doors to customers on 19 July 2022 and was officially opened by Councillor Cammy Day on 4 November 2022.

## **5. Next Steps**

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- 5.1 Officers from the Council and Edinburgh Leisure have been meeting to progress and update the Services and Funding Agreement which forms the contract between the two organisations. A revised agreement will be in place for the 2023/24 financial year and work to further develop the agreement will continue throughout 2023. As agreed at Culture and Communities Committee 1 February 2022, the aim is to produce an agreement which will capture the governance arrangements that will help the partnership to continue to deliver on the shared ambition of both organisations.
- 5.2 Following on from the additional Active Communities Programme Update report that Edinburgh Leisure provided at the Culture and Communities Committee meeting on [13 December 2022](#), it is planned to provide further focussed reports on a biannual basis to Committee.
- 5.3 Officers from both organisations will continue to meet on a monthly basis to manage the partnership and relationship.
- 5.4 Edinburgh Leisure will also continue to contribute to key projects being progressed across Council service areas.

## **6. Financial impact**

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- 6.1 The Council service payment to Edinburgh Leisure in 2021/22 was £7.013m. The Council also provided additional payments totalling £5m for COVID-19 related financial assistance. Further COVID-19 related payments of £3m have been made in 2022/23.
- 6.2 In 2021/22 Edinburgh Leisure also received a payment from the Council of £165,000 towards capital improvements across the Council's sport and leisure facility estate.

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

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- 7.1 [Edinburgh Leisure website](#)

## **8. Appendices**

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- 8.1 Appendix 1 Edinburgh Leisure Report and financial statements – 31 March 2022

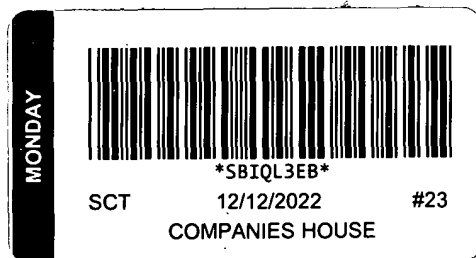
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**Edinburgh Leisure**  
(a company limited by guarantee)

**Report and financial statements**  
**31 March 2022**

Registered number SC 179259

Charity number SC 027450



## Contents

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Strategic report	2
Directors' report	9
Statement of Directors' responsibilities	12
Independent auditor's report to the Directors and Members of Edinburgh Leisure	13
Statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses)	17
Balance Sheet	18
Cash flow statement	19
Notes to the financial statements	20

## Strategic report

Benjamin Franklin is often quoted as saying "...in this world, nothing is certain except death and taxes". Perhaps we should extend the consideration to "...nothing is certain except death and taxes and uncertainty".

Over the last few years, in the "Principal risks and uncertainties" section of this report, we have noted the Scottish independence referendum, the EU membership referendum, elections at UK, Scottish and local government levels and geopolitical upheaval. Locally, we have spoken about increasing competition for customers, the challenges of recruiting and retaining staff in a buoyant Edinburgh job market and the pressures on our management fee from City of Edinburgh Council (CEC). In our March 2018 report we quoted from the Bank of England's Quarterly Inflation Report which stated "In the UK, the share of people without a job is at its lowest level for over 40 years, and businesses are finding it hard to recruit people." However, these risks and uncertainties reduce in magnitude when compared to the global and local impact of the first pandemic in a century.

And then when we thought that we were on the road to recovery and embracing the much anticipated "new normal" we encountered supply chain issues due to economies reopening and demand far exceeded supply and bore witness to Russia's invasion of Ukraine; the biggest, most catastrophic war in Europe since 1945.

On 3rd August 2022 the UK economic outlook foresaw inflation reaching 11%. On 4th August the Bank of England projected 13% inflation and with it a lengthy recession. On 5th August tensions escalated in the South China Sea around Taiwan. Within a handful of days of this report being approved we will know the new leader of the Conservative Party in the UK with the choices for the party members being starkly categorised between one aspiring Prime Minister who would cut taxes in the hope of stimulating growth and another who believes such a move would be inflationary and who therefore positions himself as the Prime Minister who would take hard measures now in the belief that doing so would reduce the pain in the future.

The preceding examples illustrate the absolute certainty of the persistence of uncertainty to Edinburgh Leisure on a scale hitherto unknown. The magnitude of the crises enveloping the world in this moment make yesteryear's challenges pale into relative insignificance. Our response to our uncertain operating environment is to remain focused on our purpose, vision and values, to adapt to our ever-changing world, to identify and grasp opportunities and seek out new possibilities.

### Caring for our people, our city, our planet

Edinburgh Leisure is on a mission to help people lead more active and healthy lives. We use physical activity to transform lives and communities. We care about the wellbeing of our people i.e. our employees, our volunteers, our service providers, our partners and our customers but, more than that, we care about the wellbeing of our city and of our planet. Our work, what we do and how we do it, reflects this.

With regards the wellbeing of the planet: in September 2021 the Edinburgh Leisure Board supported the recommendation that we share CEC's ambitions to be net-zero by 2030. In addition to the organisation's specialist Energy & Sustainability posts, a corporate working group has been established to drive forward the net-zero action plan. This group, ably supported by site specific "Green Teams", are working to engage all EL employees in the net-zero target and embed net-zero considerations in all aspects of our decision making.

### Net income for the year

The results for the year are shown on page 17. 2021/22 financial performance was never going to be predictable. We started the year knowing that venues were scheduled to reopen on 26 April 2021 from the second lockdown but with many restrictions still in place we had no way of confidently estimating what our revenue streams would look like after reopening, nor did we have confirmation of the level of Covid support that would be forthcoming from CEC. With the aforementioned in mind, we decided to defer our annual budget approval process until June 2021, knowing by that time we would have confirmation of CEC's Covid support (£6m confirmed on 27th May) and we would have sight of early income levels in our centres. The purpose of the budgeting process, recognising the uncertainties, was to gain comfort that the £6m Covid support package would be sufficient to ensure liquidity to allow the accounts to be signed off on a going concern basis. The budget was therefore prepared on a prudent basis assuming no income growth from those levels experienced in early June 2021 and the resulting £5.6m deficit budget (before the CEC Covid support) was approved by the Board on 23rd June. We were clear throughout the year that this budget was not a target, but merely a baseline against which to measure whether we were trading well enough to remain solvent through the year.

Monthly meetings with CEC took place throughout the year with discussions on the evolution of Covid restrictions and Edinburgh Leisure's financial performance setting the backdrop for the transfers of Covid support as required.

As we progressed through the year revenue increased from the June 2021 baseline and we finished the year just over £1.5m ahead of our income budget. With expenditure also better than budget (a little over £1m below) we did not need to call on the full £6m of CEC support. However, this improvement in our performance through the year did open up the opportunity to draw down £1.25m of additional funds in March and the total Covid support from CEC by year end was £5m.

The surplus on unrestricted funds was £725,000 before actuarial gains as shown on page 17. This however included certain items which must be adjusted before comparing the performance for the year against budget, namely:

- Non-cash accounting costs arising from the difference between the revenue account pension charge when calculated under FRS102 and the actual employer cash contributions made to the pension fund during the year
- The creation of sinking funds which is budgeted as a cost but is reflected in the accounts purely as a transfer to designated funds.
- The above noted £1.25m which was not anticipated in the budget and relates to future project expenditure and as such has been transferred to designated funds.
- Expenditure on items which have previously been designated is included in the reported surplus on designated funds, so the transfer from designated funds will augment the reported surplus back to a performance comparable to budget

Having adjusted for the above, the underlying surplus on a basis comparable to budget was £565,000 as shown in the table below.

	2022	2021
	£'000	£'000
Reported surplus on unrestricted funds	725	1,390
Interest cost in relation to pension liability	141	90
Pension service costs	1,024	391
Transfer to designated funds to create sinking fund	(75)	(75)
Windfall income transferred to designated funds	(1,250)	(302)
Transfer from designated funds	-	90
Underlying surplus	565	1,584

This underlying surplus has afforded the ability to transfer £300,000 more than the £1.25m received in March into designated funds. The refurbishment of Warrender Swim Centre which was due to be completed in September 2021 is still ongoing. CEC provided funding for the original budgeted project cost, but latest indications are that overspends could be in excess of £1m and with the refurbishment of the Armoury building at Warriston Playing Fields also under consideration £1.55m has been transferred to designated funds.

### Key achievements

Given all of the uncertainties present as we entered 2021/22 it would seem reasonable to assume that most of our energies were expended on keeping the company going through the year. However, there are many achievements which we reflect on with great satisfaction, for example:

- We reopened all venues and almost all services as soon as restrictions were lifted
- We replaced the air handling system at Ainslie Park and refurbished the pool hall, investing over £800,000 in total
- We refurbished the gyms at Drumbrae and Craiglockhart
- We installed easy access systems for customers at Gracemount and Ainslie Park
- We continued our investments in energy efficiency with LED lighting at Ainslie Park, EICA and Gracemount
- We replaced the soft play frame at the Royal Commonwealth Pool
- We installed a new climbing wall at the EICA
- We implemented the first phase of a new HR system
- We improved ventilation in some gyms and fitness studios
- The schools portfolio generated a very strong surplus of £489,000 which was remitted back to CEC
- We finalised preparations for the transfer of the sporting facilities at Wester Hailes High School and Leith Academy to our management outside of curricular and extra-curricular hours, thus on 1 April 2022 completing the transfers which began in 2016

### Pension reserve

The actuarial gain on The Lothian Pension Fund of £7,681,000 (2021: loss of £2,338,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities, nor does the accounting balance of nil (2020: deficit of £6,516,000). The position at March 2022 is unusual in Edinburgh Leisure's recent history as the calculated position was a surplus of £6,994,000, although accounting standards require that a surplus is not recorded as an asset in the



accounts. In each of the ten preceding years the calculated balance was a deficit ranging from £1.7m at its lowest to £11.4m at the other extreme. By way of demonstrating the volatility of these calculations, the calculated deficit in any of those ten years was only once within £1m of the average deficit for those periods.

It is important to note that the volatile gains or losses arise only from the accounting treatment of the pension assets and liabilities and do not, in themselves, impact on the company's contributions to the plan. The annual FRS102 valuation is based on a calculation of future net liabilities by applying bond yields to the plan assets, thereby calculating conservatively low asset values and hence high deficit levels. The fund is actually invested across a number of asset classes typically resulting in greater returns over the long term, reducing the liability to manageable levels. The actuarial evaluation which takes place every three years calculates the company contributions required to meet the likely liabilities when they arise, and the company continues to invest these recommended contribution rates into the pension scheme. For information, the latest triennial evaluation based on year end March 2020 recommended company contributions of 10.5% from 1 April 2021 which is a significant reduction from the 25.5% figure from the previous triennial valuation. In order to help mitigate the risk of adverse future movements the Board agreed that budgets during this three-year period incorporate the same 25.5% contribution as in the previous year with payments being made monthly at 10.5% and a further 15% accrued with a view to paying that balance into the fund as a lump sum in March should financial conditions allow. A lump sum payment of £600,000 was made in March 2022. The aforementioned latest triennial evaluation projected Edinburgh Leisure's plan assets to be £72,477,000, 121% of the projected liabilities of £60,032,000, a long-term funding position which the Board consider to be appropriate.

### Reserves policy

Total funds at March 2022 were £6,995,000 (2021: £892,000), of which £1,575,000 was restricted (2021: £3,839,000). Unrestricted reserves of £5,420,000 (2021: negative £2,947,000) include nil in respect of the pension deficit (2021: negative £6,516,000). £2,014,000 (2021: £419,000) is held in designated reserves as per Note 14 with the balance of unrestricted reserves being £3,406,000 (2021: £3,150,000) which is not a free reserve as it is backed up by long term assets rather than exclusively cash reserves.

It is the intention of the Board to accumulate a reserve fund to allow the company some protection against future adverse events. The long-term strategy of the Board is to improve the financial performance of the business to counter the many economic challenges we face. As such the operating performance of the business over recent years has generated funds which have been utilised in the investment of fixed assets which are net income generating. It is the opinion of the Board that, all other things being equal, this strategy will move net current assets in a positive direction over the long term. Whilst the position of unrestricted net current assets at March 2022 was historically healthy (a positive balance) this was bolstered by temporarily high cash balances and so it would be disingenuous to claim this as proof of the success of the long term strategy. The shape of net current liabilities can only be meaningfully assessed once the charity has stabilised in the post Covid environment.

Building reserves affords an element of protection for events which one might categorise as "bumps in the road", but for events of the rarity, severity and longevity of Covid-19 the response cannot be expected to be found in reserves, but rather in building resilience, flexibility and a mindset to constantly innovate. In "normal" times the liquidity of the business is positive throughout the year due to the timing of cash flows, reducing as we approach each financial year end. Our experience in recent pre-Covid years had shown that significant adverse events can impact the business to a value of up to £500,000, particularly during the winter months. The reserves policy agreed by the Board is therefore to maintain free cash balances in excess of £500,000 throughout the year, with the ability to utilise those cash balances towards the end of March as the risk of significant adverse conditions diminishes.

On 24 February 2022 CEC approved a new support package for Edinburgh Leisure for the current financial year. This allows for additional contract payments of up to £3m, a figure which supports the charity's liquidity based on initial headline budget estimates prepared in February and reconfirmed through recent detailed, prudent calculations. The reserves policy is reviewed by the Board annually and this support package affords the Board the opportunity to retain the underlying reserves policy noted above at this time.

### Employees

The charity regularly provides all employees and, where represented, trade unions (via the Joint Negotiations & Consultative Committee) with information on the charity's performance. We are committed to ensuring that our employment policies and practices are fair, transparent and free from discrimination. We recruit using competency-based selection processes to ensure that employment decisions are based on a person's ability to do the job. Edinburgh Leisure's vision is to inspire Edinburgh to be a more active and healthy city and we include our employees in this vision. We offer a series of wellbeing initiatives, including individual consultations, throughout the year to encourage and support our employees to be active and healthy. Our commitment to the wellbeing of our employees is recognised through the Gold Healthy Working Lives award from NHS Health Scotland.

Workforce resourcing challenges across the economy since the Covid lockdowns have been well publicised. Edinburgh Leisure has felt their impacts with colleagues frequently working increased hours to cover vacancies which have taken much longer to fill than we have historically experienced. The commitment and dedication of our colleagues in keeping our services running for the people of Edinburgh has been hugely appreciated by Edinburgh Leisure's management and Board.

The Charity gives full consideration to employment applications from disabled persons, where the requirements of the job can be adequately filled by a disabled person. If existing employees become disabled, it is the Charity's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities wherever appropriate.

### Key performance indicators

In reviewing the performance of the charity, the Directors consider the actual performance against target and history for various metrics including those identified below. However, the impact of Covid over the last two years has distorted any meaningful review of these usual KPIs. Regular performance updates taking account of the prevailing environment are communicated to the Board and CEC and are published on the Edinburgh Leisure website (<https://www.edinburghleisure.co.uk/freedom-of-information/published-information>).

	Actual 2022	Target 2022	Actual 2021
Income from operating activities (£000's) *	28,103	21,743	24,688
Expenditure on operating activities (£000's) **	26,213	27,348	22,818
Fundraising	718	690	1,117
Customer visit numbers (000's)	2,758	2,729	676
Customer experience index	8.40	8.75	n/a
Customer accidents per hundred thousand visits	4.80	n/a	5.36
Staff absence levels	5.06 %	4.00 %	1.85 %

\* Including Coronavirus Job Retention Scheme income

\*\* excluding expenditure which had been designated as part of prior year reserves

### Principal risks and uncertainties

**Covid-19:** The risk of a global pandemic has always existed, but as the world had not experienced anything on the magnitude of the current Covid-19 pandemic since the Spanish 'Flu of 1918-19 any such risks were largely discounted. However, looking through the lens of today's lived experience the risks are very real, both immediately and in their long-term effects. The forthcoming commentary relates specifically to Covid-19 rather than to the risks of a different pandemic, but our responses to the evolving situation since March 2020 will enhance our resilience against other pandemics which may manifest in the coming years. The £3m Covid support package that CEC have approved for the year to March 2023 will cushion the impact of these risks in the near term, but fundamentally the effect on our charity of these risks may be difficult to discern from other non-Covid related causes as we look to improve income levels in the months and years ahead.

- There is a risk that facilities, or individual services within facilities, will be required to close again or that restrictions could be reintroduced. The impact on Edinburgh Leisure should this risk crystallise is a matter of conjecture with the duration of closure and availability of external funding support meaning that the outcome could fall anywhere on the spectrum of non-material through to dissolution of the company. It is impossible to predict whether a new severe and immunity evading variant will emerge so we have to remain alert to the possibility of this risk materialising.
- There is a risk that hybrid working will result in less people using our facilities for example on their way to or from work, or during their lunch breaks. Similarly, changes in consumer behaviour and activity habits also pose a risk to usage levels, particularly when Covid infection levels in Scotland remain relatively high and the narrative of caution has been emphasised since the start of the pandemic and could therefore persist in its effect on people's willingness to participate in many group activities. It remains to be seen whether other service offerings aligned to changes in consumer habits can be developed to redress these income pressures.

**Management fee income:** During the year to March 2022 CEC paid £8.0m (2021: £8.1m) in management fee to Edinburgh Leisure for the delivery of core services. The management fee for the year to March 2022 has been set at £8.0m and although additional funding of up to £3m has been made available in the current year to help mitigate the impacts of

Covid-19, further reductions in the core management fee are still possible in future as the Council is required to make significant improvements to its budget position. Edinburgh Leisure is engaging in regular dialogue with the Council regarding the potential impact of any future reductions although in the spirit of partnership the focus of those discussions is very much in assisting our emergence from the impacts of Covid whilst supporting the citizens of Edinburgh to enjoy active and healthy lives.

Political: During the emergence of Covid-19 the importance of physical activity on health was never so widely and frequently emphasised, although in the last year political energies in the UK have been focussed on the cost of living crisis, the war in Ukraine and extensively on matters of a political nature at Westminster. Whether governmental momentum builds behind a preventative agenda either at Holyrood or Westminster remains to be seen. In the meantime, we continue to work with various partners to develop tangible plans for Edinburgh Leisure's involvement in improving societal health for the long term. The Directors remain focused on improving the core sustainability of the Edinburgh Leisure business model and if subsequent political changes result in greater focus on physical activity and the transformational health benefits it delivers, our organisation will be well placed to respond.

Economic (income effect): With household investment in physical activity tending to be viewed as discretionary, any negative macro-economic shift could have a detrimental impact on our income position. The cost of living crisis will undoubtedly impact on our customers and with inflation predicted to reach 13% and a recession looming we must hope that we can continue to attract new customers to offset those who will be forced to leave. Edinburgh Leisure is positioned as an affordable, professional, good quality choice for customers across our service offerings such as fitness, aquatics, golf and sports coaching. If we can successfully leverage this positioning during the forthcoming recession then the long term prognosis as economic conditions improve could be very healthy. We are also aware that the aforementioned factors will increase health inequalities and we continue to work to target additional support to those most in need.

Economic (cost effect): The UK had not seen double digit inflation since the early 1980s and indeed inflation was below 5% for thirty years. Increasing energy costs are validating the investments we have made in energy efficiency over the years and we continue to reduce consumption through a combination of investments and process changes. The latest cashflow calculation has incorporated an increase in energy costs and this does not in itself present a material problem in the near term, however careful monitoring of all costs over the next year will be necessary to determine the impact more broadly of such a high inflation rate. The mitigation for cost increases which cannot be absorbed by businesses is to increase prices paid by customers and we will remain vigilant to the potential necessity for this course of action.

People attraction and retention: The Directors review salary increases annually to balance the need to control wage costs with the need to retain and attract quality staff in the Edinburgh job market. The charity continues to invest in developing a great employee experience and in learning and development opportunities for staff. Whilst the positive working environment and career development remains a strong incentive for quality people to work for Edinburgh Leisure, we have experienced difficulties in retaining and attracting people since reopening from the second Covid lockdown. This is very much a structural problem in the labour market across the entire country and on a practical level it is currently restricting our ability to provide enough services to meet customer demand, particularly in our coaching lessons. We have recently created new posts to focus on coaching workforce development and recruitment more broadly and will continue to monitor salary levels to determine if further changes are necessary to our rewards package.

Competition: The fitness industry is operating in extremely challenging times. Recruitment difficulties, increasing costs particularly for energy, the rebuild of customer bases post Covid and now the spectre of a long and deep recession all play into serious concerns about the health of our sector. How our competitors respond to these challenges is beyond our control, so we continue to invest in our facilities, develop our products and track competitor activity and our own usage, membership and income metrics. In so doing we remain equipped to adjust our products and services to continue to meet the demands of our customers.

## Thank you to our supporters

As a charity Edinburgh Leisure is on a mission to keep people active and well. We do this by running over 50 sports, leisure, and school facilities across the city and are committed to creating opportunities for EVERYONE to get active and stay active. Our Active Communities programme uses physical activity and sport to combat the effects of inactivity and tackle inequalities.

Much of this work is only possible thanks to the generosity of our supporters – donors, fundraisers, trusts, corporate partners, and statutory partners who helped raise £717,988 in 2021-22 to enable us to reach more people in need of our help and support. Thank you to all our supporters, including the following major funding partners:

- Arnold Clark Community Fund
- Baillie Gifford
- CCG (Scotland) Limited
- Cycling Scotland
- Edinburgh Health and Social Care Partnership
- Edinburgh Integration Joint Board
- ESPC
- Landcare Solutions Scotland
- Landmark Press
- Life Changes Trust
- Morrison Construction
- NHS Lothian
- Scottish Football Association in partnership with the Department for Digital, Media, Culture & Sport
- Scottish Swimming
- Shared Care Scotland
- Souter Charitable Trust
- Speedo
- sportscotland
- The City of Edinburgh Council
- The City of Edinburgh Council's Communities and Families Large Grants

## How funding and support helps keep people active and well

Each year our Active Communities team uses their expertise to provide help and support to around 10,000 people, who face the greatest barriers to being active.

Offering over 20 different projects we work across all ages and stages, including some of the most disadvantaged and vulnerable groups in our communities. We offer them the specialist support required to successfully incorporate physical activity into their lives and enable them to live well in their communities. Our expert team of qualified staff and trained volunteers are critical to the success of these projects that give people the confidence and motivation required to change behaviour and take ownership of their health, wellbeing, and quality of life.

This work is made possible thanks to the funds raised by supporters and external funding partners, who are key to ensuring that our Active Communities Team can ensure:

- People with health conditions improve their quality of life
- Those experiencing mental health issues can recover and thrive
- People affected by poverty and inequalities can protect their health and wellbeing
- Older adults can stay connected and independent
- Care experienced children and young people can enjoy an active childhood.

## Helping people like Taylor

**You Can** is one of our Active Communities projects that aims to support around 75 care experienced young people each year to improve their health and mental wellbeing.

Someone who has benefitted from getting active through You Can is 15-year-old Taylor, who goes to the gym at Leith Victoria Swim Centre with her Instructor Gemma. Before starting the project, she struggled with poor mental health, low confidence, and difficult relationships with family members. Her attendance at school was low and she spent a lot of time by herself in her bedroom at home.

*"I hadn't done much physical activity since I started high school. Now I go to the gym with Gemma every Monday morning and I've tried lots of activities, from yoga to weights machines to circuits with medicine balls. It's something I look forward to and even if I'm not feeling 100%, I'll never miss a gym session. My Gran, who I live with sometimes, always reminds me of the rush of 'feel good' endorphins I get when I exercise! Getting active with Gemma hasn't just improved my fitness and boosted my mood. Going to the gym on a Monday morning also gets my week off to a good start, helps me to feel more motivated to get things done and even makes me far more likely to go to school."*

### Plans for future periods

We plan to complete many significant projects by March 2023, for example:

- Refurbishment of Gracemount pool hall including replacement of major mechanical and electrical kit
- Refurbishment of the gym at the Royal Commonwealth Pool
- Installation of a new automated irrigation system at Craigentenny Golf Course
- Replacement of ageing grounds maintenance equipment
- Replacement of the artificial pitch surface and lighting at Saughton Sports Centre
- Installation of new air handling equipment at EICA
- New systems implementation in our Facilities Management department
- Second phase of the HR system with the deployment of rostering capabilities
- The reopening of Warrender Swim Centre, the refurbishment of which is now in its final stages
- The relaunch of our Green Plan in support of our net-zero ambitions

On Sunday 3 December 2017, Meadowbank Sports Centre closed its doors for the final time after almost 50 years of sporting excellence in the heart of Edinburgh. It hosted two Commonwealth Games along the way in 1970 and 1986 – the first venue to host the Games twice - as well as hosting many different types of other sporting and large-scale music events, the last one being Elton John in 2016. On Tuesday 19 July 2022 the fantastic new Meadowbank Sports Centre opened to the public. Meadowbank has always been at the heart of the local community and its commitment to the health and well-being of the city has never changed. Building our user base and delivering on the potential of this new state of the art venue is a key focus for 2022/23.

We live in uncertain times. That's an old phrase and at any point in our history most of us would have agreed with the relevance of that statement. We had hoped for a steady recovery post Covid, but those hopes have been tempered by the many factors outlined in the opening paragraphs of this report. It's the nature of life that we cannot know what lies ahead and we cannot know whether a year down the road we will feel less uncertain than we feel in this moment. All we can do is to be vigilant to the changing world, evolve and adapt as we go and keep taking bold decisions to invest in the future. Edinburgh Leisure remains committed to the people of Edinburgh and together we will take the actions today to bring a more active and healthier tomorrow.



**Kevin J Johnston FCMA**  
Company Secretary

1 September 2022

## Directors' report

The Directors of the company are pleased to present their annual report and the audited financial statements for the year ended 31 March 2022.

## Reference and administration information

The Directors who currently hold office are as follows:

<b>Directors</b>	S. Haldane (Chair) Councillor D. Dixon Councillor A. Staniforth Councillor C. Dijkstra-Downie Councillor C. Cowdy Councillor V. Walker C. McMillan J. Moran Dr C. Mumford J. Taylor L. Panglea R. Ducker J. Evans M. Paterson J. Munn	
<b>Chief Executive</b>	J. Peebles	
<b>Secretary</b>	K. Johnston	
<b>Registered office</b>	Meadowbank Sports Centre 139 London Road Edinburgh EH7 6AE	
<b>Auditor</b>	Azets Audit Services Exchange Place 3 Semple Street Edinburgh EH3 8BL	
<b>Solicitors</b>	Harper Macleod LLP 65 Haymarket Terrace Edinburgh EH12 5HD	
<b>Bankers</b>	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB	Barclays Quay 2, Fountainbridge Edinburgh EH3 9QG
<b>Charity number</b>	SC027450	
<b>Company number</b>	SC179259	

## Edinburgh Leisure's purpose

At Edinburgh Leisure, we are passionate about the positive impact physical activity has on people's physical, mental and social wellbeing. Which is why as a charity we are on a mission to inspire everyone in Edinburgh to be active.

Physical inactivity remains one of Scotland's major public health risks, with a majority of Scottish adults (54%) failing to meet the minimum physical activity guidelines according to the latest Scottish Health Survey conducted in 2020. Edinburgh Leisure has a vital role to play in getting more people in the city active, arguably never more so as we continue to emerge from the coronavirus pandemic.

## Structure, Governance and Management

### Charitable status

Edinburgh Leisure is a company limited by guarantee, governed by its memorandum and articles of association, and does not have a share capital. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up. The company has charitable status under Section 505 of the Income and Corporation Taxes Act 1988 and the Scottish Charity Number is SC 027450.

### Directors

Edinburgh Leisure's Board comprises a maximum of fifteen Directors. Seven are co-opted from business, the leisure industry, and the professions. One is nominated from ClubSportEdinburgh, one is a nominated employee representative and five are nominated elected members of the City of Edinburgh Council. There is also one Director specifically appointed to represent users. The seven co-opted members and the one user representative are appointed for a period of three years.

The following Directors served during the year and to the date of this report:

Councillor D. Dixon	
Councillor A. Staniforth	
Councillor G. Bruce	(resigned 8 July 2022)
Councillor H. Osler	(resigned 8 July 2022)
Councillor L. Cameron	(resigned 8 July 2022)
Councillor C. Dijkstra-Downie	(appointed 8 July 2022)
Councillor C. Cowdy	(appointed 8 July 2022)
Councillor V. Walker	(appointed 8 July 2022)
S. Haldane	
C. McMillan	
J. Moran	
Dr C. Mumford	
J. Taylor	
C. Parker	(resigned 9 May 2022)
C. Hall	(resigned 26 August 2021)
L. Panglea	
R. Ducker	(appointed 13 December 2021)
J. Evans	(appointed 13 December 2021)
M. Paterson	(appointed 13 December 2021)
J. Munn	(appointed 9 May 2022)

### Policies and procedures for induction and training of Directors

An induction process is in place for new Directors. This covers the strategic and operational issues affecting the company. Processes are in place to provide feedback to Directors on their contributions and to identify on-going training needs. Actions are taken as required.

### Pay and remuneration of the charity's key management personnel

At least every three years, an external consultant is engaged to benchmark salaries against other leisure trusts, similar sized organisations in Edinburgh and UK wide charities, their findings and recommendations then being presented to Edinburgh Leisure's Remuneration Committee. To aid their determination, the Remuneration Committee have available the pay recommendations for the rest of the company and may choose to mirror the wider company award, although flexibility exists to implement differing pay awards if deemed necessary. The Remuneration Committee present their recommendations for discussion to the Board with key management not permitted to be present for these discussions.

## Organisation Structure

The Board of Directors meets every two months with Directors and senior management present. Decisions are taken to set the overall strategy for the business as well as to monitor its activities. Senior management are charged with the task of implementing these decisions.

## Objectives and activities

### Principal activity

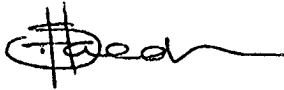
The principal activity of the company is the provision of recreation and leisure facilities on behalf of The City of Edinburgh Council in accordance with the following charitable objectives to:

- Provide or assist in the provision of facilities for recreation or other leisure time occupation in the interests of social welfare for the general public and in particular in connection with the local authority area of The City of Edinburgh as defined in the Local Government etc. (Scotland) Act 1994 with the object of improving the conditions of life for the Community;
- Provide facilities for persons who by reason of their youth, infirmity or disability, poverty or social and economic circumstances may need special facilities; and
- Promote good health among the Community through health education directed to the part which healthy eating and standards of nutrition together with exercise play in the maintenance of good health.

### Disclosure of information to the Auditors

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken the appropriate steps as a Director to make themselves aware of such information and to establish that the auditors are aware of it.

Approved by the Board of Directors and signed on its behalf by:



Scott Haldane  
Chairman

1 September 2022



## Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors report and the financial statements in accordance with applicable law and regulations.

Company law and Charity law requires the Directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law and charity law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities and Trustee Investment (Scotland) Act 2005. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS OF EDINBURGH LEISURE**

### **Opinion**

We have audited the financial statements of Edinburgh Leisure (the 'Charitable Company') for the year ended 31 March 2022 which comprise the statement of financial activities (incorporating the income and expenditure account and statement of recognised gains and losses), the balance sheet, the cash flow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2022, and of its income and expenditure 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Basis for opinion**

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

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

In auditing the financial statements, we have concluded that the Directors' 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 Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The other information comprises: the Strategic report and the Directors' report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report (incorporating the Strategic report).

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the Directors (who are the Directors for the purposes of company law and trustees of the Charitable Company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Responsibilities of Directors (continued)***

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

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

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the Charitable Company through discussions with management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Charitable Company, including the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Charitable Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

***Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)***

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the Charitable Company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Use of our report**

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the Charitable Company's Directors as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the Charitable Company's members, as a body, and the Charitable Company's Directors, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company, the Charitable Company's members, as a body, and the Charitable Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

*Azets Audit Services*

**Allison Gibson (Senior Statutory Auditor)**  
for and on behalf of Azets Audit Services, Statutory Auditor  
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006  
Chartered Accountants  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date: 2 September 2022

## Statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses)

*For the year ended 31 March 2022*

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2022 £'000	Total 2021 £'000
<b>Income</b>					
Investment income	7	-	-	-	1
<i>Income from charitable activities</i>					
Provision of leisure facilities		15,068	1,892	16,960	15,686
Contract with City of Edinburgh Council		13,035	629	13,664	14,063
<b>Total income</b>	2	<b>28,103</b>	<b>2,521</b>	<b>30,624</b>	<b>29,750</b>
<b>Expenditure</b>					
Charitable activities					
Provision of leisure facilities	4	26,213	4,824	31,037	24,816
Interest cost in relation to pension liability	21	141	-	141	90
Pension service costs	21	1,024	-	1,024	391
<b>Total expenditure</b>		<b>27,378</b>	<b>4,824</b>	<b>32,202</b>	<b>25,297</b>
Net movement in funds for the year before other recognised gains and losses		725	(2,303)	(1,578)	4,453
<b>Other recognised gains and losses</b>					
Actuarial gain/(loss) on Lothian Pension Fund	21	7,681	-	7,681	(2,338)
<b>Net movement in funds (after actuarial gain/(loss) on pension scheme)</b>		<b>8,406</b>	<b>(2,303)</b>	<b>6,103</b>	<b>2,115</b>
Transfers between funds	15	(39)	39	-	-
<b>Net movement in funds</b>		<b>8,367</b>	<b>(2,264)</b>	<b>6,103</b>	<b>2,115</b>
<b>Fund balances brought forward at 1 April 2021</b>		<b>(2,947)</b>	<b>3,839</b>	<b>892</b>	<b>(1,223)</b>
<b>Fund balances carried forward at 31 March 2022</b>		<b>5,420</b>	<b>1,575</b>	<b>6,995</b>	<b>892</b>

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above. A full year comparative is included in note 25 to the accounts.

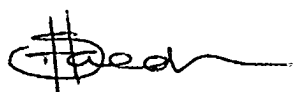
## Balance Sheet

Company Number: SC179259  
At 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
<b>Fixed assets</b>					
Tangible assets	8		5,335		4,967
Investments	9		-		-
			<u>5,335</u>		<u>4,967</u>
<b>Current assets</b>					
Stocks	10	39		28	
Debtors	11	1,446		1,399	
Cash in hand		4,493		4,664	
		<u>5,978</u>		<u>6,091</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due in one year	12	(4,183)		(3,292)	
<b>Net current assets</b>			<u>1,795</u>		<u>2,799</u>
<b>Total assets less current liabilities</b>			<u>7,130</u>		<u>7,766</u>
<b>Long term liabilities</b>					
Creditors : amounts falling due in more than one year	13		(135)		(358)
<b>Net assets excluding pension deficit</b>			<u>6,995</u>		<u>7,408</u>
Pension deficit	21		-		(6,516)
<b>Net assets including pension deficit</b>			<u><u>6,995</u></u>		<u><u>892</u></u>
<b>Funds</b>					
Unrestricted funds	26	3,406		3,150	
Designated reserves	14	2,014		419	
Pension reserve	21	-		(6,516)	
			<u>5,420</u>		<u>(2,947)</u>
Restricted funds	15		<u>1,575</u>		<u>3,839</u>
<b>Total funds</b>			<u><u>6,995</u></u>		<u><u>892</u></u>

The notes at pages 20 to 40 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 1 September 2022 and signed on its behalf by:



**Scott Haldane**  
Chairman

**Cash flow statement**  
*for the year ended 31 March 2022*

	Note	2022	2021
		£'000	£'000
<b>Net (expenditure)/income for the reporting period</b>		<b>(1,578)</b>	<b>4,453</b>
<b>Adjustments for:</b>			
Depreciation charges		1,141	1,169
Pension adjustment		1,024	391
Interest paid		141	91
Interest received		-	(1)
(Increase)/decrease in stock		(11)	87
Increase in debtors		(47)	(514)
Increase in creditors		883	152
(Gain)/Loss on disposal of fixed assets		(42)	1
<b>Net cash provided by operating activities</b>		<b>1,511</b>	<b>5,829</b>
 <b>Cash flows from investing activities</b>			
Interest received		-	1
Purchase of PPE		(1,524)	(1,233)
Finance lease interest paid		-	(1)
Proceeds from sale of fixed assets		57	9
<b>Net cash used in investing activities</b>		<b>(1,467)</b>	<b>(1,224)</b>
 <b>Cash flows from financing activities</b>			
Repayment of finance leases		(149)	(168)
New loans entered into		-	-
Repayment of loans		(66)	(73)
<b>Net cash used in financing activities</b>		<b>(215)</b>	<b>(241)</b>
 <b>Change in cash and equivalents in the reporting period</b>		<b>(171)</b>	<b>4,364</b>
 <b>Cash and cash equivalent at the beginning of the reporting period</b>	22	<b>4,664</b>	<b>300</b>
 <b>Cash and cash equivalent at the end of reporting period</b>	22	<b>4,493</b>	<b>4,664</b>



## Notes to the financial statements

*(forming part of the financial statements)*

### 1 Accounting policies

Edinburgh Leisure is a private company, limited by guarantee, incorporated in Scotland under the Companies Act. The address of the registered office is on page 10. Edinburgh Leisure constitutes a public benefit entity as defined by FRS102. The financial statements have been prepared in accordance with FRS102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of the financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the Charity to exercise judgement in applying the entity accounting policies (see Note 1n).

#### 1a Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards. The financial statements are set out so as to comply with the Statement of Recommended Practice: Accounting and Reporting by Charities approved by the Accounting Standards Board in 2019, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Companies Act 2006.

These financial statements present information about the company as an individual undertaking, and not about its group, by virtue of s402 of the Companies Act 2006.

The company's functional and presentational currency is GBP. Figures are presented rounded to the nearest £1,000.

Edinburgh Leisure's contract to manage leisure facilities on behalf of the City of Edinburgh Council (CEC); although on-going, the financial terms relating to the contract are settled annually in conjunction with the Council's budgeting process. A six month notice period applies to the contract. In the opinion of the Directors there is no risk that funding will be withdrawn in the foreseeable future.

The financial statements have been prepared on a going concern basis. In the period since the balance sheet date, we have continued to recover our income and usage back towards to pre-covid levels. To help with this, on the 24<sup>th</sup> February, CEC voted in favour of additional contract payments to Edinburgh Leisure of up to £3,000,000 in 2022/23.

Cashflow projections have been prepared beyond twelve months from the date of signing of these financial statements and, due to the unpredictability of income growth and consumer behaviour, these calculations have prudently assumed no income growth from current levels. These projections indicate that the company will be able to maintain liquidity through the next twelve months by drawing down on the aforementioned CEC support.

After considering the above along with the internal measures the Directors of Edinburgh Leisure are taking to secure their future, the accounts have been prepared on a going concern basis.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1b Funds

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

*Restricted funds* are funds subject to specific trusts, which may be declared by the donor or with their authority. Some are restricted income funds expendable at the discretion of the Board in furtherance of a particular activity, such as funds raised for particular client groups or activities. Others are capital funds where the assets are required to be invested for long term use.

*Unrestricted funds* are expendable at the discretion of the Board in furtherance of the objectives of Edinburgh Leisure. If part of the unrestricted funds is earmarked at the discretion of the Board for a particular project it is designated as a separate fund. This designation has an administrative purpose only and does not legally restrict the Board's discretion to apply the fund.

#### 1c Income

*Activities for generating income* are accounted for on an accruals basis.

*Income from the City of Edinburgh Council* is accounted for on an accruals basis and is agreed in advance based on the level of service provided.

*Investment Income* is accounted for on an accruals basis.

*Capital Grants received* are accounted for on an accruals basis. If a functional fixed asset is acquired in full or in part from the proceeds of a grant it is included in the balance sheet at its full acquisition cost, with the relevant grant being recognised as income and held in restricted funds. Depreciation is then allocated to this fund over the useful life of the related asset.

#### 1d Expenditure

All expenditure is accounted for on an accruals basis. Governance costs are included in the costs of providing service and relate to the expenditure on the Directors including meetings, if any, insurance and for the company's obligation for audit as a charity. Support costs are identified as such at the time of purchase and are allocated in the financial accounting system to support departments, they are included within the costs of providing service in note 4.

#### 1e Leased assets: lessee

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of leasing payments is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding.

#### 1f Leased assets: lessor

Rental Income is credited to the income and expenditure account on a straight line basis over the period of the lease.

#### 1g Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward for future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### 1h Stocks

Stocks of resale goods are stated at the lower of cost and net realisable value in the ordinary course of operating.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1i Tangible fixed assets

Assets are held at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, generally as follows:

Freehold land and buildings	up to 50 years
Leasehold improvements	5 years – 25 years
Plant and equipment	3 to 25 years
Motor vehicles	4 years
Furniture and fittings	5 years
Computer equipment	3 to 5 years
Finance Leases	over the term of the lease, if shorter than useful life

The assets are reviewed annually for impairment. Assets purchased during the year with a value of £1,000 or more are reviewed for capitalisation.

#### 1j Taxation

As a charity, the group is exempt from income tax by virtue of Section 505(1) Income and Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

#### 1k Pensions

Edinburgh Leisure is a member of the Lothian Pension Fund, a Local Government Pension Scheme, which provides benefits based on final salary for periods before 1<sup>st</sup> April 2015 and career average salary after that date. The scheme closed to new entrants as at 1<sup>st</sup> April 2008.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Activities. These amounts together with the return on plan assets are disclosed as 'Actuarial gain/(loss) on Lothian Pension Fund'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Financial Activities as 'Interest cost in relation to pension liability'.

All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%. Allocation of the expense in relation to the defined contribution scheme between restricted and unrestricted funds is done on an employee by employee basis where it will be classed as restricted if the employee is employed in relation to a restricted project. Otherwise it will be classed as an unrestricted expense.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### 11 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 1m Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 1n Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements the Directors have made the following judgements:

- Determining whether there are indicators of impairment of the charity's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determining whether the assumptions set by the Directors over the defined benefit pension scheme are reasonable.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see Note 8). Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Defined benefit pension scheme (see Note 21). The actuary values the pension scheme in line with assumptions set by the Directors. The actual performance is unlikely to be in line with the actuarial valuation as a result of the valuation being based upon assumptions on future unpredictable events such as return on assets and mortality rates.

## Notes to the financial statements *(continued)*

### 2 Income

Income from investments was £nil (2021: £1,000), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £16,960,000 (2021: £15,686,000), of which £15,068,000 (2021: £13,642,000) was unrestricted and £1,892,000 (2021: £2,044,000) was restricted. This included Coronavirus Job Retention Scheme income of £454,000 (2021: £7,449,000) of which £434,000 (2021: £6,897,000) was unrestricted and £20,000 (2021: £552,000) was restricted.

Income from the contract with City of Edinburgh Council was £13,664,000 (2021: £14,063,000), of which £13,035,000 (2021: £11,046,000) was unrestricted and £629,000 (2021: £3,017,000) was restricted.

### 3 Net result for the year

The net movement in funds is after charging the following:

	Unrestricted	Restricted	Total	Total
	Fund	Fund	2022	2021
	£'000	£'000	£'000	£'000
Depreciation	1,081	60	1,141	1,169
Audit fees	32	-	32	27
Non-audit fees	2	-	2	2
Rental charges under operating leases	12	-	12	260
(Gain)/loss on disposal of fixed assets	(42)	-	(42)	1
	<b>1,085</b>	<b>60</b>	<b>1,145</b>	<b>1,459</b>

## Notes to the financial statements *(continued)*

### 4 Costs of providing service

	Unrestricted	Unrestricted	Unrestricted	Restricted	Total	Total
	Support	Operations	Fund	Fund	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	3,645	9,977	13,622	1,160	14,782	13,851
Social security costs	364	651	1,015	73	1,088	907
Employer pension contributions	483	766	1,249	83	1,332	1,292
Payments to self-employed coaches	17	615	632	16	648	83
Property costs	1,477	2,555	4,032	2,742	6,774	4,054
Supplies and services	2,747	1,817	4,564	690	5,254	3,162
Rental charges under operating leases	12	-	12	-	12	260
Depreciation	88	993	1,081	60	1,141	1,169
Finance lease interest cost	-	-	-	-	-	1
Governance costs	48	-	48	-	48	36
(Gain)/loss on disposal of fixed assets	(42)	-	(42)	-	(42)	1
	<b>8,839</b>	<b>17,374</b>	<b>26,213</b>	<b>4,824</b>	<b>31,037</b>	<b>24,816</b>

The costs of providing services during 2021 were comprised of £22,818,000 in relation to unrestricted funds and £1,998,000 in relation to restricted funds.

### 5 Governance costs

	2022	2021
	£'000	£'000
Audit fees	32	27
Non-audit fees	2	2
Directors and Officers Indemnity Insurance	14	7
	<b>48</b>	<b>36</b>

**Notes to the financial statements** *(continued)*

**6 Staff numbers and costs**

The remuneration and associated costs of the company were:

	2022	2021
	£'000	£'000
Wages and salaries	14,782	13,851
Social security costs	1,088	907
Pension costs	1,332	1,292
Pension adjustment	1,024	391
	18,226	16,441

There were £114,000 redundancy costs included within staff costs (2021: £322,000). Costs for any redundancies are recognised when the liability is confirmed and communicated to the relevant parties creating a constructive obligation. As at the balance sheet date, £nil (2021: £10,000) was outstanding.

Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the following bands:

	2022	2021
	Number	Number
£110,000 - £119,999	1	0
£100,000 - £109,999	0	1
£90,000 - £99,999	0	0
£70,000 - £79,999	2	1
£60,000 - £69,999	0	2

The total contributions to defined benefit pension schemes for the staff within the above bands is £44,381 (2021: £59,438) and to defined contribution pension schemes is £1,321 (2021: £1,313).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance and no travel expenses were claimed by Board members in the year (2021: £300, one board member).

The average monthly full-time equivalent number of employees of the company during the year was:

	2022	2021
	Number	Number
Dry facilities	166	166
Wet centres	294	332
Golf courses	35	32
Administration and support	136	141
	631	671

## Notes to the financial statements (continued)

### 6 Staff numbers and costs (continued)

The average monthly headcount number of employees of the company during the year was:

	2022	2021
	Number	Number
Dry facilities	251	276
Wet centres	426	489
Golf courses	37	35
Administration and support	148	159
	<b>862</b>	<b>959</b>

These numbers exclude seasonal workers.

### 7 Investment income

	2022	2021
	£'000	£'000
Bank and other interest	-	1
	-	1

### 8 Tangible fixed assets

	Freehold Buildings £'000	Leasehold Impmt's £'000	Plant & Equipt. £'000	Motor Vehicles £'000	Furniture & fittings £'000	Computer Equipment £'000	Finance Leases £'000	Total £'000
<i>Cost</i>								
At beginning of year	539	5,181	4,632	310	598	1,064	438	12,762
Transfers	-	(4)	4	-	-	-	-	-
Additions	-	74	1,117	58	118	157	-	1,524
Disposals	-	(17)	(290)	(6)	(15)	(14)	(58)	(400)
At end of year	<b>539</b>	<b>5,234</b>	<b>5,463</b>	<b>362</b>	<b>701</b>	<b>1,207</b>	<b>380</b>	<b>13,886</b>
<i>Depreciation</i>								
At beginning of year	209	3,381	2,627	214	232	694	438	7,795
Transfers	-	-	-	-	-	-	-	-
Charge	11	421	523	16	50	120	-	1,141
Disposals	-	(17)	(288)	(6)	(15)	(1)	(58)	(385)
At end of year	<b>220</b>	<b>3,785</b>	<b>2,862</b>	<b>224</b>	<b>267</b>	<b>813</b>	<b>380</b>	<b>8,551</b>
<i>Net book value</i>								
At 31 March 2022	<b>319</b>	<b>1,449</b>	<b>2,601</b>	<b>138</b>	<b>434</b>	<b>394</b>	<b>-</b>	<b>5,335</b>
At 31 March 2021	<b>330</b>	<b>1,800</b>	<b>2,005</b>	<b>96</b>	<b>366</b>	<b>370</b>	<b>-</b>	<b>4,967</b>

The net book value of assets held under finance leases was £140,000 (2021: £290,000).



**Notes to the financial statements (continued)**

**9 Fixed asset investments**

	2022	2021
	£'000	£'000
Investment in subsidiary undertaking	-	-

The company owns 100% of the ordinary share capital of Edinburgh Leisure Two Limited, a company registered in Scotland. The registered office is; Meadowbank Sports Centre, 139 London Road, Edinburgh, EH7 6AE. The value of the investment is at cost which is £2 (2021: £2). This company did not trade in the year.

**10 Stocks**

	2022	2021
	£'000	£'000
Stocks	39	28

**11 Debtors**

	2022	2021
	£'000	£'000
Trade debtors	509	41
City of Edinburgh Council	338	69
Other Debtors and accrued income	37	923
Prepayments	562	366
	<b>1,446</b>	<b>1,399</b>

## Notes to the financial statements (continued)

### 12 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	919	664
Pension creditor – City of Edinburgh Council	53	102
Due to City of Edinburgh Council	201	6
Social security costs and other taxes	804	687
Other creditors and accruals	1,996	1,618
Finance leases	149	149
Other loans	61	66
	4,183	3,292

Included in finance leases above is £149,000 (2021: £149,000) due to the City of Edinburgh Council.

Included in other creditors and accruals above are amounts of deferred income as follows:

	2022	2021
	£'000	£'000
Balance at start of year	498	800
Transfers out	(498)	(793)
Transfers in	675	491
<b>Balance at end of year</b>	<b>675</b>	<b>498</b>

Income is deferred where it is received in advance of the service delivery.

### 13 Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Finance leases	86	235
Other creditors and accruals	6	19
Other loans	43	104
	135	358

Included in finance leases above is £86,000 (2021: £235,000) due to the City of Edinburgh Council.

## Notes to the financial statements (continued)

### 13 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases is as follows:

	2022	2021
	£'000	£'000
Within one year	149	149
Within one to two years	86	149
Within two to five years	-	86
	235	384
	235	384

The obligations under finance leases are secured over the assets to which they relate.

### 14 Designated reserves

	2022	2021
	£'000	£'000
Balance as at 1 April 2021 (1 April 2020)	419	132
Income	-	-
Expenditure	(30)	(90)
Transfer to Unrestricted Funds	-	-
Transfer from Unrestricted Funds	1,625	377
<b>Balance at 31 March 2022 (31 March 2021)</b>	<b>2,014</b>	<b>419</b>
	<b>2,014</b>	<b>419</b>

Designated reserves in the current and prior year include a *Sinking Fund* which is transfers from unrestricted funds, designated for future spend in respect of replacement of the playing surfaces of the outdoor tennis courts at Craiglockhart Tennis Centre and for replacement of the 3G pitches installed at Jack Kane Sports Centre.

In the year to 31 March 2021, £302,000 was designated for community-based projects of which there is £272,000 remaining as at 31 March 2022.

In the year to 31 March 2022, £1,550,000 was designated to cover the expected remaining cost of Warrender Swim Centre refurbishment which was ongoing at the year end and for work required at Warriston Playing Fields.

## Notes to the financial statements (continued)

### 15 Restricted funds

	Maintenance	EICA	Schools	Salix	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2021	2,299	70	-	599	871	3,839
Income	628	-	1,334	-	559	2,521
Expenditure	(2,736)	-	(1,334)	(59)	(695)	(4,824)
Transfer from Unrestricted Funds	-	-	-	20	30	50
Transfer to Unrestricted Funds	-	(10)	-	-	(1)	(11)
<b>Balance at 31 March 2022</b>	<b>191</b>	<b>60</b>	<b>-</b>	<b>560</b>	<b>764</b>	<b>1,575</b>

The *Maintenance* reserve represents money paid from the City of Edinburgh Council to Edinburgh Leisure specifically for the purpose of carrying out capital upgrading and lifecycle works.

The *EICA* reserve represents grant funding received from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant asset.

Edinburgh Leisure has taken over the operation of all of the secondary school sporting estate of City of Edinburgh Council (CEC) outside of curricular and extra-curricular school hours. All income and expenditure is restricted in the Schools reserve with any surpluses being returned to CEC and any deficits being refunded by CEC.

The *Salix* reserve represents grants received from Salix Finance Limited and transfers from unrestricted reserves to be used for the purchase of qualifying energy saving capital goods. The depreciation of such capital goods is set against this reserve over the life of the assets. The transfers from unrestricted reserves represent 100% of the predetermined savings generated from the energy saving capital goods on an annual basis together with the 10% contribution to the fund.

The *Other* reserve represents a number of funds received from external organisations for specific purposes.

A requirement existed to ring fence any surplus made from the operation of Queensferry High Recreation Centre. Any deficits are funded by Edinburgh Leisure from unrestricted reserves and to 31 March 2022 the facility had generated a net deficit of £46,000.

Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

## Notes to the financial statements (continued)

### 15 Restricted funds (continued)

#### Restricted funds (comparatives)

	Maintenance	EICA	Schools	Salix	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	195	80	-	-	441	716
Income	2,932	-	619	540	970	5,061
Expenditure	(828)	-	(619)	(11)	(540)	(1,998)
Transfer from Unrestricted Funds	-	-	-	70	-	70
Transfer to Unrestricted Funds	-	(10)	-	-	-	(10)
<b>Balance at 31 March 2021</b>	<b>2,299</b>	<b>70</b>	<b>-</b>	<b>599</b>	<b>871</b>	<b>3,839</b>

The *Maintenance* reserve represents money paid from the City of Edinburgh Council to Edinburgh Leisure specifically for the purpose of carrying out capital upgrading and lifecycle works.

The *EICA* reserve represents grant funding received from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant asset.

The company has taken over the operation of substantially all of the secondary school sporting estate of City of Edinburgh Council (CEC) outside of curricular and extra-curricular school hours. All income and expenditure is restricted in the Schools reserve with any surpluses being returned to CEC and any deficits being refunded by CEC.

The *Salix* reserve represents grants received from Salix Finance Limited and transfers from unrestricted reserves to be used for the purchase of qualifying energy saving capital goods. The depreciation of such capital goods is set against this reserve over the life of the assets. The transfers from unrestricted reserves represent 75% of the predetermined savings generated from the energy saving capital goods on an annual basis together with the 10% contribution to the fund.

The *Other* reserve represents a number of funds received from external organisations for specific purposes.

A requirement existed to ring fence any surplus made from the operation of Queensferry High Recreation Centre. Any deficits are funded by Edinburgh Leisure from unrestricted reserves and to 31 March 2020 the facility had generated a net deficit of £132,000. Since 1<sup>st</sup> April 2020, Queensferry High Recreation Centre is reporting into schools restricted fund where the surpluses or losses will automatically be ringfenced and returned or made good by the City of Edinburgh Council.

Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

## Notes to the financial statements (continued)

### 16 Analysis of net assets between funds

	Unrestricted	Restricted	Total	Total
	Fund	Fund	2022	2021
	£'000	£'000	£'000	£'000
<b>Fund balances at 31 March 2022 are represented by:</b>				
Tangible fixed assets	4,811	524	5,335	4,967
Current assets	4,927	1,051	5,978	6,091
Current liabilities	(4,183)	-	(4,183)	(3,292)
Long term liabilities	(135)	-	(135)	(358)
Pension deficit	-	-	-	(6,516)
<b>Total net assets</b>	<b>5,420</b>	<b>1,575</b>	<b>6,995</b>	<b>892</b>

In the year ended March 2021, £544,000 of tangible fixed assets and £3,295,000 of current assets were restricted with all other amounts being unrestricted.

### 17 Financial instruments

	2022	2021
	£'000	£'000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>5,377</u>	<u>5,697</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>2,839</u>	<u>2,465</u>

Financial assets that are debt instruments measured at amortised cost include trade debtors, cash in hand, amounts due from City of Edinburgh Council and other debtors.

Financial liabilities measured at amortised cost include trade creditors, amounts due to City of Edinburgh Council, accruals, finance lease creditor, other loans and other creditors.

### 18 Agency arrangements

In the year ended 31 March 2022, Edinburgh Leisure received £878,000 (2021: £nil) and incurred costs of £1,173,000 (2021: £64,000) on behalf of the City of Edinburgh Council as part of an agency arrangement. At 31 March 2022, there was £269,000 (2021: £64,000) included within amounts due from the City of Edinburgh Council in relation to this agency arrangement.

## Notes to the financial statements (continued)

### 19 Commitments

*Total commitments under non-cancellable operating leases are as follows:*

	2022	2021
	Total	Total
	£'000	£'000
No later than 1 year	102	134
Later than 1 year and no later than 5 years	81	147
<b>Total</b>	<b>183</b>	<b>281</b>

At the balance sheet date, the company had no capital commitments (2021: £2,057,000).

### 20 Contingent liabilities and commitments

During the year to 31 March 2019 Edinburgh Leisure received a grant from Tennis Scotland for £150,000 by way of contribution towards the build of new tennis courts at Craiglockhart Tennis Centre. Edinburgh Leisure are required to repay this loan, should the courts not be maintained adequately or cease to be operated as such, in the following 21 years from the date of the grant.

During the year to 31 March 2021 Edinburgh Leisure received a grant from the Salix Finance Limited recycling fund for £540,000 for the purchase of qualifying energy saving capital goods. On receipt of this, Edinburgh Leisure have committed to recycle 100% of the savings from these projects, throughout the payback period of the assets, into further energy saving capital goods. Should Edinburgh Leisure decide not to continue to invest in energy saving capital goods in the future, this grant becomes repayable. At 31 March 2022, Edinburgh Leisure have a commitment to spend recycled savings of £598,000.

### 21 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2022 the employer contribution rate was 10.5%. The most recent actuarial valuation (31 March 2022) showed that the market value of Edinburgh Leisure's notional share of the scheme's assets was £93,296,000 and that the actuarial value for these assets represents 108% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the Directors on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS102, section 28: Employee Benefits. The value of the fund at 31 March 2022 was as follows:

#### *Actuarial valuation*

	2022	2021
	£'000	£'000
Present value of funded liabilities	(86,295)	(90,704)
Present value of unfunded liabilities	(7)	(7)
Fair value of employer assets	93,296	84,195
Unrecognised surplus	(6,994)	-
<b>Net liability</b>	<b>-</b>	<b>(6,516)</b>

## Notes to the financial statements (continued)

### 21 Pension scheme (continued)

#### *Movement in present value of defined obligation*

	2022	2021
	£'000	£'000
At start of year	90,711	75,962
Current service cost	2,052	1,452
Past service cost	78	35
Interest cost	1,823	1,749
Contribution by members	251	247
Actuarial (gains)/losses	(7,225)	12,745
Benefits paid	(1,387)	(1,478)
Unfunded benefits paid	(1)	(1)
<b>At end of year</b>	<b>86,302</b>	<b>90,711</b>

#### *Movement in fair value of employer assets*

	2022	2021
	£'000	£'000
At start of year	84,195	72,265
Interest income on plan assets	1,682	1,659
Contributions by members	251	247
Contributions by the employer	1,105	1,095
Contributions in respect of unfunded benefits	1	1
Return on assets excluding amounts included in net interest	7,450	10,407
Benefits paid	(1,387)	(1,478)
Unfunded benefits paid	(1)	(1)
<b>At end of year</b>	<b>93,296</b>	<b>84,195</b>



## Notes to the financial statements (continued)

### 21 Pension scheme (continued)

*Income/(expense) recognised in the statement of financial activities*

	2022	2021
	£'000	£'000
Current service cost	(2,052)	(1,452)
Past service cost	(78)	(35)
Interest cost	(141)	(90)
Actuarial gain/(loss) on Lothian Pension Fund	14,675	(2,338)
Adjustment in respect of irrecoverable surplus	(6,994)	-
<b>At end of year</b>	<b>5,410</b>	<b>(3,915)</b>

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a gain of £7,681,000 (2021: £2,338,000 loss), calculated as follows:

	2022	2021
	£'000	£'000
Actuarial gain/(loss) on movement in present value of defined benefit obligation	7,225	(12,745)
Actuarial gain on movement in fair value of employer assets	7,450	10,407
Adjustment in respect of irrecoverable surplus	(6,994)	-
<b>Actuarial gain/(loss) on Lothian Pension Fund during year</b>	<b>7,681</b>	<b>(2,338)</b>

*Fair value of employer assets and return on those assets*

	Value	Value
	2022	2021
	£'000	£'000
Equities	66,240	61,462
Bonds	12,128	10,103
Property	6,531	5,894
Cash	8,397	6,736
<b>Company's share of scheme assets</b>	<b>93,296</b>	<b>84,195</b>

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the Plan's investment portfolio.

## Notes to the financial statements (continued)

### 21 Pension scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2022	2021
	%	%
Inflation/pension increase rate	3.20%	2.85%
Salary increase rate	3.70%	3.35%
Discount rate	2.70%	2.00%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date as based on standard actuarial marketing tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males	Females
Current pensioners	20.3	23.1
Future pensioners	21.6	25

#### History of the plan

The history of the plan for the current and prior periods is as follows:

	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(86,302)	(90,711)	(75,962)	(80,033)	(71,845)
Fair value of employer assets	93,296	84,195	72,265	75,382	68,776
Adjustment in respect of irrecoverable surplus	(6,994)	-	-	-	-
Deficit	-	(6,516)	(3,697)	(4,651)	(3,069)

The charity expects to contribute approximately £419,000 to its defined benefit scheme in the next financial year.

On 1<sup>st</sup> April 2008 Edinburgh Leisure closed its defined benefit scheme to new members. All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%. The defined contribution pension cost charge amounted to £313,000 (2021: £275,000) and represents contributions payable by Edinburgh Leisure to the scheme. Included in other creditors at 31 March 2022 were outstanding pension contributions of £55,000 (2021: £43,000).

## Notes to the financial statements (continued)

### 22 Analysis of changes in net debt

	At 1 Apr 2021 £'000	Cash flows £'000	Other non-cash charges £'000	At 31 Mar 2022 £'000
<b>Cash and cash equivalents</b>				
Cash	4,664	(171)	-	4,493
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	<u>4,664</u>	<u>(171)</u>	<u>-</u>	<u>4,493</u>
<b>Borrowings</b>				
Debt due within one year	(215)	215	(210)	(210)
Debt due after one year	(339)	-	210	(129)
	<u>(554)</u>	<u>215</u>	<u>-</u>	<u>(339)</u>
	-	-	-	-
<b>Total</b>	<u><u>4,110</u></u>	<u><u>44</u></u>	<u><u>-</u></u>	<u><u>4,154</u></u>

### 23 Related party

Edinburgh Leisure is contracted to provide recreation and leisure by the City of Edinburgh Council (CEC). In the year to 31 March 2022 CEC made payments totalling £13,035,000 (2021: £11,046,000) to the company and leased the facilities occupied by the company for a peppercorn rent. CEC also made a payment of £629,000 (2021: £3,017,000), restricted for capital upgrade. At 31 March 2022 CEC owed the company £338,000 (2021: £69,000) and the company owed CEC £489,000 (2021: £492,000) (including amounts due to the Lothian Pension Fund) in relation to normal trading activities. During 2019, CEC loaned to the company, £687,000 on an interest free basis, for the installation of tennis courts at Craiglockhart and a new sewage pipe at the EICA. At 31 March 2022, £235,000 (2021: £384,000) remains due to the City of Edinburgh Council which is included within the £489,000 (2021: £492,000) balance owed to CEC as disclosed above.

Key management personnel includes all directors and a number of senior staff who together have responsibility for planning, directing and controlling the activities of the company. The total compensation paid for key management for services provided to the company in the year was £480,000 (2021: £402,000).

## Notes to the financial statements (continued)

### 25 Statement of financial activities (comparatives)

		Unrestricted	Restricted	Total	Total
	Note	Fund	Fund	2021	2020
		£'000	£'000	£'000	£'000
<b>Income</b>					
Investment income	7	1	-	1	32
<i>Income from charitable activities</i>					
Provision of leisure facilities		13,642	2,044	15,686	22,912
Contract with City of Edinburgh Council		11,046	3,017	14,063	8,993
<b>Total income</b>	2	<b>24,689</b>	<b>5,061</b>	<b>29,750</b>	<b>31,937</b>
<b>Expenditure</b>					
<i>Charitable activities</i>					
Provision of leisure facilities	4	22,818	1,998	24,816	34,724
Interest cost in relation to pension liability	21	90	-	90	126
Pension service costs	21	391	-	391	1,988
<b>Total expenditure</b>		<b>23,299</b>	<b>1,998</b>	<b>25,297</b>	<b>36,838</b>
Net movement in funds for the year before other recognised gains and losses		1,390	3,063	4,453	(4,901)
<b>Other recognised gains and losses</b>					
Actuarial loss on Lothian Pension Fund	21	(2,338)	-	(2,338)	3,068
<b>Net movement in funds (after actuarial loss on pension scheme)</b>		<b>(948)</b>	<b>3,063</b>	<b>2,115</b>	<b>(1,833)</b>
Transfers between funds		(60)	60	-	-
<b>Net movement in funds</b>		<b>(1,008)</b>	<b>3,123</b>	<b>2,115</b>	<b>(1,833)</b>
<b>Fund balances brought forward at 1 April 2020</b>		<b>(1,939)</b>	<b>716</b>	<b>(1,223)</b>	<b>610</b>
<b>Fund balances carried forward at 31 March 2021</b>		<b>(2,947)</b>	<b>3,839</b>	<b>892</b>	<b>(1,223)</b>

## Notes to the financial statements (continued)

### 26 Unrestricted funds

	2022	2021
	£'000	£'000
Balance as at 1 April 2021 (1 April 2020)	3,150	1,626
Unrestricted surplus	1,890	1,871
Transfer to Unrestricted Funds	11	10
Transfer from Unrestricted Funds	(1,645)	(357)
<b>Balance at 31 March 2022 (31 March 2021)</b>	<b>3,406</b>	<b>3,150</b>

In both 2021 and 2022, the transfer to unrestricted funds was the release from restricted reserves of grant funding from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant asset.

The transfers from unrestricted funds in 2021 were £287,000 to designated reserves which is the net of a transfer in of £377,000 which was £302,000 designated for community based projects and £75,000 designated as a sinking fund for future spend in respect of replacement of the playing surfaces of the outdoor tennis courts at Craiglockhart Tennis Centre and for replacement of the 3G pitches installed at Jack Kane Sports Centre, set against a release of £90,000 for dilapidations work carried out, designated in a prior year.

The remaining transfer from unrestricted funds in 2021 was £70,000 to the Salix restricted fund. The transfers from unrestricted reserves represent 100% of the predetermined savings generated from the energy saving capital goods on an annual basis together with the 10% contribution to the fund.

The transfers from unrestricted funds in 2022 were £1,625,000 to designated reserves which includes £1,550,000 to cover the expected remaining cost of Warrender Swim Centre refurbishment which was ongoing at the year end and for work required at Warriston Playing Fields and also £75,000 designated as a sinking fund for Craiglockhart Tennis Centre and Jack Kane Sports Centre as noted above.

The remaining transfer from unrestricted funds was £20,000 to the Salix restricted fund as noted above.

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# Governance, Risk and Best Value Committee

10.00am, Tuesday 2 May 2023

## Edinburgh Living Annual Update 2022 – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine

Wards

Council Commitments

### 1. For Decision/Action

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- 1.1 The Housing, Homelessness and Fair Work Committee has referred the Edinburgh Living Annual Update 2022 to the Governance, Risk and Best Value Committee for scrutiny.

**Dr Deborah Smart**

Executive Director of Corporate Services

Contact: Jamie Macrae, Committee Officer

Legal and Assurance Division, Corporate Services Directorate

Email: [jamie.macrae@edinburgh.gov.uk](mailto:jamie.macrae@edinburgh.gov.uk)

# Referral Report

## Edinburgh Living Annual Update 2022

### Terms of Referral

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2.1 On 9 March 2023 the Housing, Homelessness and Fair Work Committee considered a report which set out the activities carried out by Edinburgh Living in 2022, the financial statement for the previous year (2021) as agreed by the Corporate Body, and the interim financial position at the end of 2022. In line with the agreed governance structure set out for the Council's housing delivery Limited Liability Partnerships (LLPs), known as Edinburgh Living, an annual update providing an overview of each financial year was required to be submitted to the Governance, Risk and Best Value Committee. The report was submitted to the Housing, Homelessness and Fair Work Committee and referred to the Governance, Risk and Best Value Committee.

2.2 The Housing, Homelessness and Fair Work Committee agreed:

#### **Decision**

- 1) To note the contents of the Edinburgh Living annual update for 2022.
- 2) To note Edinburgh Living's positive impact on tackling housing need through the provision of new affordable homes across the city.
- 3) To refer the report by the Executive Director of Place to the Governance, Risk and Best Value Committee in line with Edinburgh Living's governance arrangements.

### 2. Background Reading/ External References

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3.1 [Webcast of the Housing, Homelessness and Fair Work Committee of 9 March 2023](#)

3.2 Minute of the Housing, Homelessness and Fair Work Committee of 9 March 2023

### 3. Appendices

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4.1 Appendix 1 – report by the Executive Director of Place



# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 9 March 2023

## Edinburgh Living Annual Update 2022

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

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- 1.1 Housing, Homelessness and Fair Work Committee is asked to:
- 1.1.1 Note the contents of the Edinburgh Living annual update for 2022;
  - 1.1.2 Note Edinburgh Living's positive impact on tackling housing need through the provision of new affordable homes across the city; and
  - 1.1.3 Refer this report to the Governance, Risk and Best Value Committee in line with Edinburgh Living's governance arrangements

**Paul Lawrence**

Executive Director of Place

Contact: Elaine Scott, Head of Housing Strategy and Development

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

## Edinburgh Living Annual Update 2022

### 2. Executive Summary

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- 2.1 In line with the agreed governance structure set out for the Council's housing delivery Limited Liability Partnerships (LLPs), known as Edinburgh Living, an annual update providing an overview of each financial year is required to be submitted to the Governance, Risk and Best Value Committee. This report should be noted by the Housing, Homelessness and Fair Work Committee and referred on to the Governance, Risk and Best Value Committee.
- 2.2 This report sets out the activities carried out by Edinburgh Living in 2022, the financial statement for the previous year (2021) as agreed by the Corporate Body, and the interim financial position at the end of 2022.
- 2.3 Edinburgh Living purchased its first home in 2019 and owned 502 homes by the end of December 2022.

### 3. Background

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- 3.1 In [February 2018](#), the City of Edinburgh Council agreed to establish two new LLPs which would own and manage homes for rent to households on low to moderate income; one offering mid-market rent (MMR) homes and the second offering market rent homes. The Business Case for the implementation of the LLPs was agreed by Scottish Government under the Edinburgh and South East Scotland City Deal (City Deal). The LLPs are known under the single banner of Edinburgh Living.
- 3.2 The Council owns 99.99% of the Edinburgh Living MMR LLP and 99% of the market rent LLP. Scottish Futures Trust (SFT) owns the remaining shares.
- 3.3 Edinburgh Living is managed on a day to day basis by a Senior Management Team (SMT) made up of five senior Council officers and one staff member from SFT. Oversight is provided by a Corporate Body which comprises four elected members, the Executive Director of Place and a Director from SFT.
- 3.4 Risk and financial management are integral to the SMT's work plan throughout the year and the activities of the LLPs are reported to the Corporate Body through quarterly business updates.
- 3.5 In order to provide the Council as a Member of the LLP with relevant information relating to the operation of the LLP, the annual reporting cycle includes the

requirement for bi-annual updates to the Housing, Homelessness and Fair Work Committee and an annual update to the Governance, Risk and Best Value Committee. This report is specific to the activities of the LLPs during 2022.

## 4. Main report

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- 4.1 Over the course of 2022, Edinburgh Living continued to purchase homes being constructed for mid-market rent on the Council's mixed tenure sites, with 158 homes being added to the portfolio.
- 4.2 In addition to the homes delivered by the Council, Edinburgh Living also purchased a former National Housing Trust (NHT) development at Fruitmarket. This purchase was agreed by the Finance and Resources Committee on [8 September 2022](#) with funding for purchase approved by the City of Edinburgh Council on 22 September 2022. This purchase of 80 homes will deliver long-term affordable housing for the city and supports Edinburgh Living's objective to have a positive impact on housing need by operating at scale.
- 4.3 Homes were also purchased at North Sighthill and Pennywell, including the remaining mid-market rent homes at the Pennywell Town Centre regeneration area. A city map showing the location of homes purchased has been provided at Appendix 1.
- 4.4 Lettings across all developments was strong over the course of the year. Edinburgh Living continued to support homelessness prevention in the city with a total of 45 households at risk of homelessness successfully moving in to permanent homes with Edinburgh Living in 2022. In total, Edinburgh Living has let 122 homes to working homeless households that have been referred from the Council's Private Rented Sector Team.
- 4.5 In 2019 the Council entered into a contract with Lowther Homes to manage and maintain Edinburgh Living homes. In October 2021, SMT were made aware of two significant administrative errors by Lowther Homes firstly, in relation to the handling of tenants' deposits over 2020/21 and secondly, the provision of prescribed information to tenants on where and how their deposits were being held. Last year's report to this committee contained information on the issue and the steps that had been taken to contact tenants, ensure all deposits were correctly registered, make compensation payments and the escalation through Edinburgh Living's governance structure. Tenants' money was not at risk at any time.
- 4.6 Since the last report to Committee, an indemnity has also been secured from Lowther Homes in relation to any future claims regarding deposit failures. This indemnity will mitigate any risks arising from these issues following the end of the Lowther contract.
- 4.7 Following an independent assurance review, which provided assurance against the Letting Agents Code of Practice, and a Wheatley Group internal audit, Lowther Homes has taken steps to address the areas of failure in relation to management of deposits. These changes were reviewed at the most recent assurance review in 2022, which was carried out in person at Lowther's offices.

- 4.8 Since the assurance review in 2021, Lowther Homes has introduced upgrades to IT systems and specific deposit procedures which include structured gateways for staff to provide information to senior managers. Copies of deposit registration certificates are provided to Edinburgh Living as part of the enhanced reporting requirements put in place following the failure. Following the 2022 review there have been further improvements to insight, monitoring and tenant contact as well as staff training.
- 4.9 The current contract for management and maintenance services is due to come to an end in May 2023. A procurement process is underway to appoint a new provider. The future contract for the Edinburgh Living lettings provider has taken in to account the lessons learned as a result of this unforeseen failure by the current provider.
- 4.10 The second Edinburgh Living tenants survey took place in September 2022. Similar to the 2021 survey, 49% of tenants (representing 166 households at the time of the survey) took part. Surveys were carried out on-line and by phone and have provided a very useful insight. The surveys covered tenants moving into new homes and those living in homes built over the last four years.
- 4.11 The majority of the respondents (55%) had previously rented in the private sector and 19% had been living with parents before moving in to their Edinburgh Living home. 14% had been renting from the Council or a Housing Association. 93% of those surveyed stated that their home met their needs well.
- 4.12 While 86% of tenants were very or fairly satisfied with the quality of their home and the majority of areas saw increased satisfaction, there is still scope for improvement across responsiveness and complaint handling. Satisfaction with customer service was up slightly at 63% but this is still below overall expectations. However, only 3% of tenants said that they would not recommend Edinburgh Living to friends and family.
- 4.13 The results of the satisfaction survey will be benchmarked against wider mid-market rent provision and the results of the survey has been fed back to Lowther Homes.
- 4.14 Subject to approval, a new service provider will be in place in June 2023. The intention would be to provide time for the new service provider to establish their service and relationships with tenants, with the next survey due to be carried out in 2024.

#### **Financial Position and Impact of Rent Freeze**

- 4.15 The financial statements for 2021 (Appendix 2) were prepared in accordance with the relevant accounting standards, audited by Azets and approved by the Edinburgh Living Corporate Body in September 2022. Council representation on the Corporate Body is set out at Appendix 3.
- 4.16 The financial statements for 2022 are currently only in draft and will be subject to revision, mainly related to the impact of the property valuations which are in progress. As at the 31 December 2022 the indicative position shows a modest increase in surplus from the previous year, all of which will be ring-fenced for the

lifecycle maintenance of the property portfolio in future years, in accordance with the business model.

- 4.17 Rental income has increased by approximately 38% due to the expansion of the property portfolio and this combined with the costs of the Management and Maintenance (M&M) contract having been fixed prior to recent increases in inflation, have been the main drivers behind the favourable outturn. The main M&M contract terminates in May 2023 and the early indications are that the future contract will have significantly higher costs going forward, which will impact on the level of future funding set aside for lifecycle maintenance. The single largest cost incurred in year relates to interest on loan repayments, which has risen due to the expansion of the property portfolio and the impact of increased borrowing costs. Edinburgh Living operates on tight margins and therefore the impact of contract price increases, interest rate rises, and any rent restrictions have a significant impact on the ability to set aside funds for future investment in the property portfolio.
- 4.18 Edinburgh Living pays for all the services it requires through the collection of rents. Rent increases take place throughout the year dependent on when individual developments are purchased. Tenants' rents can only be increased once a year, with increases capped at the Consumer Price Index (CPI) and tenants are given three months' notice of any future rental increase.
- 4.19 The published CPI figure for Edinburgh Living rental increases from January 2022 was 5.4%. However, Edinburgh Living rents only increased at around 3% to balance the need to meet financial commitments, now and into the future, and the ability for tenants to meet their own financial commitments. Rental increases before 2022 were at below business case expectations and equated to 1.21% rise in 2020 and 0.58% rise in 2021. On average, rents are at around 80% of Local Housing Allowance (LHA).

#### **Impact of the rent freeze on 2022/23**

- 4.20 On 6 October 2022, the Scottish Parliament approved *The Cost of Living (Tenant Protection)(Scotland) Act* which gives Ministers the power to cap rent increases for both private and social tenants. The legislation is in force until at least 31 March 2023. The current rent freeze will impact 426 Edinburgh Living homes, which would have received rental increases of around 3%. This would have generated £47,700 of income to support running costs.
- 4.21 298 of the LLP's properties were eligible for a rent increase between the start of the rent freeze on 6 September 2022 and 31 March 2023. A further 128 properties would be eligible for rent increases between 1 April and 31 July 2023 and therefore would be due to receive letters regarding rent increases before the end of the rent freeze. It has been assumed that no letters will be issued until after the 31 March 2023 and therefore no rent increase will be applied until 1 August 2023 at the earliest.

## **Impact of rent freeze on 2023/24**

- 4.22 The City of Edinburgh Council agreed a motion to request a report to the next Housing, Homelessness and Fair Work Committee on the implications of a rent freeze for Edinburgh Living tenants in 2023/24. In the event that Edinburgh Living rents were frozen for a further year from March 2023, the potential rental income due to the LLP would be £127,000 less than it would otherwise have been from the period 6 September 2022 to 31 March 2024, assuming rents would be increased from 1 April 2024. The figures have been calculated based on a rise of 3%, in line with the most recent rent increases applied.
- 4.23 In January 2023 the Scottish Government announced that, subject to the approval of Parliament, changes to the Cost of Living (Tenant Protection) Act will mean that from the 1 April 2023 private rents could be increased with a cap at 3%. There will be a review of these measures in September 2023. As noted above, with three months' notice to tenants, this would allow rental increases to take place from 1 August 2023. Edinburgh Living rental increases for 2023 will be set within the parameters of the legislation and the LLP's governance.
- 4.24 Edinburgh Living needs to build up reserves to allow it to maintain the homes at a suitable standard for tenants. The current financial context is that day-to-day costs that the LLP is incurring are higher than the original business case, reflecting the wider economic climate. When this is combined with the rent freezes it impacts on the LLP's ability to build up sufficient reserves which are required to cover lifecycle costs and the LLP's ability to withstand any further increases in costs e.g. borrowing to purchase more homes.
- 4.25 The Edinburgh Living business model assumes properties will be held for 40 years with annual rent increases. If rent rises in subsequent years are not set at a level that will recover the income foregone by the freeze up to 31 July 2023, there will be a compounding impact over the remainder of the properties' 40 year lifetime. This will equate to £3.2m (for the 426 homes). Should rents continue to be frozen until 31 March 2024, the cumulative impact over 40 years would be £8m.

## **5. Next Steps**

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- 5.1 Edinburgh Living is expected to purchase a further 109 homes over the course of 2023. These homes will include the Council's first net zero carbon homes and the first homes within the Granton regeneration area.
- 5.2 The SMT will continue to support the management of the LLP on a day to day basis including monitoring the completion of the procurement process to appoint a new management and maintenance provider and the transfer of service provision, following approval to appoint in early 2023.

## **6. Financial impact**

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- 6.1 There is no financial impact arising from this report.

- 6.2 Purchase of homes is funded through Council borrowing from the General Fund, repaid from rental income and Scottish Government grant funding. Scottish Government consent is in place for the Council to on-lend to Edinburgh Living.

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

---

- 7.1 The LLPs have a key role to play in delivering the Council's housing strategy and commitment to deliver affordable homes. The development of the LLPs will also have a positive impact on the local economy, through creating opportunities for local businesses as well as jobs in construction.
- 7.2 Edinburgh Living acquires new build homes that are developed through the Council's housebuilding programme to high standards in terms of energy efficiency and sustainability. A strong emphasis is placed on providing homes that are cheap to heat and affordable to manage for tenants.

Community benefits are secured through housing contracts and the management and maintenance contract can enhance the local environment. As part of the Lowther Homes contract, the delivery of community benefits was focused on training schemes, apprenticeships and a bursary programme. Lowther Homes is also committed to delivering benefits linked to tackling fuel poverty and supporting local businesses.

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

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- 8.1 [Edinburgh Living Annual Update 2020 and 2021 – Referral from the Housing, Homelessness and Fair Work Committee, 23 August 2022](#)
- 8.2 [E8.1 Edinburgh Living Annual Report 2019 – Referral from the Housing, Homelessness and Fair Work Committee, Governance, Risk and Best Value Committee, 16 February 2021.](#)
- 8.3 [City Deal – New Housing Delivery Partnership Implementation – Referral from the Housing and Economy Committee, City of Edinburgh Council, 1 February 2018.](#)

## **9. Appendices**

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- 9.1 Appendix 1 – Delivery.
- 9.2 Appendix 2 – Financial Statements 2021.
- 9.3 Appendix 3 – Corporate Body Membership.

## Appendix 1 – Delivery

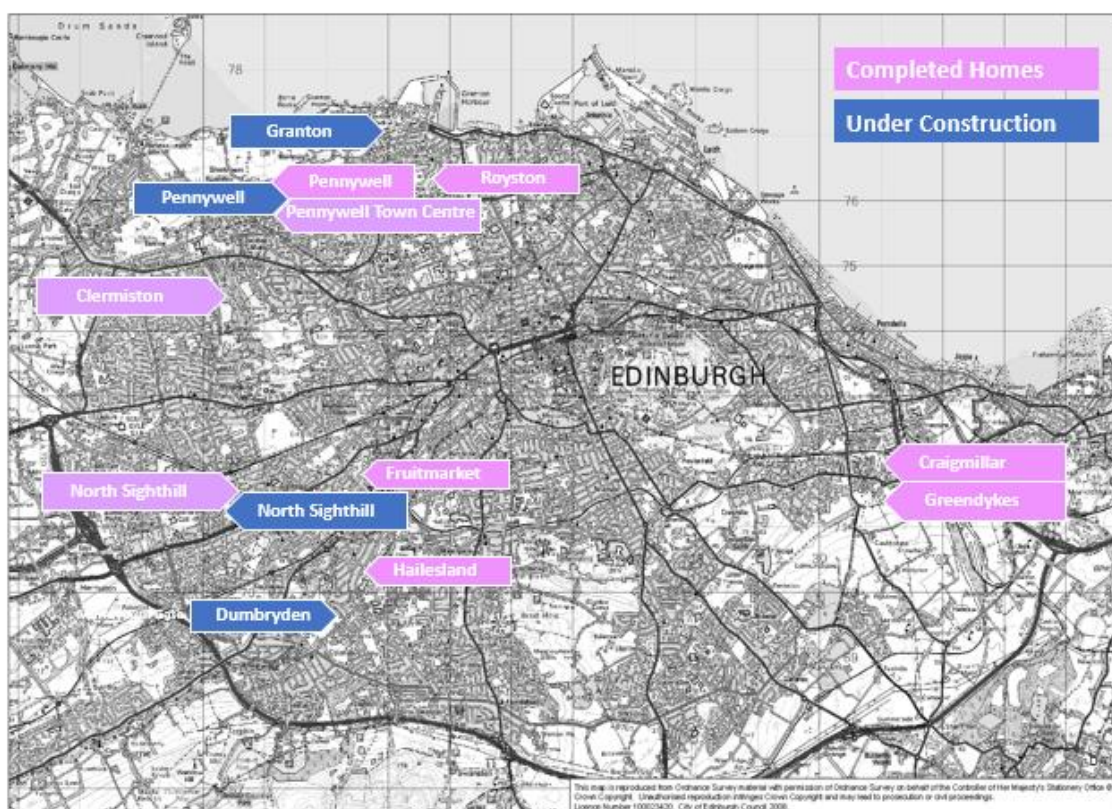
Delivery of mid-market rent homes city-wide

Homes purchased by Edinburgh Living in 2019	
Clermiston	22
Hailesland	11
Pennywell Town Centre	12
North Sighthill	8
Greendykes	56
Royston	22
<b>Total</b>	<b>131</b>

Homes purchased by Edinburgh Living in 2020	
Dumbryden	19
Craigmillar	77
North Sighthill	16
<b>Total</b>	<b>112</b>

Homes purchased by Edinburgh Living in 2021	
Craigmillar	56
North Sighthill	37
Pennywell	8
<b>Total</b>	<b>101</b>

Homes purchased by Edinburgh Living in 2022	
Pennywell	38
Pennywell Town Centre	40
Fruitmarket	80
<b>Total</b>	<b>158</b>





## **Appendix 2 – Financial Statements 2021**

### **Edinburgh Living MMR LLP**

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

Registered number SO306071

For the year ended 31 December 2021

## **Contents**

Members' report	1
Statement of members' responsibilities in respect of the members' report and the financial statements	3
Independent auditor's report to the members of Edinburgh Living LLP	4
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Notes	10

## **Members' report**

The members present their members' report and financial statements for the year ended 31 December 2021.

### **Principal activities**

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

### **Business review**

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

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

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

### **Results**

The results for the year are shown on the profit and loss account on page 7.

### **Members**

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

Scottish Futures Trust Investments Limited  
The City of Edinburgh Council

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

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

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

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

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

*Edinburgh Living MMR LLP  
Members' report and financial statements  
For the year ended 31 December 2021  
Registered number SO306071*

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

**Auditor**

Azets Audit Services are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

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

Signed on behalf of the members

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

Waverley Court  
4 East Market Street  
Edinburgh  
EH8 8BG  
29 September 2022

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

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

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

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

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

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

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

### **Opinion**

We have audited the financial statements of Edinburgh Living MMR LLP (the 'limited liability partnership') for the year ended 31 December 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity 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 United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2021 and of its profit 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 Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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**

In auditing the financial statements, we have concluded that the members' 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 limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

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

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

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

### **Responsibilities of members**

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

#### **Use of our report**

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Nick Bennett (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services**

.....

**Chartered Accountants**  
**Statutory Auditor**

Exchange Place 3  
Semple Street  
Edinburgh  
United Kingdom  
EH3 8BL



## Profit and loss account

for the year ended 31 December 2021

	Note	2021 £	2020 £
<b>Turnover</b>		2,255,965	1,025,440
Cost of sales		(232,236)	(208,817)
		<hr/>	<hr/>
<b>Gross profit</b>		2,023,729	816,623
Government grant release	8	167,596	89,805
Administrative expenses		(194,379)	(192,555)
Net gain from fair value adjustment on investment properties		7,070,583	2,502,272
		<hr/>	<hr/>
<b>Operating profit</b>		9,067,529	3,216,145
Interest payable and similar charges	4	(982,207)	(588,878)
		<hr/>	<hr/>
<b>Profit before tax</b>		8,085,322	2,627,268
		<hr/>	<hr/>
<b>Profit for the financial year available for discretionary division among members</b>	3	8,085,322	2,627,268
		<hr/> <hr/>	<hr/> <hr/>

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

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

## Balance sheet

at 31 December 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Investment properties	5	67,405,995	46,144,069
<b>Current assets</b>			
Debtors	6	347,187	217,255
Cash at bank and in hand		1,104,066	512,955
<b>Current assets</b>		1,451,253	730,210
<b>Creditors: amounts falling due within one year</b>	7		
Trade and other payables		(1,927,526)	(1,372,752)
Deferred income	8	(177,650)	(133,650)
<b>Net current assets</b>		(653,923)	(776,192)
<b>Creditors: amounts falling due in more than one year</b>	7 & 8	(6,647,883)	(5,099,480)
<b>Net assets attributable to members</b>		60,104,189	40,268,397
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Other amounts	10	41,139,575	29,389,105
<b>Members' equity</b>			
Members' capital	11	2	2
Revaluation reserve		17,808,100	10,737,517
Profit & loss reserve		1,156,512	141,773
		60,104,189	40,268,397

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

The notes on pages 10 to 14 form part of these financial statements.

These financial statements were approved by the members and authorised for issue on 29 September 2022 and are signed on their behalf by:

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

## Statement of changes in Members' interests

for the year ended 31 December 2021

	Members' Capital (classified as equity)	Profit & Loss Reserve	Revaluation Reserve £	Loans & Other Debts Due to Members £	Total Members' interests £
Balance at 1 January 2020	2	16,777	8,235,245	16,595,617	24,847,641
New loans from Members during year	-	-	-	12,793,488	12,793,488
Profit for the financial year	-	124,996	-	-	124,996
Revaluations	-	-	2,502,272	-	2,502,272
<b>Balance at 31 December 2020</b>	<b>2</b>	<b>141,773</b>	<b>10,737,517</b>	<b>29,389,105</b>	<b>40,268,397</b>
New loans from Members during year	-	-	-	11,750,470	11,750,470
Profit for the financial year	-	1,014,739	-	-	1,014,739
Revaluations	-	-	7,070,583	-	7,070,583
<b>Balance at 31 December 2021</b>	<b>2</b>	<b>1,156,512</b>	<b>17,808,100</b>	<b>41,139,575</b>	<b>60,104,189</b>

The notes on pages 10 to 14 form part of these financial statements.

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

## Notes

(forming part of the financial statements)

### 1. General information

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

### 2. Accounting policies

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

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

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

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

In relation to the LLP's working capital requirements, the members have prepared cash flow forecasts which indicate that the LLP will continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least twelve months from the date of approval of these financial statements. The LLP finances its day to day working capital requirements through funds advanced to the LLP by its members, as detailed in note 10.

Covid-19 has had an effect on rental income and acquisitions and may continue to do so in 2022. The Board has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The Board concluded that there were sufficient resources available to the LLP to withstand a reasonable level of negative impact on the rental income.

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

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

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

#### ***Turnover***

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

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

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

Subsequent to initial recognition:

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

## Notes (continued)

### 2. Accounting policies (continued)

#### *Investment properties (continued)*

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

#### *Interest*

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

#### *Taxation*

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

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

#### *Government grants*

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

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

#### *Key sources of estimation uncertainty*

##### *Valuation of Investment Property*

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

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

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

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

	2021 £	2020 £
<b>This is stated after charging:</b>		
Auditor's remuneration:		
Audit of these financial statements	7,850	7,500
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**4. Interest payable and similar charges**

	2021 £	2020 £
On members' loans	982,207	588,878
	<u>982,207</u>	<u>588,878</u>

**5. Investment properties**

	2021 £	2020 £
Opening balance at 1 January 2021	46,144,069	27,747,852
Acquisition cost	14,191,343	15,893,945
Change in fair value	7,070,583	2,502,272
Balance at 31 December 2021	<u>67,405,995</u>	<u>46,144,069</u>

The last valuation was carried out by a registered valuer and qualified Chartered Surveyor from the City of Edinburgh Council, in December 2021 and is based on market value.

The valuation report has been used to inform the measurement of assets in these financial statements. The report states that the Edinburgh and Lothians Housing market has returned to pre-Covid levels. With restrictions lifted, the valuer was able to visit each site, undertake locality analysis and compare developments against a larger volume of comparable transactions.

**6. Debtors**

	2021 £	2020 £
Other debtors	340,796	213,636
Unpaid members' capital	2	2
Prepayments	6,389	3,617
	<u>347,187</u>	<u>217,255</u>

**Notes** (continued)

**7. Creditors**

	<b>2021</b>	<b>2020</b>
	£	£
<b>Amounts falling due within one year:</b>		
Amounts due to The City of Edinburgh Council	900,555	592,536
Retentions	680,925	468,253
Accruals	223,742	269,479
Other creditors	122,305	42,484
Deferred income	177,650	133,650
	<u>2,105,177</u>	<u>1,506,402</u>
<b>Amounts falling due in more than one year:</b>		
Deferred income	6,647,883	5,099,479
	<u>6,647,883</u>	<u>5,099,479</u>

**8. Deferred income**

	<b>2021</b>	<b>2020</b>
	£	£
Opening balance	5,233,130	2,858,935
Grant received during the year	1,760,000	2,464,000
Grant released to profit and loss account	(167,596)	(89,805)
	<u>6,825,534</u>	<u>5,233,130</u>

**9. Related party transactions**

Throughout the year the partnership was controlled by the members.

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

		<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
		<b>Transactions</b>	<b>Short-term</b>	<b>Transactions</b>	<b>Short-term</b>
			<b>creditor at</b>		<b>creditor at</b>
			<b>year end</b>		<b>year end</b>
		£	£	£	£
<b>Related party</b>					
The City of Edinburgh Council	Management fees	119,265	55,589	154,301	94,507
The City of Edinburgh Council	Interest	982,207	247,990	588,878	166,343
The City of Edinburgh Council	Principal	11,750,470	652,565	12,793,488	426,193
The City of Edinburgh Council	Staff recharges	70,784	123,349	78,128	78,128
		<u>12,922,726</u>	<u>1,079,493</u>	<u>13,614,795</u>	<u>765,171</u>

**Notes** (continued)

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

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Due to The City of Edinburgh Council	41,139,575	29,389,105
	<u>41,139,575</u>	<u>29,389,105</u>
	<u><u>41,139,575</u></u>	<u><u>29,389,105</u></u>

**11. Members' capital**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
The City of Edinburgh Council	1	1
Scottish Futures Trust Investments Limited	1	1
	<u>2</u>	<u>2</u>
	<u><u>2</u></u>	<u><u>2</u></u>

**12. Ultimate controlling party**

The City of Edinburgh Council (CEC), Waverley Court, 4 East Market St Edinburgh, EH8 8BG is the ultimate controlling party. CEC's accounts is the largest published group accounts of which the LLP is a member.

**13. Subsequent events**

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



### Appendix 3 – Corporate Body Membership

The Edinburgh Living Corporate body consists of two Members of the Limited Liability Partnership (LLP) – City of Edinburgh Council and Scottish Futures Trust (SFT).

Five Council representatives attend meetings of the Corporate Body alongside a representative from SFT. Council representation was agreed by the City of Edinburgh Council as follows:

<b>Current Representative</b>
Councillor Kate Campbell
Councillor Phil Duggart
Councillor Susan Rae
Councillor Mandy Watt
Paul Lawrence – Executive Director of Place

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by virtue of paragraph(s) 14 of Part 1 of Schedule 7A  
of the Local Government(Scotland) Act 1973.

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